

PLAZA CENTERS N.V.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2018

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Building a better
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Kost Forer Gabbay & Kasierer
144 Menachem Begin Road, Building A,
Tel-Aviv 6492102, Israel

Tel: +972-3-6232525
Fax: +972-3-5622555
ey.com

Auditors' review report to the shareholders of Plaza Centers N.V.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Plaza Centers N.V. (the "Company") and its subsidiaries (together the "Group") as of June 30, 2018 and the related interim condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months period then ended, and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 Interim Financial Reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion


Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 as adopted by the European Union.

Emphasis of Matters

1. We draw your attention to Notes 4 in the condensed consolidated financial statements which disclose, amongst others, information regarding the Company's cash flow projections for a period of eighteen months commencing July 1st 2018. 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, it is expected that the Company will not be able to meet its entire contractual obligations in the following 12 months. In addition, there is a risk that the bondholders may demand the immediate repayment of the bonds due to the Company's breach of a covenant in the trust deeds. The 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. Our opinion is not modified in respect of this matter.
2. We draw your attention to Note 6(a) which discloses potential irregularities regarding Casa Radio project in Romania and their potential implications.
3. We draw your attention to Note 6(b) which discloses the risk that the public authorities may seek to terminate the Public Private Partnership Agreement ("PPP Agreement") and/or relevant permits and/or could seek to impose delay penalties on the basis of perceived breaches of the Company's commitments under the PPP Agreement. In the event that the public authorities seek to terminate the PPP Agreement and/or seek to impose penalties, the Company may incur penalties and/or recover less than the carrying amount of the Casa radio asset recorded in the consolidated financial statements as at year end (€ 50.4 million).

Our conclusion is not qualified in respect of these matters.

Tel-Aviv, Israel
August 20, 2018


KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2018	December 31, 2017
	Unaudited	Audited
	Euros in thousands	
ASSETS		
Cash and cash equivalents	1,248	44,844
Other receivables	291	670
Related parties' receivables	1,776	-
Prepayments	-	131
Total current assets	3,315	45,645
Trading properties	70,168	73,569
Equity accounted investees	16,212	19,530
Property and equipment	24	178
Related parties' receivables	-	1,753
Total non-current assets	86,404	95,030
Total assets	89,719	140,675

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

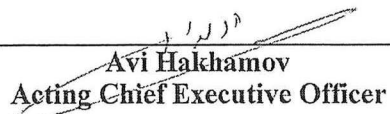
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

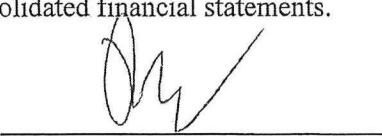
	June 30, 2018	December 31, 2017
	Unaudited	Audited
	Euros in thousands	
LIABILITIES AND EQUITY		
LIABILITIES AND SHAREHOLDERS' EQUITY		
Bonds at amortized cost	76,061	116,914
Trade payables	103	584
Related parties' liabilities	16	87
Other liabilities	1,504	1,878
Total current liabilities	77,684	119,463
Provisions	12,849	12,849
Total non-current liabilities	12,849	12,849
Share capital	6,856	6,856
Translation reserve	(29,605)	(28,800)
Other reserves	(19,983)	(19,983)
Share based payment reserve	35,376	35,376
Share premium	282,596	282,596
Retained losses	(276,054)	(267,682)
Total equity	(814)	8,363
Total equity and liabilities	89,719	140,675

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

August 20, 2018

Date of approval of the
financial statements


Avi Hakhamov
Acting Chief Executive Officer


David Dekel
Director and Chairman of the
Audit Committee

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Six months ended June 30,	
	2018	2017
	Unaudited	
	Euros in thousands (except per share data)	
Revenues and gains		
Revenue from disposal of trading properties	210	67,159
Total revenues	210	67,159
Gains and other		
Rental income	-	4,554
Other income	237	611
Total gains	237	5,165
Total revenues and gains	447	72,324
Expenses and losses		
Cost of trading properties disposed	-	(62,733)
Cost of operations	(128)	(1,759)
Write-down of trading properties	(3,401)	(464)
Share in results of equity-accounted investees	(397)	(170)
Administrative expenses	(1,485)	(3,612)
Other expenses	(520)	(34)
Finance income	144	428
Finance costs	(4,430)	(11,072)
	(10,217)	(79,416)
Loss before income tax	(9,770)	(7,092)
Tax benefit (Income tax expense)	(1)	314
Loss for the period	(9,771)	(6,778)
Earnings per share		
Basic and diluted loss per share (EUR)	(1.43)	(0.99)

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six months ended June 30,	
	2018	2017
	Unaudited	
	Euros in thousands (except per share data)	
Loss for the period	(9,771)	(6,778)
Other comprehensive income		
Items that are or may be reclassified to profit or loss:		
Foreign currency translation differences - foreign operations (Equity accounted investees)	<u>(805)</u>	<u>(876)</u>
Other comprehensive loss for the period	<u>(805)</u>	<u>(876)</u>
Total comprehensive loss for the period	<u><u>(10,576)</u></u>	<u><u>(7,654)</u></u>

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share Premium	Share based payment reserves	Translation Reserve	Capital reserve from acquisition of non-controlling interests	Retained losses	Total
Balance at January 1, 2018	6,856	282,596	35,376	(28,800)	(19,983)	(267,682)	8,363
Adjustments on initial application of IFRS 9 (see Note 2b)	-	-	-	-	-	1,399	1,399
Comprehensive loss for the year							
Net loss for the year	-	-	-	-	-	(9,771)	(9,771)
Foreign currency translation differences	-	-	-	(805)	-	-	(805)
Total comprehensive loss for the year	-	-	-	(805)	-	(9,771)	(10,576)
Balance at June 30, 2018 (unaudited)	6,856	282,596	35,376	(29,605)	(19,983)	(276,054)	(814)

	Share capital	Share Premium	Share based payment reserves	Translation Reserve	Other reserves	Retained losses	Total
Balance at January 1, 2017	6,856	282,596	35,376	(27,103)	(19,983)	(241,119)	36,623
Comprehensive loss for the year							
Net loss for the year	-	-	-	-	-	(6,778)	(6,778)
Foreign currency translation differences	-	-	-	(876)	-	-	(876)
Total comprehensive loss for the year	-	-	-	(876)	-	(6,778)	(7,654)
Balance at June 30, 2017 (unaudited)	6,856	282,596	35,376	(27,979)	(19,983)	(247,897)	28,969

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,	
	2018	2017
	Unaudited	
	Euros in thousands	
<u>Cash flows from operating activities:</u>		
Loss for the period	(9,771)	(6,778)
<u>Adjustments necessary to reflect cash flows used in operating activities</u>		
Depreciation of property and equipment	156	16
Net finance costs	4,286	10,644
Share of loss of equity-accounted investees	397	170
Gain from sale of subsidiaries	-	(4,779)
Income tax expense (tax benefit)	1	(314)
	<u>(4,931)</u>	<u>(1,041)</u>
<u>Changes in:</u>		
Trade receivables	17	(3,101)
Other receivables	458	2,942
Trading properties	3,401	2,159
Trade payables	26	(366)
Other liabilities, related parties' liabilities and provisions	(839)	(946)
	<u>3,063</u>	<u>688</u>
Interest paid	(3,000)	(6,238)
Taxes paid	(1)	(10)
	<u>(4,869)</u>	<u>(6,601)</u>
Net cash used in operating activities	(4,869)	(6,601)
Cash from investing activities		
Proceeds from sale of property and equipment	1	3,703
Proceeds from sale of subsidiaries (Appendix A)	-	50,218
Distribution received from equity accounted investees	2,115	221
Changes in restricted cash	-	3,207
	<u>2,116</u>	<u>57,349</u>
Net cash provided by investing activities	2,116	57,349

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,	
	2018	2017
	Unaudited	
	Euros in thousands	
Cash from financing activities		
Proceed from bank loans	-	4,029
Repayment of debentures	(40,053)	(51,090)
Repayment of interest bearing loans from banks	-	(707)
	<u>-</u>	<u>(707)</u>
Net cash used in financing activities	<u>(40,053)</u>	<u>(47,768)</u>
Effect of exchange fluctuations on cash held	(790)	-
Increase (Decrease) in cash and cash equivalents during the year	(43,596)	2,980
Cash and cash equivalents as at January 1st	<u>44,844</u>	<u>5,646</u>
Cash and cash equivalents as at June 30	<u>1,248</u>	<u>8,626</u>
Appendix A - Proceeds from sale of investments in previously consolidated subsidiaries:		
The subsidiaries assets and liabilities at date of sale:		
Working capital (excluding cash and cash equivalents)	-	(9,359)
Trading Properties	-	97,360
Bank Loans	-	(42,000)
Gain from sale of subsidiaries	-	4,217
	<u>-</u>	<u>4,217</u>
	<u>-</u>	<u>50,218</u>

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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. In past the Company conducted 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). Following debt restructuring plan approved in 2014 the Group main focus is to reduce corporate debt by early repayments following sale of assets and to continue with efficiency measures and cost reduction where possible.

The condensed interim consolidated financial statements for each of the periods presented comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in jointly controlled entities.

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

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, 2018 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 2017.

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, 2017.

The interim condensed consolidated financial statements as of June 30, 2018 were authorized by the Board of Directors on 20 August 2018.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- BASIS OF PREPARATION (Cont.)

- b. New standards, interpretations and amendments adopted by the Group:

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 9 Financial Instruments. As required by IAS 34, the nature and effect of these changes are disclosed below.

Several other amendments, including adoption of IFRS 15 Revenue from Contracts with Customers, and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Financial instruments:

With respect to the initial adoption of IFRS 9, "Financial Instruments" ("the Standard"), the Company chose to adopt the provisions of the Standard retrospectively without restatement of comparative figures.

The new accounting policy regarding financial instruments is as follows:

1. Financial assets:

Financial assets within the scope of the Standard are measured upon initial recognition at fair value with the addition of transaction costs that can be directly attributed to the financial asset's acquisition, excluding financial assets that are measured at fair value through profit or loss whereby the transaction costs are carried to profit or loss.

- a) Debt instruments are measured at amortized cost when the following criteria are met:

The Company's business model consists of holding the financial assets for collecting contractual cash flows therefrom; and the contractual cash flow terms of the financial asset provide entitlement to cash flows which only include principal payments and interest on the unpaid principal on predetermined dates. After initial recognition, the instruments in this category are presented according to their terms at cost with the addition of directly attributable transaction costs using the amortized cost method.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- BASIS OF PREPARATION (Cont.)

2. Impairment of financial assets:

The Company reviews at the end of each reporting period the provision for loss of financial debt instruments which are not measured at fair value through profit or loss.

The Company has financial assets bearing short-term credit such as trade receivables in respect of which it is required to adopt the relief prescribed in the model and measure the provision for loss in an amount which is equivalent to the expected credit losses throughout the instrument's term. The Company chose to adopt the relief in respect of these financial assets.

3. Derecognition of financial assets:

A financial asset is only derecognized when the following criteria are met:

- The contractual rights to the cash flows from the financial asset expire; or
- The Company has transferred substantially all the risks and rewards deriving from the contractual rights to receive cash flows from the financial asset or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.
- The Company has retained its contractual rights to receive cash flows from the financial asset but has assumed a contractual obligation to pay the cash flows in full without material delay to a third party.

4. Financial liabilities:

Financial liabilities within the scope of the Standard are initially recognized at fair value less transaction costs that are directly attributable to the issue of the financial liability, excluding financial liabilities measured at fair value through profit or loss whose transaction costs are carried to profit or loss.

5. Derecognition of financial liabilities:

A financial liability is derecognized only when it is extinguished, that is when the obligation is discharged or cancelled or expires. A financial liability is extinguished when the debtor discharges the liability by paying in cash, other financial assets, goods or services; or is legally released from the liability.

When an existing financial liability is exchanged with another liability from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is accounted for as an extinguishment of the original liability and the recognition of a new liability. The difference between the carrying amounts of the above liabilities is recognized in profit or loss.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- BASIS OF PREPARATION (Cont.)

If the exchange or modification is not substantial, the Company is required to update the carrying amount of the original liability by discounting the modified cash flows discounted at the original effective interest rate and recognize a gain or loss in profit or loss.

When evaluating whether the change in the terms of an existing liability is substantial, the Company takes into account both quantitative and qualitative considerations.

6. Offsetting financial instruments:

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position if there is a legally enforceable right to set off the recognized amounts and there is an intention either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Revenue from Contracts with Customers:

The accounting policy on revenue recognition based on IFRS 15, "Revenue from Contracts with Customers" ("the Standard") adopted effective from January 1, 2018 retrospectively without restatement of comparative figures and is as follows:

1. Revenue recognition:

According to the Standard, revenue from contracts with customers is recognized in profit or loss when the control over the asset or service is transferred to the customer. Revenue is measured and recognized at the fair value of the consideration that is expected to be received based on the contract terms, less the amounts collected in favor of third parties (such as taxes). Where a contract contains elements of variable consideration, the entity will estimate the amount of variable consideration to which it will be entitled under the contract. Revenue is recognized in profit or loss to the extent that it is probable that the economic benefits associated with the contract will flow to the Company and that the costs incurred or to be incurred in respect of the contract can be measured reliably.

Initial adoption of IFRS 9, "Financial Instruments":

In July 2014, the IASB issued the final and complete version of IFRS 9, "Financial Instruments" ("the new Standard"), which replaces IAS 39, "Financial Instruments:

The effect of the initial adoption of the new Standard on the Company's financial statements is as follows:

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- BASIS OF PREPARATION (Cont.)Derecognition of financial liabilities:

The Company modified the terms of previously issued debentures during 2016. Accordingly, the Company accounted for the modification in conformity with the provisions of IAS 39.7A by adjusting the effective interest rate so that the updated cash flows, discounted at the new interest rate, will correspond to the carrying amount of the debentures prior to said change in terms. According to the new Standard, the Company accounts for the modification by recognising the difference between the discounted updated cash flows, after the change in terms and using the original effective interest rate, and the carrying amount to profit or loss. The effect of the above changes on the Company's financial statements is as follows:

In the consolidated statements of financial position:

	As previously reported	The change	According to IFRS 9
	<u>EUR in thousands</u>		
As of January 1, 2018			
Bonds at amortized cost	116,914	(1,399)	115,515
Retained losses	(267,682)	1,399	(266,283)

Initial adoption of IFRS 15, "Revenue from Contracts with Customers":

The initial adoption of IFRS 15 do not have an impact on the interim condensed consolidated financial statements of the Group.

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, 2017, save for the changes highlighted above. Refer also to Note 4 below for significant estimations performed.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet the mandatory repayment obligations of its bonds and other working capital requirements.

The Group's primary need for liquidity is to repay its debts 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, 2018 the Group's outstanding obligations to bondholders are EUR 81 million.

In January 2018, a settlement agreement was signed by and among the Company and the two Israeli Series of Bonds including a new repayment schedule (refer to Note 15b(2)) in the annual financial statement as of December 31, 2017).

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, 2018 is aggregated in the following tables.

<u>Liquidity Requirements</u>	Total Payment Due by period (in TEUR)	
	Within 1 year	Within 1-1.5 year
Bonds including current portion and interest	54,400	8,200
General & administrative (**)	2,400	1,000
Total liquidity requirements	56,800	9,200
Total Sources (*)	16,000	9,700
Total deficit	(40,800)	500

(*) The Company expects to increase the amount of its liquid balances during the 18 months starting July 1, 2018, by sale of plots of lands (including India) and others.

(**) Including estimated cost of Plots maintenance.

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 for the sale of the project in Bangalore, India (refer to Note 7(e)) and the expected changes in the sale dates of certain assets, it is expected that the Company will not be able to meet its entire contractual obligations in the following 12 months.

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 condensed consolidated interim financial statements. The materialization of the above forecast is not certain 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.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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.

As of June 30, 2018 the Company is not in compliance with Coverage Ratio Covenant ("CRC") as defined in the restructuring plan. This may entitle the bondholders to declare that all or a part of their respective (remaining) claims become immediately due and payable.

The Company's financial statements as of December 31, 2017 include an auditor's opinion with emphasis of matter to going concern uncertainty. As a result, there is a risk that the bondholders could argue that there exists a substantial suspicion with respect to the Company's ability to repay its obligations that entitles them to immediate repayment.

In addition, based on trust deeds in case of material deterioration in the Company's business and substantial suspicion exists that the Company will not be able to repay the bonds on time, the bondholders may declare immediate repayment of bonds.

In respect of credit rating downgrade followed by withdraw of credit rating by Standard & Poor at the Company's request refer to Note 7 (c) to these condensed consolidated financial statements.

In the case that the bondholders would declare their remaining claims to become immediately due and payable, the Company would not be in a position to settle those claims and would need to enter to an additional debt restructuring or might cease to be a going concern. As at the date of these condensed consolidated financial statements the bondholders have not taken steps to assert their rights.

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.

NOTE 5: - FINANCIAL INSTRUMENTS

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.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5: - FINANCIAL INSTRUMENTS (Cont.)

	Carrying amount		Fair value	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31 2017
	Unaudited	Audited	Unaudited	Audited
	Euros in thousands			
Statement of financial position				
Debentures A at amortized cost – Israeli NIS bonds	31,534	45,963	17,079	30,493
Debentures B at amortized cost – Israeli NIS bonds	44,527	65,832	29,528	49,536

The total contractual liability of the Debentures was EUR 81 million as at June 30, 2018.

NOTE 6: - CASA RADIO

- a. Following Note 8(6)(d) to the annual financial statements which discloses potential irregularities regarding to Casa Radio project in Romania and their potential implications, there have been no significant events since the publication of the annual financial statement as of December 31, 2017.
- b. Following Note 8 (6)(c) to the annual financial statements which discloses that the public authorities may seek to terminate the Public Private Partnership Agreement and with respect to Casa Radio asset and potential implications, there have been no significant events since the publication of the annual financial statements as of December 31, 2017. The Company had few meetings with governmental officials discussing the options and possibility to amend the PPP Agreement with no significant progress until the date hereof.

NOTE 7:- MATERIAL EVENTS DURING THE REPORTING PERIOD

- a. Settlement agreement with the Bondholders:

In January 2018, a settlement agreement has been reached and approved (and all the conditions precedent in the agreement fulfilled) between the holders of two Series of Israeli Bonds and the Company regarding the allocation of funds, to be repaid by the Company, across the Israeli Bonds Series. As a result, the Series A Bondholders withdrew their request for immediate repayment. In regards to Settlement agreement principles refer to Note 15 (3) in the annual consolidated financial statement as of December 31, 2017.

- b. Retirement of Chief Executive Officer:

On 11 January, 2018 the Company announced that the CEO, Dori Keren will retire from his position at the end of March 2018. The Board of Directors appointed Avi Hakhamov, who has been with the Company for more than 11 years, as Acting CEO commencing 1 April 2018.

- c. Ceasing of rating by S&P:

On 18 January, 2018 S&P Maalot announced that it ceases updating the rating of the Company's bonds following the Company's request.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

- d. Earn-out payment for the sale of Torun:

In June 2018 the Company received the earn-out payment for the sale of Torun Plaza in amount of EUR 0.35 million, reduced by NAV adjustment of EUR 0.14 million.

- e. Sale agreement of Plot in India:

In January 2018, the Purchaser of the 100% interest in an SPV (in which Plaza holds a 50% stake with its joint venture partner, Elbit Imaging Ltd.), that holds property in Bangalore, India, (the "Agreement" and the "Purchaser" respectively), has given notice that all remaining payments under the Agreement will be stopped until a mutually acceptable solution is reached due to a proposed change (initiated by the Indian authorities) which could potentially impact the development of the land. In February, despite the notice above, the Purchaser has paid the January instalment in the amount of INR 5 Crores (circa EUR 0.65 million).

In March 2018, the Company and the Purchaser 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 EUR 43.8 million, the Company's share approximately EUR 21.9 million). Following the signing of the revised agreement the Purchaser paid EPI additional INR 22.5 Crores (approximately EUR 2.8 million, the Company's share approximately EUR 1.4 million) further to the INR 45 Crores (approximately EUR 5.6 million, the Company's share approximately EUR 2.8 million) that were already paid during the recent year.

Additional INR 70.5 Crores (approximately EUR 8.8 million, the Company's share approximately EUR 4.4 million) will be paid by the Purchaser in unequal monthly instalments until the Final Closing. The Final Closing will take place on 31 August 2019 when the final instalment of INR 212 Crores (approximately EUR 26.5 million, the Company's share approximately EUR 13.25 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.

- f. Motion to reveal and review internal documents:

In March 2018, a Shareholder of the Company has filed a motion with the Financial Department of the District Court in Tel-Aviv to reveal and review internal documents of the Company and of Elbit Imaging Ltd., with respect to the events surrounding that certain agreements that were signed in connection with the Casa Radio Project in Romania and the sale of the US portfolio. Such events were previously announced by the Company and are detailed in notes 8(6) and 27(d) in the annual financial statement as of December 31, 2017. In July 2018, the Company has filed a response to the relevant court.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

g. Redemption of the Polish Bonds:

In May 2018, further to the decision of the Israeli Series A and Series B Bondholders, the Company has redeemed in full the series of bonds issued in Poland at their principal amount together with interest accrued to the maturity date in total amount of EUR 11 million. Upon completion of the redemption, the Company has no outstanding bonds issued in Poland.

h. Claim in Greece:

In May 2018, a third party has filed a legal claim in the court of Greece against Helios Plaza AE ("HP"), a fully owned subsidiary of Plaza which holds land property in Athens ("Land Property"). The claimant is claiming from HP an amount of EUR 2.96 million based on a certain allegedly agreement that was claimed to be agreed in 2010, and has also filed a request for an injunction with respect to the Land Property in order to secure its claim. In June 2018, the injunction was granted until final decision regarding the main dispute. At this preliminary stage, the Company and its legal advisors are unable to estimate the probability of the claim and its possible implication if any.

Due to these new circumstances the sale of the Land Property was put on hold, and the Company is discussing with the existing potential buyer the options forward.

The Company recorded a write-down of EUR 1.15 million which reflect expected transaction costs.

NOTE 8: - SUBSEQUENT EVENTS

a. Chennai, India:

In July 2018, Elbit Plaza India Real Estate Holdings Limited ("EPI"), has signed a term sheet with its local partner ("Buyer"), relating to the sale of EPI's Indian subsidiary ("SPV") that holds 74.7 acre plot in Chennai, India ("Term Sheet"). Under the terms of the Term sheet, the Buyer shall have 60 (sixty) days to conduct due diligence only with respect to the SPV, following which definitive agreements, for the sale of the SPV in consideration for INR 110 Crores (approximately EUR 13.75 million, the Company's share approximately EUR 6.8 million), (subject to adjustment with respect to the previous deposit that was placed and the existing cash in the SPV level), shall be signed and closing shall take place on the same day.

As a result, the Company recorded as share in losses of equity – accounted investees total amount of EUR 312 thousand to reflect the purchase price based on term sheet.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8: - SUBSEQUENT EVENTS (Cont.)

b. Lodz Centrum Plaza:

In July 2018, a subsidiary of the Company has signed a preliminary agreement with respect to the sale of the land plot known as "Lodz Centrum Plaza", in consideration for PLN 1.3 million. The agreement is conditional upon the pre-emptive right of the municipality of Lodz.

c. Request to reveal document

An indirect subsidiary of the Group in Romania (which holds plot of land outside Bucharest) received a request from Romanian authorities to reveal documents regarding the years in 2007-2011 as part of an ongoing investigation procedures. The company is unaware of the subject of investigation and any illegal acts or irregularities which may cause investigation initiated.

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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 2018, 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.

20 August 2018

The Board of Directors

Nadav Livni, executive director

Ron Hadassi, non-executive director and Chairman

David Dekel, non-executive director