

Plaza Centers N.V.
Condensed Consolidated Interim Financial Information
For the three months period ended March 31, 2015

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March 31, 2015

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Independent Auditors' Report on Review of Interim Financial Information

Board of Directors
Plaza Centers N.V.

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Plaza Centers N.V. ("the Company") as at March 31, 2015, the condensed consolidated statements of profit or loss and comprehensive income and the statement of changes in equity and cash flows for the three month period then ended, and notes to the interim financial information ("the condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the EU. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying March 31, 2015 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the EU.

Budapest, May 21, 2015

KPMG Hungária Kft.

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

	March 31,	December 31,
	2015	2014
	€ '000	€ '000
Note	Unaudited	Audited
ASSETS		
Cash and cash equivalents	29,813	33,363
Restricted bank deposits	9,386	6,886
Held for trading financial assets	2,357	1,434
Trade receivables	3,001	2,719
Other receivables	3,264	2,963
Prepayments and advances	402	767
Trading property	11(a) 38,572	-
Total current assets	86,795	48,132
Trading property	336,605	370,761
Equity accounted investees	40,016	36,108
Loan to equity accounted investees	5,542	6,121
Property and equipment	4,000	4,029
Deferred taxes	700	921
Other non-current assets	29	25
Total non-current assets	386,892	417,965
Total assets	473,687	466,097
LIABILITIES AND SHAREHOLDERS' EQUITY		
Interest bearing loans from banks	11(a) 59,806	37,885
Trade payables	1,567	1,893
Related parties liabilities	914	1,161
Derivatives	1,209	430
Other liabilities	15,974	13,175
Total current liabilities	79,470	54,544
Non-current liabilities		
Interest bearing loans from banks	92,490	112,962
Debentures at amortized cost	10(d) 178,674	162,862
Provisions	15,597	15,597
Derivatives	549	559
Total non-current liabilities	287,310	291,980
Equity		
Share capital	6,856	6,856
Translation reserve	(31,781)	(36,699)
Capital reserve due to transaction with Non-controlling interests	(20,706)	(20,706)
Other reserves	35,340	35,340
Share premium	282,596	282,596
Retained losses	(166,164)	(148,486)
Total equity attributable to equity holders of the Company	106,141	118,901
Non-controlling interests	766	672
Total equity	106,907	119,573
Total equity and liabilities	473,687	466,097

May 21, 2015

**Date of approval of the
financial statements**

**Ran Shtarkman
President and Chief Executive
Officer**

**David Dekel
Director and Chairman of the
Audit Committee**

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

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

	For the three months ended march 31,	
	2015	2014
	€ '000	€ '000
Note	Unaudited	Unaudited
<u>Continuing operations</u>		
Rental income	5,291	5,879
Revenues from entertainment centers	219	514
	5,510	6,393
Cost of operations	(1,907)	(2,035)
Cost of operations – entertainment centers	(315)	(540)
	3,288	3,818
Gross profit		
Write-down of trading property	(212)	-
Share of loss of equity-accounted investees, net of tax	(176)	(107)
Administrative expenses, excluding restructuring costs	(1,810)	(2,148)
Restructuring costs	-	(378)
Other income	1,960	-
Other expenses	(583)	(619)
	2,467	566
Results from operating activities		
Finance income	1,417	6
Finance costs	10(d) (21,338)	(12,793)
Net finance costs	(19,921)	(12,787)
Loss before income tax	(17,454)	(12,221)
Income tax	(224)	(3)
	(17,678)	(12,224)
Loss from continuing operations		
<u>Discontinued operation</u>		
Profit from discontinued operation, net of tax	-	66
	(17,678)	(12,158)
Loss for the period		
Loss attributable to:		
Owners of the Company	(17,678)	(12,158)
Earnings per share		
Basic and diluted loss per share (in EURO)	(0.03)	(0.04)
Earnings per share – continuing operations		
Basic and diluted loss per share (in EURO)	(0.03)	(0.04)

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

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

	For the three months ended march 31,	
	2015	2014
	€ '000	€ '000
	Unaudited	Unaudited
Loss for the period	(17,678)	(12,158)
Other comprehensive income		
<u>Items that may be reclassified to profit or loss in subsequent periods:</u>		
Foreign currency translation differences - foreign operations (Equity accounted investees)	3,935	1,215
Foreign currency translation differences - foreign operations (Other)	1,077	397
Other comprehensive income for the period, net of tax	5,012	1,612
Total comprehensive loss for the period, net of tax	(12,666)	(10,546)
Total comprehensive income (loss) attributable to:		
Owners of the Company:	(12,760)	(10,567)
Non-controlling interests	94	21

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

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

	Attributable to owners of the Company								
	Share capital	Share Premium	Other capital reserves	Translation Reserve	Capital reserve from acquisition of non-controlling interests without a change in control	Retained losses	Total	Non- controlling interests – restated	Total equity
	€ '000								
Balance at December 31, 2014 (audited)	6,856	282,596	35,340	(36,699)	(20,706)	(148,486)	118,901	672	119,573
Total comprehensive loss	-	-	-	4,918	-	(17,678)	(12,760)	94	(12,666)
Balance at March 31, 2015 (unaudited)	6,856	282,596	35,340	(31,781)	(20,706)	(166,164)	106,141	766	106,907
Balance at December 31, 2013 (audited)	2,972	261,773	35,133	(40,651)	(20,706)	(28,799)	209,722	606	210,328
Total comprehensive loss	-	-	-	1,591	-	(12,158)	(10,567)	21	(10,546)
Balance at March 31, 2014 (unaudited)	2,972	261,773	35,133	(39,060)	(20,706)	(40,957)	199,155	627	199,782

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

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

**For the three months
ended march 31,**

	2015	2014
	€ '000	€ '000
	Unaudited	Unaudited
Cash flows from operating activities		
Loss for the period	(17,678)	(12,158)
<u>Adjustments necessary to reflect cash flows used in operating activities:</u>		
Depreciation and impairment of property and equipment	68	90
Net finance costs	19,921	12,787
Loss on sale of property and equipment	-	107
Share of loss of equity-accounted investees, net of tax	176	107
Income tax expense	224	3
	<u>2,711</u>	<u>936</u>
<u>Changes in:</u>		
Trade receivables	(197)	(313)
Other accounts receivable	220	2,707
Trading properties	340	2,523
Equity accounted investees – net investments	431	-
Trade payables	(335)	246
Other liabilities and related parties liabilities	(1,689)	114
	<u>(1,230)</u>	<u>5,277</u>
Interest received	151	6
Interest paid	(1,931)	(2,512)
Taxes paid	(3)	(65)
Net cash from (used in) operating activities	<u>(302)</u>	<u>3,642</u>
Cash flows from investing activities		
Purchase of property and equipment	(17)	-
Proceeds from sale of property and equipment	-	1,375
Purchase of marketable debt securities	(674)	-
Net cash from (used in) investing activities	<u>(691)</u>	<u>1,375</u>
Cash flows from financing activities		
Proceeds from hedging activities through sell of currency options	1,350	-
Changes in restricted cash	(2,505)	243
Repayment of interest bearing loans from banks	(1,633)	(2,624)
Net cash used in financing activities	<u>(2,788)</u>	<u>(2,381)</u>
Increase (decrease) in cash and cash equivalents	(3,781)	2,636
Cash and cash equivalents at 1 of January	33,363	26,157
Effect of exchange rate fluctuations on cash held	231	(15)
Cash and cash equivalents at 31 of March	<u>29,813</u>	<u>28,778</u>

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

Plaza Centers N.V.

Notes to the condensed consolidated interim financial information

1. Reporting entity

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

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

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

The condensed consolidated interim financial information of the Company as at March 31, 2015 and for the three months then ended comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in joint ventures.

The consolidated financial statements of the Group as at and for the year ended December 31, 2014 are available on the Company's website (www.plazacenters.com) and also upon request from the Company's registered office.

During the three months period ended March 31, 2015, no changes occurred in the Company's holdings.

2. Basis of accounting

This condensed consolidated interim financial information has been prepared in accordance with IAS 34 *Interim Financial Reporting*, as adopted by the EU. It does not include all of the information required for a complete set of IFRS financial statements; and should be read in conjunction with the annual Consolidated Financial Statements of the Group as at and for the year ended December 31, 2014.

However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended December 31, 2014.

This condensed consolidated interim financial information was authorized for issue by the Company's Board of Directors on May 21, 2015.

3. Use of judgements and estimates

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

In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were principally the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2014.

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

4. Significant accounting policies

The accounting policies applied by the Group in this condensed consolidated interim financial information are the same as those applied by the Group in its consolidated financial statements as at and for the year ended December 31, 2014.

5. Segment reporting

The Group comprises the following main geographical segments: CEE and India. The Group does not have reportable operating segments. In presenting information on the basis of geographical segments, segment revenue is based on the revenue resulting from either selling or operating of Trading Properties geographically located in the relevant segment. None of the Group's tenants is accounting for more than 10% of the total revenue. Also, no revenue is derived in the Netherlands, where the Company is domiciled.

Data regarding the geographical analysis in the three months period ended March 31, 2015 and 2014 is as follows:

	Central & Eastern Europe € 000'	India € 000'	Total € 000'
<u>Three months period ended March</u>			
<u>31, 2015</u>			
Total revenues (1)	5,134	376	5,510
Operating profit (loss) by segment	2,397	(238)	2,159
Net finance costs	(1,363)	(650)	(2,013)
Other income (expenses), net	(583)	1,960	1,377
Share in profit (loss) of equity-accounted investees	702	(878)	(176)
Reportable segment profit (loss) before tax	1,153	195	1,347
Less - unallocated general and administrative expenses			(893)
Less - unallocated finance costs			(17,908)
Loss before income taxes			(17,453)
Tax expense			(224)
Loss for the period			(17,678)

Assets and liabilities as at March 31, 2015

Total segment assets	365,777	69,780	435,557
Unallocated assets (Mainly Cash and other financial instruments held mainly on Dutch level)			38,130
Total assets			473,687
Segment liabilities	153,926	29,773	183,699
Unallocated liabilities (Mainly debentures)			183,081
Total liabilities			366,780

(1) CEE- Out of which Poland – EUR 4.2 million.

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Notes to the condensed consolidated interim financial information

5. Segment reporting (cont.)

	Central & Eastern Europe € 000'	India € 000'	Total € 000'
	<u>Three months period ended March 31, 2014</u>		
Total revenues (1)	6,224	169	6,393
Operating profit (loss) by segment	3,042	(488)	2,554
Net finance costs	(1,622)	(935)	(2,557)
Other expenses, net	(619)	-	(619)
Share in profit (loss) of equity-accounted investees	473	(580)	(107)
Reportable segment profit (loss) before tax	1,274	(2,003)	(729)
Less - unallocated general and administrative expenses			(1,262)
Discontinued operations			66
Less - unallocated finance costs			(10,230)
Loss before income taxes			(12,155)
Tax expense			(3)
Loss for the period			(12,158)

Assets and liabilities as at March 31, 2014

Total segment assets	476,423	69,272	545,695
Unallocated assets (Mainly Cash and other financial instruments held mainly on Dutch level)			38,456
Total assets			584,151
Segment liabilities	174,314	27,785	200,099
Unallocated liabilities (Mainly debentures)			182,270
Total liabilities			384,369

(1) CEE- Out of which Poland – EUR 4.2 million

6. Financial risk management

During the three months period ended March 31, 2015 there were no changes in the Group's financial risk management. Objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended December 31, 2014.

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Notes to the condensed consolidated interim financial information

7. Financial instruments

a. carrying amounts and fair values

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

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

	Carrying amount		Fair value	
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
€ 000'				
<u>Statement of financial position</u>				
Debentures at amortized cost – Polish bonds	13,787	13,227	14,156	12,699
Debentures A at amortized cost – Israeli bonds	58,646	53,257	56,084	47,148
Debentures B at amortized cost – Israeli bonds	106,241	96,378	108,879	92,666

In respect of most of other non-listed borrowings, as most financing facilities are backed by real estate assets, and they bare floating interest rate, the Company has a basis to believe that the fair value of non-listed borrowings approximates the carrying amount.

b. Fair value hierarchy

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

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

	Level 1	Level 2	Level 3	Total
€ 000'				
<u>Assets</u>				
Held for trading financial assets	2,357	-	-	2,357
<u>Liabilities</u>				
IRS derivative	-	-	884	884
Currency option derivative	-	-	874	874

Plaza Centers N.V.

Notes to the condensed consolidated interim financial information

8. Income tax

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

The Group's consolidated effective tax rate in respect of continuing operations for the three months period ended March 31, 2015 was -1% (three months period ended March 31, 2014: 0%) .

9. Related parties

	March 31, 2015	December 31, 2014
	€ 000'	
<u>Statement of financial position</u>		
Trade and other payables	914	1,161
	For the three months period ended March 31,	
	2015	2014
	€ 000'	€ 000'
<u>Statement of profit or loss</u>		
Related parties – recharges from Elbit	(51)	-

10. Significant events during the period

a. Updates on Koregaon park shopping center in Pune, India

In the course of 2013 and 2014, a total amount of INR 300 million (EUR 3.9 million) was collected in respect of the selling of the shopping centre, with additional INR 100 million (EUR 1.3 million) of advances were collected in the first quarter of 2015.

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

The Company has also signed preliminary non-binding agreements with another Indian based developer for the selling of the shopping centre, and collected an additional INR 200 million (EUR 2.6 million) of advances in 2014 and 2015. Refer to note 11 (a) to the signing of the binding agreement with this investor.

b. Selling of leasehold rights in Romania

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

Plaza Centers N.V.

Notes to the condensed consolidated interim financial information

10. Significant events during the period (cont.)

c. Call option strategy activity in 2015

The group has foreign currency exposure risk as the company write call options to hedge its exposure to NIS debentures. As of balance sheet date the group sold EUR 40 million currency options with strike of NIS 4.3 and NIS 4.27 equally. The expiry date is June 30, 2015 and the Company collected premiums in the amount of EUR 1.4 million. Refer to note 7 for the fair value of the currency options as of March 31, 2015.

d. Movements in NIS rate versus the EUR

In the course of the first quarter of 2015 NIS appraised against the EUR by circa 10%, resulting in recording of non-cash finance costs in the amount of circa EUR 13 million by the Group, which has NIS denominated debentures outstanding.

e. Bonds held in treasury

As of March 31, 2015, the Company holds through its wholly owned subsidiary 15.2 million NIS par value bonds in series B debentures (adjusted par value of NIS 17.5 million (EUR 4.1 million).

f. Update on covenants

In respect of the Coverage Ratio Covenant (“CRC”), as defined in the restructuring plan, as of March 31, 2015 the CRC was 132%, in comparison with 118% minimum ratio required.

As at the end of the reporting period, all of the group’s companies are in compliance with the entire loan covenants, with the exception of four bank facilities, for one of which, outstanding balance of EUR 20 million, the Company has received waiver, and in respect of the other three facilities, totalling EUR 32 million, the Company negotiates with financial institutions for obtaining of waivers, on all outstanding breaches.

11. Post balance sheet events

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

On May 13, 2015, the Company signed an agreement to sell Koregaon Park Plaza, the retail, entertainment and office scheme located in Pune, India for circa EUR 35 million (2,500 million INR). The net cash proceeds received (after repayment of the related bank loan (reclassified to short term), other liabilities and transaction costs) from the sale totalled EUR 7.2 million (516 million INR). In line with the Company stated restructuring plan, all the net cash proceeds from the transaction will be retained within the Company.

The Company is expected to record a total loss of EUR 6.5 million from this transaction due to exercise of foreign currency translation reserve accumulated relating to the subsidiary. Additional impairment of circa EUR 2 million is expected due to impairment of Trading Property and various receivables.

b. Call option strategy activity

Following balance sheet date the group sold additional EUR 35 million currency options with strike of NIS 4.25 and NIS 4.31. The expiry dates are July and august 2015. The Company collected premiums in the amount of EUR 0.6 million.

Plaza Centers N.V.

Notes to the condensed consolidated interim financial information

11. Post balance sheet events (cont.)

c. Selling of a plot in Romania

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

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