ANNUAL REPORT

PLAZA CENTERS 2018

Contents

Overview

Who we are . . . 1
2018 highlights . . . 2
Business concept and strategy . . . 7
Debt restructuring . . . 9
Our portfolio at a glance . . . 18
Development focus . . . 19
Current portfolio . . . 20

Business review

Chief Executive Officer's statement . . . 21
Operational review . . . 24
Financial review . . . 25
Valuation summary . . . 28

Management and governance

Management structure . . . 29
Board of Directors and Senior management . . . 30
Directors' report . . . 32
Corporate governance . . . 36
Risk management . . . 42
Remuneration report . . . 53
Statement of the directors . . . 56

Financial statements

Independent auditors' report . . . 57
Consolidated statement of financial position . . . 61
Consolidated statement of profit or loss . . . 62
Consolidated statement of comprehensive income . . . 63
Consolidated statement of changes in equity . . . 64
Consolidated statement of cash flow . . . 65
Notes to the consolidated financial statements . . . 67

Company financial statements

Company balance sheet . . . 112
Equity and liabilities . . . 113
Company profit and loss account . . . 114
Notes to the Company financial statements . . . 115
Other information . . . 124
Independent auditor's report . . . 125

Additional information

Company's offices . . . 130
Advisors . . . 131

Who we are

a Central and Eastern European property developer historically focused on development and operation of western-style shopping and entertainment centres
Currently focused on debt repayment following sale of assets and cost reduction and efficiency measures

The Plaza Centers Group is a property developer and investor historically focused on operations in Central and Eastern Europe ("CEE"), until the end of 2017. The Group has been present in the Central and Eastern Europe region since 1996 and was the first to develop western-style shopping and entertainment centers in Hungary. The Group has pioneered this concept throughout the CEE whilst building a strong track record of successfully developing, letting and selling shopping and entertainment centers. Since 2006, the Group has extended its area of operations beyond the CEE into India.

The Group has been present in real estate development in emerging markets for more than 23 years, initially pursuing shopping and entertainment center development projects in Hungary and subsequently expanding into Poland, the Czech Republic, Romania, Latvia, Greece, Serbia, Bulgaria and India. To date, the Group has developed, let and sold 34 shopping and entertainment centers in the CEE region and India, with an aggregate gross value of circa €1.54 billion.

Notable sales of Shopping Centres in CEE

- 21 of these centers were acquired by Klepierre, a leading player in the continental European shopping center property market
- Four additional shopping and entertainment centers were sold to the Dawnay Day Group
- One shopping center was sold in 2007 to Active Asset Investment Management ("AAIM"), a UK commercial property investment group. The transaction had a completion value totaling approximately €387 million, representing circa 20% of all real estate transactions completed in Hungary in 2007
- Kragujevac Plaza was sold in 2014 to New Europe Property Investments plc (today "NEPI Rockcastle plc") a commercial property investor and developer, listed on the Main Board of the Johannesburg Stock Exchange Limited (JSE) and Euronext Amsterdam
- Belgrade Plaza mall has been the largest development underway in Serbia was sold in 2017 to a subsidiary of BIG Shopping Centers Ltd, a publicly traded company in Tel Aviv Stock Exchange
- Torun Plaza mall in Poland was sold in late 2017 to a private investment fund, being the last operating asset

Opportunity for investment in the US

In 2010, Plaza identified, with its joint venture partners, a window of opportunity for investment in the US as a result of the dislocation of the property market, specifically within the retail sector. In 2012, taking advantage of its qualities and experience in identifying opportunities, managing and exiting assets, gained over the years, the Group completed another significant sale of 49 US-based assets, mainly to a joint venture between Blackstone Real Estate and DDR Corp. In a transaction valued at US$1.47 billion, which reflected a ROE for the Group of nearly 50% in a period of little over 18 months.

In 2018 Plaza active focus has continued to centre on asset disposals in CEE (including signing pre-agreements for future sales), continuing efforts to realize projects in India and generating cash flows, material cost cutting, tight budget control and the optimization of the business with the aim of satisfying our obligations to our stakeholders. This remains our absolute priority for the next year. Following several years of efforts to promote the development of Casa Radio project in Romania, either by bringing a partner or through the sale of the Company's holdings, a number of serious proposals were received during the course of 2018 from experienced real estate investors which were examined by management and the board. The management and the board of directors came to the conclusion that the proposed price and terms of LOI are optimal and reasonable considering the Company's current status and decided to sign a LOI with AFI Europe in February 2019.

Plaza has implemented debt restructuring plan that was approved by the Dutch court on July 9, 2014 and became final in November 2014 by the completion of a successful rights offering, which provided Plaza with a €20 million capital injection and marked an important final step in the restructuring process followed by A third listing on the Tel Aviv Stock Exchange. In line with the debt restructuring plan, Plaza repays 75% of proceeds from disposals to bondholders. In January 2018, a settlement agreement was signed by and among the Company and the two Israeli Series of Bonds including among others: New repayment ratios, an increase in the level of the mandatory early repayments, new repayment schedule, a waiver of claims and to waive the request for publication of quarterly financial reports. On January 31, 2019 the bondholders of Series A and Series B approved a partial deferral of the scheduled Principal payment as of December 31, 2018 to July 1, 2019. The board and management estimate that the Company is unable to serve its entire debt according to the current repayment schedule. Moreover, following the recent default of purchaser of Bangalore project to meet payments schedule according to the signed amendment agreement and default of purchaser of Chennai Project to complete the sale transaction it is expected that the Company will not be able to meet its entire contractual obligations in the following 12 months.

The Company's immediate parent company was Elbit Ultrasound (Luxembourg) B.V./S.àr.l.("EUL"), which held 44.9% of the Company's shares, till December 19, 2018 when EUL informed that it has signed a trust agreement according to which EUL deposited its shares of the Company with a trustee and no longer considers itself to be the controlling shareholder of Plaza.

Plaza Centers N.V. 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.

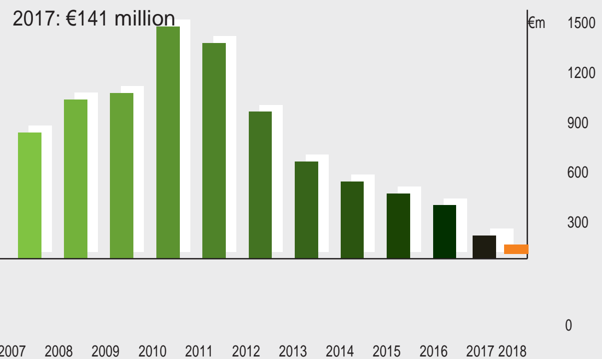
2018 highlights

During 2018 the management's focus has almost entirely been on cost reductions, delivering the €2.3 million of disposals of plots of land that we completed in the 12 months to 31 December, which produced €2 million in net proceeds, and repayment of material funds - circa €38.5 million (principal and interest) paid to the bondholders following signing settlement agreement in January 2018 by and among the Company and the two Israeli Series of Bonds.

Total assets

2018: €62 million

2017: €141 million



Financial highlights:

- Reduction in total assets to €62 million (31 December 2017: €141 million) as a result of the Company's deleveraging including principal repayments and the redemption in full of Series of bonds issued in Poland in total amount of €40.1 million

- Book value of the Company's Trading properties decreased by €31 million to €42.6 million over the period, due to disposals (land plots in Poland and Serbia, and disposal of shares of SPV holding plot in Greece) in line with the restructuring plan and an impairment of €29.5 million of Trading Properties in Romania, Poland, Greece and Serbia

- Consolidated cash position as at December 31, 2018 decreased to €1.4 million (31 December 2017: €44.8 million) and current cash position of circa €1.28 million

- Revenue from disposal of trading properties totaled €2.3 million (2017: €193 million) in line with the Company's disposal program

- €31.7 million loss recorded at an operating level (December 31, 2017: €15 million) where a loss from selling trading properties was increased by write-down of trading properties and decreased administrative expenses

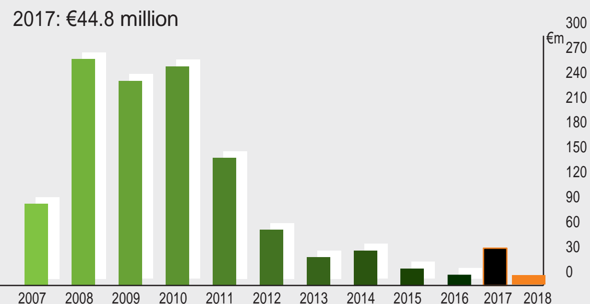
- Administrative Expenses reduced to €2.7 million in 2018 due to cost cutting of professional services and manpower (2017: €6.15 million)

- Losses increased to €38.4 million in 2018 from €26.6 million in 2017 as the write down of trading properties increased by €18 million, while net finance expense were €7.7 and €10.6 million, respectively
- Basic and diluted loss per share of €5.60 (December 31, 2017: loss per share of €3.87)

Consolidated cash position

2018: €1.4 million

2017: €44.8 million



Progress in portfolio rationalisation and financial highlights:

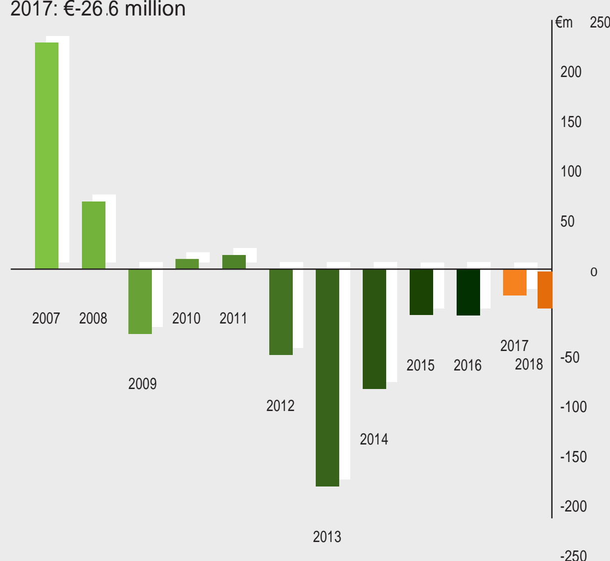
During 2018 Plaza received gross proceeds of €2.3 million from sales transactions, price adjustments and other income. The disposals form part of the Company's ongoing strategy to reduce the Company's debt.

Settlement agreement with the Bondholders:
In January 2018, a settlement agreement was 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. It is clarified that the Settlement Agreement is a separate agreement among the parties thereto with respect to the Company's restructuring plan

Loss after tax

2018: €-38.4 million

2017: €-26.6 million



Earn-out payment for the sale of Torun:
In June 2018, the Company received the earn-out payment for the sale of Torun Plaza totaling €0.35 million, reduced by NAV adjustment of €0.14 million.

Sale of a plot Lodz, Poland („Lodz Centrum Plaza"):
In July 2018, a subsidiary of the Company has signed a preliminary agreement with respect to the sale of a 4,000 sqm plot of land in Lodz, Poland known as "Lodz Centrum Plaza", in consideration for PLN 1.3 million (circa €0.3 million). The plot was sold in September 2018.

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and as such had no effect on the Polish Bondholders. On January 31, 2018 the Company paid the bondholders a total amount of principal and interest of €38.5 million.

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Retirement of Chief Executive Officer:
On 11 January 2018, the Company announced that the CEO, Dori Keren, would 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.

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.

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 the notes to consolidated financial statements as of December 31, 2018. In July 2018, the Company has filed a response to the relevant court. The case is still pending at court. For further information see Note 17(6).

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 €2.66 million. Upon completion of the redemption, the Company has no outstanding bonds issued in Poland

Update on disposal of land plot in Miercurea Ciuc, Romania:

Further to the Company's announcement dated October 17, 2018 regarding signing the pre-agreement for the sale of land plot in Miercurea Ciuc, Romania, the Company grant an option for the purchase of the Plot till mid-April 2019 for a total consideration of €0.11 million. The Company has received €0.11 million in 2018 and in 2019 (Non-refundable payments). In March 2019, following negotiations with the purchaser, the parties agreed that (i) the signing date of a definitive agreement will be postponed by 3 months to mid-July 2019, (ii) the receipt of non-refundable advance payments of €250,000 (were paid till mid- April 2019), and; (ii) the sale price will be increased by €30,000.
To the extent that the Company will enter into a definitive agreement and consummates the transaction, the Company expects to receive €1.22 million (including non-refundable advanced payments).

Sale of a plot in Krusevac, Serbia:
On December 3, 2018 the Company announced that it completed the sale of its (indirectly) 100% stake in a 5-acre plot in Krusevac, Serbia, for a total consideration of approximately €0.29 million which is slightly below book value.

Preliminary Sale Agreement 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 €1.15 million. As part of the agreement, the purchaser paid an immediate installment of €0.035 million followed by an installment of €0.073 million paid in 2018 after obtaining environmental permit for investing in the access road to the plot.

On April 2, 2019 the Company announced that its subsidiary has signed a definitive agreement for a total gross consideration of EUR 1.15 million (less approximately EUR 0.19 million invested by the Company in access road).Under the terms of the Agreement, the Purchaser paid EUR 0.76 million, and the remaining consideration (approximately €0.09 million) will be paid not later than April 30, 2019.

Disposal of land plot in Greece:

On December 24, 2018 the Company signed a definitive agreement for the sale of its (indirectly) 100% stake in a Greek subsidiary (on an "as is" basis) for a total gross amount of €1.05 million (out of which €0.3 million has already been received as advance payments during 2017). The total net proceeds to the Company, following the deduction of working capital adjustments in accordance with the balance sheet of the SPV and transaction costs, were circa €0.66 million.

As a result of the transaction, an amount €1.05 million is recorded in Revenue from disposal of trading properties and amount of circa €2.28 million is recorded in Cost of trading properties sold. In addition, as a result of sale on "as is" basis, the Company reversed tax liability previously recorded in the financial statements resulted in tax benefit of €1.015 million.

Belgrade Plaza:

On January 26, 2017, the Company signed a binding share purchase agreement with BIG Shopping Centers Ltd ("BIG"), for the sale of the SPV holding Belgrade Plaza shopping and entertainment centre. 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. 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.

During June 2018 (the first adjustment date) the First purchase price adjustment was examined and accordingly no additional proceed was made.

During December 2018, BIG paid €466,000 for the stands and signage at the Big Fashion mall in Belgrade (previously known as “Belgrade Plaza”). In addition, BIG further informed us that they intend to hold an additional €1 million until an orderly engineering examination of the mall's technical conditions is completed as part of the final Price adjustment to be performed in May 2020. The Company is currently evaluating its options regarding BIG's intention to hold the €1 million which was not recorded in the consolidated financial statements due to uncertainty related to receipt of such amount.

Update re 2012 Disposal of Shopping Centers in the US:

On December 20, 2018 Plaza Centers announced that following its announcement of 21 November 2017, and the review concluded in 2018 by the Financial Conduct Authority (FCA), no retrospective disclosures or other actions are required under the FCA’s Listing Rules in relation to this matter.

Elbit Imaging announces it is no longer the Controlling Shareholder of Plaza Centers:

Elbit Imaging Ltd. (TASE, NASDAQ: EMITF) ("Elbit") informed in December 2018, that it has signed a trust agreement according to which Elbit will deposit its shares of Plaza Centers N.V (the "Shares" and "Plaza", respectively) with a trustee. In accordance with the trust agreement, Elbit retains the right to receive any and all rights in connection with the Shares, other than the voting rights which are vested with the trustee for all matters and purposes effective from December 18, 2018. In addition, Elbit may instruct the trustee, from time to time, to sell all or any portion of the Shares. The trust agreement shall terminate upon the earlier of: (i) a sale of all of the Shares to a third party; and (ii) the date on which actions have been taken for realization of any of the liens Elbit granted in favor of the holders of the Series I Notes issued by Elbit. The outcome of the above mentioned is that Elbit no longer considers itself to be the controlling shareholder of Plaza and accordingly will not consolidate Plaza's financial reports in its own financial reports.

Sale agreement of plot in Bangalore, India:

In June 2017, Elbit Plaza India Real Estate Holdings Ltd. ("EPI") (in which Plaza holds a 50% stake with its joint venture partner, Elbit Imaging Ltd.) signed a revised sale agreement with the former partner (the "Purchaser"). 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. INR 46 Crores (approximately €6.06 million) were paid till March 2018.

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 €44.5 million). The Final Closing will take place on 31 August 2019 when the final installment of circa INR 212 Crores (approximately €26.9 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 all amounts paid by now 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.

On February 4, 2019 Plaza announced that the Purchaser defaults on payments and that EPI is considering all legal measures available to it to protect its interest.

During March, 2019, Plaza announced that the Purchaser has further paid to EPI INR 9.25 cores (approximately €1.15 million), thereby having paid approximately INR 80 crores (approximately €10.26 million) as against approximately INR 92 crores (approximately €11.8 million) that was supposed to be paid by end of February 2019. The Parties continue to discuss regarding getting further payments. Plaza part from the consideration is 50%.

Regarding Environmental update on Bangalore project and the implications on the net realisable value refer to Note 6 (b) (1) in the consolidated financial statements and key highlights below.

Sale agreement of plot in 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 of approximately €13.2 million (INR 1,060 million, the Company's share approximately €6.6 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. The closing of the transaction was expected in February 2019. As the transaction was not completed the Term Sheet was terminated by EPI.

In February 2019 the Chennai Project SPV issued notice to the buyer terminating the Joint Development Agreement („JDA") due to its failure to obtain the access road. The said termination of JDA has been disputed by the Buyer. Therefore, the Chennai Project SPV has initiated arbitration proceeding against the Buyer in accordance with the Arbitration Rules of the Singapore International Arbitration Centre, in accordance with the JDA Agreement to protect its rights.

Key highlights since the period end:

Next payment to the holders of series A and series B bonds:

On February 18, 2019 the company paid principal of circa €250,000 and penalty interest on arrears of €150,000 following the bondholder's approval for the deferral of certain principal payments to July 1, 2019 instead of December 31, 2018.

Pre-agreement for the sale of land plot in Brasov, Romania

On February 5, 2019 the Company has signed a Pre-Agreement for the sale of a plot in Brasov, Romania for a total gross amount of €620,000 which is slightly above the last reported book value. The consummation of the Transaction (which will take place not later than January 15, 2020) is subject to the fulfillment of certain conditions, including, inter alia: (i) the former financing bank of the Project did not exercise its right to purchase the Property until December 6, 2019; (ii) successful conclusion by the potential purchaser of its due diligence investigations; and (iii) the execution of definitive agreement.
As of the date hereof, there can be no certainty that a definitive agreement will be signed and/or that the Transaction will be consummated.

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. On March 2019, the Supreme Court has set aside the Order thereby restoring the position as it existed before the Order was passed by NGT.

Non-binding agreement for the sale of the Company's indirect shareholdings in the Dambovita Center Project ("CASA RADIO"):

On February 11, 2019 the Company signed a non-binding Letter of Intent ("LOI") with AFI Europe N.V. (the "Purchaser", and together with the Company, the "Parties"), for the sale of its entire indirect shareholdings (75%) in the Casa Radio Project, for a maximum consideration of €60 million, subject to the fulfilment of certain conditions.
Following the execution of the LOI, the Purchaser shall have a period of 3 months to conduct due diligence investigations, after which, if satisfactory, a pre-sale agreement will be executed within 30 days following the conclusion of the due diligence investigations (the "Pre-Sale Agreement").

Non-binding agreement for the sale of the Company's indirect shareholdings in the Dambovita Center Project ("CASA RADIO"):

In the framework of the Pre-Sale Agreement, the Purchaser will pay the Company a non-refundable down payment 15 months following the execution of the Pre-Sale Agreement, and subject to the satisfactory fulfilment of certain conditions precedent, the Parties will sign a sale agreement.

The consummation of the Transaction is subject to the fulfilment of certain conditions ("the closing conditions"), including, inter alia: (i) certain confirmations and approvals of competent public authorities regarding the PPP agreement in place and acceptance of the Purchaser; (ii) the successful conclusion by the Purchaser of its due diligence investigations; (iii) obtaining the approval of the Romanian authorities for the updated structure of the Project and timetable; (iv) confirmation that the 49-year lease period under the PPP agreement (signed between the Romanian Authorities and the Company) will commence from 2012 at the earliest, although, should the said lease period commence earlier, the parties shall amicably negotiate a price adjustment mechanism to the Purchaser's satisfaction and approval; and (v) the execution of definitive agreements.

During the period commencing on the date of the execution of the LOI and ending on the earlier of: (i) 18 month, or (ii) the Purchaser informs the Company of his withdrawal from the Transaction, the Company and its representatives have undertaken to refrain from negotiating with any other third party other than the Purchaser for the purpose of selling its shareholdings in the Project.

The payment schedule according to the LOI is expected to be set as follows:

Non-refundable down payment	€200,000
Execution of Sale Agreement (following fulfilment of the conditions precedent)	€20,000,000
Issuance of Building Permit for Phase 1 (the construction of the shopping mall, offices/residential, Hotel& Casino, Supermarket and parking).	€22,000,000
Finalization and inauguration of Phase 1	€17,800,000

The Company is not obligated to participate in the financing of the Project. In addition, the Purchaser acknowledged the liability to build the public authority building under the PPP agreement.

As of the date hereof, there can be no certainty that either the Pre-Sale Agreement, or the Sale Agreement will be executed and/or that the Transaction will be consummated as presented above or at all. Refer to the Company's financial statements section for additional information.

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Business Concept & Strategy

Plaza business concept and strategy is to no longer develop commercial centers, but to solve existing bureaucratic or legal issues and dispose of its real estate assets.

General

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.

Maintain liquidity and debt management

Plaza ended the period with a consolidated cash position of €1.4 million, compared to €44.8 million at the end of 2017.

As at December 31 2018 the Group's outstanding obligation to bondholders is €80.5 million after all bank loans were repaid or disposed. The outstanding balance of the debt to bondholders is circa €84.3 million as of today.

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.

In January 2018, a settlement agreement was signed by and among the Company and the two Israeli Series of Bonds (“Settlement Agreement”). In the Settlement Agreement it was agreed, inter alia, to approve:

- New repayment ratios between the two Israeli Series of Bonds (new ratio: Bond A- 39% Bond B- 61%);
- An increase in the level of the mandatory early repayments from 75% to 78% of the relevant net income;
- New repayment schedule;
- An increase in the compensation to be paid to the Bondholders in the event of successful disposal of Casa Radio Project;
- A waiver of claims to the Company and its directors and officers; and
- To waive the request for publication of quarterly financial reports by the Company.

As a result of settlement agreement signing, Series A Bondholders withdrew their request for immediate repayment.

It is clarified that the Settlement Agreement is a separate agreement among the parties thereto with respect to the Company’s restructuring plan, and as such has no effect on the Polish Bondholders.

On January 31, 2018 the Company paid the bondholders a total amount of principal and interest of €38.5 million.

In February 18, 2019 the Company paid approximately €400,000 to its Series A and Series B. The bondholders approved the deferral of payment to July 1, 2019.

Information concerning the Group’s obligations and commitments to make future payments under contracts such as debt agreements in the 15 months starting April 1, 2018 is aggregated in Note 1(b) of the consolidated financial statements.

The board and management estimate that the Company is unable to serve its entire debt according to the current repayment schedule. Moreover, following the recent default of purchaser of Bangalore project to meet payments schedule according to the signed amendment agreement (refer to Note 6(b)(1)), and default of purchaser of Chennai Project to complete the sale transaction (refer to Note 6(b)(2)), it is expected that the Company will not be able to meet its entire contractual obligations in the following 12 months.

As of December 31, 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. In addition, the Minimum Cash Reserve Covenant as defined in Note 17(b)(1)(d) is not maintained as of December 31, 2018. If its continued throughout a period comprising two consecutive quarterly reports following the year-end report on which such breach has been established, then such breach shall constitute an event of default under the trust deeds, and the Bondholders shall be entitled to declare that all or a part of their respective (remaining) claims become immediately due and payable.

Moreover, the Company's financial statements as of December 31, 2017 include an auditor's opinion with emphasis of matter to going concern uncertainty as well as auditor's review report on interim financial statements as of June 30, 2018 include the same. As a result, there is a risk that the bondholders could argue that there are significant doubts with respect to the Company's ability to repay its obligations, which will trigger the immediate repayment of the bonds.

Business Concept & Strategy

In addition, based on trust deeds, in the case of material deterioration in the Company's business and the existence of significant doubts regarding the Company's ability to repay the bonds on time, the bondholders may require an immediate repayment of bonds due to the Company's breach of a covenant in the trust deeds.

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 financial statements the bondholders have not taken steps to assert their rights.

Plaza will continuing to reduce corporate level debts by early repayments following sale of assets according to the Company's debt restructuring agreement.

Objectives

1. Development:

Concentration of efforts with aim to sign a pre-sale agreement of Casa Radio with AFI EUROPE N.V. following the signing of Non-binding agreement for the sale of the Company's indirect shareholdings in the Dambovita Center Project.

2. Sale of assets:

The Company remains focused on completing the disposal of the assets identified for sale (including signing definitive sale agreements), getting further payments for Bangalore project, progress and decision in the arbitration process of Chennai Project and delivering on its commitments to its stakeholders.

3. Debt:

The Continuing to reduce corporate debt by early repayments following sale of assets according to the Company's debt restructuring agreement subject to the above-mentioned constraints.

4. General Expenses:

Continue with efficiency measures and cost reduction where possible and continuing strongest cost control initiatives e .g ., cutting cost of suppliers, advisors etc .

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Debt restructuring

General

On 14 November 2013, Plaza Centers announced that its Board of Directors had concluded that the Company would withhold payment on the upcoming maturities of its bonds and approach its creditors with a restructuring plan. The restructuring plan was approved on 26 June 2014 by the vast majority of the Company's creditors and, subsequently, approved by the Court on 9 July 2014, becoming an irrevocable decision on 21 July 2014. The Company announced the publication of a prospectus in respect of a rights offering on 16 October 2014. The shareholders approved the rights offering on 28 November 2014 which was followed on that date by the capital injection of €20 million by the existing shareholders. All conditions precedent of the restructuring plan were fulfilled.

The creditors included in the debt restructuring were the bondholders in Israel, the bondholders in Poland and the banks at asset level with a right of recourse to the parent company.

Plaza's ordinary shares were listed for trade on the Tel Aviv Stock Exchange with effect from 27 November 2014.

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 in the amount of approximately EUR 238 thousand (which is equal to 0 .25% from the Company's outstanding debt under the bonds at that time) (the "Consent Fee"). The consent Fee was 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 191.7 million (EUR 49.2 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.

On September 26, 2017 the Company announced that, further to the resolutions of the Israeli series A bondholders and the series B bondholders 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, 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:

- 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 intended to deposit the reminder of the funds with a third-party trustee for the benefit of both Israeli series of bonds and subsequently approached the competent court in Israel for the receipt of instructions with regard to the allocation of such reminder amount.

On October 4, 2017 the Company has received the consent of the trustees of its Israeli series A bonds and series B bonds for the allocation of certain funds received by the Company between the Company's series A bonds and series B bonds due for repayment of such bonds as detailed above.

During December 2017, the Israeli court has instructed that the mandatory repayment amounts due to the Israeli series A and series B bondholders should be allocated according to the ratios set out in the Company's restructuring plan. The court has also acknowledged that Plaza is not an interested party in this bondholder dispute and has granted the Company a protective order from any claims in this respect. The Israeli Series A bondholders triggered the immediate repayment of the entire outstanding debt under the Series A trust deed.

In January 2018, a settlement agreement was signed by and among the Company and the two Israeli Series of Bonds ("Settlement Agreement"). In the Settlement Agreement it was agreed, inter alia, to approve:

- New repayment ratios between the two Israeli Series of Bonds (new ratio: Bond A- 39% Bond B- 61%);
- An increase in the level of the mandatory early repayments from 75% to 78% of the relevant net income;
- New repayment schedule;
- An increase in the compensation to be paid to the Bondholders in the event of successful disposal of Casa Radio Project;

Debt restructuring

- A waiver of claims to the Company and its directors and officers; and
- A waiver of claims to the Company and its directors and officers; and
- To waive the request for publication of quarterly financial reports by the Company the Company.

As a result of settlement agreement signing, Series A Bondholders withdraw their request for immediate repayment.

It is clarified that the Settlement Agreement is a separate agreement among the parties thereto with respect to the Company's restructuring plan, and as such has no effect on the Polish Bondholders.

On January 31, 2018 the Company paid the bondholders a total amount of principal and interest of EUR 38,487 thousand.

1. The net cash flow received by the Company following an exit or raising new financial indebtedness (except if taken for the purpose of purchase, investment or development of real estate asset) or refinancing of real estate assets after the full repayment of the asset's related debt that was realized or in respect of a loan paid in case of debt recycling (and in case where the exit occurred in the subsidiary - amounts required to repay liabilities to the creditors of that subsidiary) and direct expenses in respect of the asset (any sale and tax costs, as incurred) , will be used for repayment of the accumulated interest till that date in all of the series (in case of an exit which is not one of the four shopping centers only 50% of the interest) and 78% of the remaining cash (following the interest payment) will be used for an early repayment of the close principal payments for each of the series (A, B, Polish) each in accordance with its relative share in the deferred debt. Such prepayment will be real repayment and not in bond purchase.

2. On November 22, 2018 the Company announced based on its current forecasts, the Company expected to pay the accrued interest on Series A and Series B Bonds on December 31, 2018, in accordance with the repayment schedule determined in the Company's Restructuring Plan and Settlement Agreement with Series A and Series B Bondholders from 11 January 2018 (the “Settlement Agreement”). The Company noted that it will not meet its principal repayment due on December 31, 2018 as provided for in the Settlement Agreement. The Company may be able to partially pay the said principal depending, among other things, on the actual sale of assets and taking into consideration the cash needs in accordance with the scope of the forecasted activity.

In January 2019 Plaza announced that based on its current forecasts, the Company expects to repay on February 18, 2019 approximately EUR 400,000 to its Series A and Series B. The Company further intends to act for the postponement of the repayment of the remaining balance of the Bonds, all in coordination with the trustee of the Bonds and subject to the receipt of the Bondholders' approval as required by the relevant deeds of trust. The bondholders approved the deferral of payment to July 1, 2019 and the company paid principal of circa EUR 250,000 and Penalty interest on arrears of EUR 150,000.

Redemption at Maturity of Series of Bonds issued in Poland

On May 16, 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. Upon completion of the redemption, the Company has no outstanding bonds issued in Poland.

The board and management estimate that the Company is unable to serve its entire debt according to the current repayment schedule. Moreover, following the recent default of purchaser of Bangalore project to meet payments schedule according to the signed amendment agreement (refer to Note 6(b)(1)), and default of purchaser of Chennai Project to complete the sale transaction (refer to Note 6(b)(2)), it is expected that the Company will not be able to meet its entire contractual obligations in the following 12 months.

Summary

A summary of the main terms of the restructuring plan are set out below:

- An injection of €20 million into the Company at a price per share of €0.0675 (the "equity contribution").
- The Company issued to the holders of unsecured debt (i.e. outstanding debt under the Israeli Series A and B Notes and the Polish Notes) ("unsecured debt") 13.21% of the Company's shares ("post equity contribution"). Such shares issuance was distributed among the holders of unsecured debt pro rata to the relative share of each relevant creditor in the deferred debt ("deferred debt ratio").
- Each principal payment under the debentures due in the years 2013, 2014 and 2015, pursuant to the original terms of the debentures, shall be deferred by exactly four and a half years and each principal payment due pursuant to the original terms of the debentures in subsequent years (i.e. 2016 and 2017) will be deferred by exactly one year. In the event that the Company does not succeed in prepaying an aggregate amount of at least €92 million (NIS 434 million) of the principal of the debentures, excluding linkage differentials within a period of two years ending 1 December 2016, then all principal payments under the debentures deferred in accordance with above, shall be advanced by one year (i.e. shall become due one year earlier).
- All unpaid interest accrued on the Israeli debentures and Polish debentures up to and including 31 December 2013 will be added to the principal and paid together with it.
- As of 1 January 2014, the annual interest rate of the unsecured debt increased by 1.5%.
- The Company paid to the holders of the unsecured debt an amount of €13.8 million in 2014 interest payments.
- The Company and all other companies of the Group, the current and former directors and officers of the Group, all direct and indirect shareholders of the Group were released from any and all liability under any applicable law other than with respect to claims or demands regarding which the grounds are fraud or malice or other ground for which a release is not permitted by law.
- The net cash flow to be received by the Company following an exit or the raising of new financial indebtedness, except if taken for the purpose of purchase, investment or development of real estate assets ("REA") or refinancing of REAs after the full repayment of the asset's related debt that was realised or in respect of a loan paid in case of debt recycling (and in case where the exit occurred in the subsidiary – amounts required to repay liabilities to the creditors of that subsidiary) and direct expenses in respect of the asset (any sale and tax costs, as incurred) will be used for the repayment of the accumulated interest until that date for all of the series (in the case of an exit which is not one of the four shopping centers, only 50% of the interest) and 75% of the remaining cash (following the interest payment) will be used for an early repayment of the near principal payments for each of the series of Notes (A, B, Polish) each in accordance with its deferred debt ratio. Such prepayment will be actual cash repayment and not in bond purchases. Refer to 2018 settlement agreement regarding an increase in the level of the mandatory early repayments from 75%.
- **Permitted disposals (provisions with respect to the four shopping malls)** – The Company will be allowed to sell the four shopping malls (Torun, Suwalki, Kragujevac and Riga) or to undertake a refinancing for any of these (hereinafter "disposal event"), subject to the cumulative net cash flow in the disposal event in respect of these four shopping malls being no less than €70 million. Should no disposal event occur for the four shopping malls together, the Company will be allowed to perform a special purpose disposal event only if, after execution of the special purpose disposal event, the surplus value of the shopping malls not sold (according to the valuation deducting the specific debt to banks) is no less than €70 million, deducting the net cash flows received from previous disposal events and deducting the net cash flow from the special purpose disposal event. All four shopping malls sold as of December 31, 2017 and €70 million threshold was met.
- **Restrictions on issuance of additional debentures** – The Company undertakes not to issue any additional debentures other than is expressly provided for in the restructuring plan.
- **Restrictions on amendments to the terms of the debentures** – The Company shall not be entitled to amend the terms of the debentures, with the exception of purely technical changes, unless such amendment is approved under the terms of the relevant series and the applicable law and the Company also obtains the approval of the debentures holders of all other series of debentures issued by the Company by ordinary majority. Refer to 2018 settlement agreement.
- **Coverage ratio covenant ("CRC")** – CRC is equal to asset value plus cash and cash equivalents less the Group's bank liabilities secured by an encumbrance over any of the Group's rights or assets or otherwise rank in priority ahead of the plan claims; and divided by the aggregate amount of remaining plan claims plus all other liabilities of the Group that rank pari passu with the plan claims and that are not subordinated debt. The calculation is based on known Group valuations reports and consolidated financial information available at each reporting period.

Minimum CRC deemed to be complied with by the Group is 118% in each reporting period.

- **Minimum cash reserve covenant ("MCRC")** – The cash reserves of the Company have to be greater than the amount estimated by the Company's management required to pay all administrative and general expenses and interest payments to the debentures holders falling due in the following six months, minus sums of proceeds from transactions that have already been signed (by the Company or a subsidiary) and closed and, to the expectation of the Company's management, have a high probability of being received during the following six months. Investments in new or existing REA of the group shall not be permitted if following such investment, the cash reserves are less than the minimum cash reserve and minimum CRC is not met.
- **Negative pledge on REA of the Company** – The Company undertakes that until the debentures have been repaid in full, it shall not create any encumbrance on any of the REA, held, directly or indirectly, by the Company except in the event that the encumbrance is created over the Company's interests in a subsidiary as additional security for financial indebtedness ("FI") incurred by such subsidiary which is secured by encumbrances on assets owned by that subsidiary.
- **Negative pledge on the REA of subsidiaries** – The subsidiaries shall undertake that until the debentures has been repaid in full, none of them will create any encumbrance on any of REA except certain cases.
- **Limitations on incurring new FI by the Company and the subsidiaries** – The Company undertakes not to incur any new FI (including by way of refinancing an existing FI with new FI) until the outstanding debentures debt (as of 30 November 2014) has been repaid in full, except in certain events, mainly:
  - the new FI is incurred for the purpose of investing in the development of a real estate asset;
  - the new FI is incurred by a subsidiary for the purpose of purchasing a new REA by such a subsidiary, provided that following such a purchase the cash reserve is not less than the MCRC;
  - at least 75% of the net cash flow resulting from the incurrence of new FI is used for a mandatory early repayment of the Notes.
- **Dividend policy** – Plaza shall not make any dividend distributions, unless (i) at least 75% of the unpaid principal balance of the debentures (€199 million) has been repaid and the coverage ratio on the last examination date prior to such distribution is not less than 150% following such distribution, or (ii) a majority of the plan creditors consents to the proposed distribution.

In addition to the above, the following terms were approved by the bondholders:

a. Casa radio proceeds – If the Company shall sell the Casa radio project located in Romania (hereinafter: the "Project") to a third party, including by way of selling its holdings in any of the entities through which the Company holds the project (and said sale shall be carried out before the full repayment of the debentures and until no later than December 31, 2019, and for an amount which exceeds EUR 45 million net (i.e. after brokerage fees (if any), taxes, fees, levies or any other obligatory payment due to any authority in respect to the said sale) which shall actually be received by the Company, then the holders of bonds shall be eligible for a one-time payment (which shall come in addition to the principal and interest payments in accordance with the repayment schedule), in certain amounts specified in tranches.

b. Deferred debt ratio of Series B debentures – were reduced to 68.24% from 70.44% following the cancellation of the treasury bonds. The ratio has been changed for Series B debentures in order to maintain a distribution ratio between the three series.

In January 2018, a settlement agreement was signed by and among the Company and the two Israeli Series of Bonds ("Settlement Agreement").

History of corporate debt raisings and bond repayments by the Company

The Company raised debt in Israel by issuing marketable bonds and in Poland by private issuance which was repaid in full in May 2018.
As of March 31, 2019:

	Series A Israeli Bonds, NIS	Series B Israeli Bonds, NIS
Bond raising	401,850,451	1,483,126,346
Interest accrued and capitalised 31/12/2013	6,652,927	16,055,759
Directly purchased by Plaza - Removed from the cycle	**(8,253,378)**	**(108,993,111)**
Bond raising, net	400,249,999	1,390,188,994
Principal payments over the years (until 31/03/2019)	(317,372,825)	(1,324,539,618)
Interest payments over the years (until 31/03/2019)	**(167,710,505)**	**(480,118,429)**
Total payments	(485,083,330)	(1,804,658,047)
Total payments over the years as percentage of total raising, net (%)	**121.20%**	**129.81%**

Activities Following Approval of Restructuring Plan

Sales of assets since approval of the Restructuring Plan
In line with the Company's stated restructuring plan, 75%* of the net cash proceeds from Plaza's asset sales are distributed to the Company's bondholders as an early principal repayment.

Improving Performance: Continuing improvement of the occupancy levels and NOI of Torun Plaza, extending leases and establishing performance.

September 2014: Completed the sale of a 31,500 sqm plot in Targu Mures, Romania, generating cash proceeds of €3.5 million.
Completed the sale of Kragujevac Plaza Shopping and Entertainment centre in Kragujevac, Serbia for a total consideration of €38.6 million. The net cash proceeds from the sale were €12.2 million.

December 2014: Completed the sale of a 41,000 sqm plot in Hunedoara, Romania generating cash proceeds of €1.2 million.

February 2015: Completed the sale of part of a residential plot in Lodz, Poland for €0.5 million.

May 2015: Completed the sale of Koregaon Park Plaza Shopping and Entertainment Centre located in Pune, India for circa €35 million. The net cash proceeds from the sale, circa €7.4 million, were put towards Plaza's future investments and used for general corporate purposes. The mall was underperforming and created negative NOI, and circa €14 million of its bank loan was with recourse to the parent company.
Completed the sale of a 17,000 sqm plot in Brasov, Romania generating cash proceeds of €0.33 million.

June 2015: Completed the sale of a 46,500 sqm plot in Iasi, Romania generating cash proceeds of €7.3 million.

September 2015: Completed the sale of an office building in Bucharest, Romania (823 sqm GLA) for €1.1 million.

December 2015: Completed the transaction to waive the Company's leasing rights to the Cina property in Bucharest, Romania, which has been sold by its owner. The gross proceeds from the transaction were circa €2.7 million.

January 2016: Completed the sale of a 5,200 sqm residential plot in Lodz, Poland for €0.7 million

March 2016: Completed the sale of Liberec Plaza Shopping and Entertainment Centre in Liberec, Czech Republic for €9.5 million. Following net asset value adjustments the company received net €9.37 million.
€8.5 million of the proceeds from the sale was paid to a wholly owned subsidiary of Plaza on account of the bank loan of Liberec Plaza it managed to buy in September 2015 for €8.5 million.

* Following 2018 settlement agreement raised to 78%

March 2016: Completed the sale of a 23,880 sqm plot in Slatina, Romania generating cash proceeds of €0.66 million.

March 2016: Signed a binding pre-agreement to sell the plot in Piraeus, near Athens, Greece for €3.4 million. The long stop date of this transaction has been extended a few times and the sum was updated to €3.35 million. Plaza received €0.3 million non-refundable deposit; Currently Pending for the sale of the Plot.

June 2016: Completed the sale of the wholly owned subsidiary, which holds the "MUP" plot and related real estate in Belgrade, Serbia, for €15.75 million, which was paid in a few instalments. An additional Contingent consideration of EUR 0.6 million received in 2017 once the purchaser successfully developed at least 69,000 sqm above ground.

July 2016: Completed the sale of an 18,400 sqm plot in a suburb of Ploiesti, Romania for €280,000.

September 2016: Completed the sale of a 20,700 sqm plot of a residential plot in Lodz, Poland, to a residential developer, for €2.4 million which had been received in few installments including H1- 2017.

September 2016: Completed the sale of Riga Plaza shopping and entertainment centre in Riga, Latvia to a global investment fund. The agreement reflects a value for the business of circa €93.4 million.

September 2016: Signed a preliminary sale agreement for the disposal of a 1.8 hectare plot in the centre of Leszno, Poland for €810,000. In June 2017, a final sale agreement signed and proceed received.

September 2016: Completed the sale of the shares in Zgorzelec Plaza. A Share Purchase Agreement has been signed with an Appointed Shareholder nominated by the Bank, after which the remainder of the DRA process was completed, including delivery of the Release Letters to the Company, and removing a mortgage over the asset of the Company in Leszno, Poland (valued at €0.8 million), as described in the announcement on 30 June 2016.

Plaza recognised an accounting profit of circa €9.2 million, stemming from the release of €23.0 million of the outstanding (and partially recourse) loan (including accrued interest thereof), against an outstanding asset valued at €12.7 million.

February 2017: Completed the sale of Suwałki Plaza shopping and entertainment center for € 43.1 million. The Company has received circa €16.5 million net cash, after the repayment of the bank loan (circa €26.4 million), and other working capital adjustments.

February 2017: Completed sale of David House office building in Hungary for € 3.2 million.

February 2017: Completed sale of Shumen Plaza plot in Bulgaria for € 1 million.

March 2017: Completed the sale of the Belgrade Plaza shopping and entertainment centre. 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 Purchaser has provided a guarantee to secure these future payments. The received consideration is after the deduction of the bank loan (circa EUR 15.4 million). Belgrade plaza is the 34th shopping centre built by Plaza and its second scheme in Serbia.

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 already paid of EUR 0.035 million followed by an installment of EUR 0.085 million shall be paid when the purchaser obtains environmental permit for investing in the access road to the plot. 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 agreement for the disposal of a 2.47 hectare plot in the centre of Kielce, Poland,for €2.28 million. Plaza received a down payment of €465,000 when the preliminary sale agreement was signed in October 2016. Now that the final agreement has been signed, the remaining €1,815,000 has been paid.

June 2017: In June 2017, Elbit Plaza India Real estate (EPI) signed a revised sale agreement with the former partner (the "Purchaser") which was further amended 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 circa INR 212 Crores (approximately €27.8 million) will be paid to EPI against the transfer of the outstanding share capital of the SPV.

July 2017: Completed the final sale agreement for the disposal of a 1.8 hectare plot in Leszno, Poland for €810,000.

August 2017: Signed an agreement for the disposal of a plot totalling approximately 32,000 sqm in Timisoara, Romania, for €7.25 million and proceed were received.

August 2017: Completed the sale of a plot totalling approximately 30,000 sqm in Constanta, Romania, for €1.3 million

October 2017: Signed an agreement with an international investor, NEPI Rockcastle, on the termination of land use rights over a circa 21,788 sqm land plot adjoining Arena Plaza in Budapest, Hungary, registered to a subsidiary of the Company, Kerepesi 5 Irodaépület Kft ("K5"). The transaction also includes the termination of the preliminary easement agreement, which provided K5 with certain easement rights over the plot, K5 received a net sum of EUR 2.5 million.

November 2017: Completed the sale of Torun Plaza shopping and entertainment center in Poland to a private investment fund. The Company has received 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 payments in an amount of EUR 0.35 million, reduced by NAV adjustment of EUR 0.15 million, to be received in 2018

September 2018: 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 (circa EUR 0.3 million). The agreement was conditional upon the pre-emptive right of the municipality of Lodz. In September 2018, the Company has signed definitive agreement for a 4,000 sqm plot of land in Lodz, Poland for circa EUR 0.3 million.

October 2018: following negotiations with the purchaser, the parties agreed and signed on H1- 2019 an addendum to the pre-agreement (the "Addendum") that provided as follows: (i) the signing date of a definitive sale purchase agreement will be postponed by 3 months to mid-July 2019 (ii) the receipt of additional non-refundable advance payments of EUR 250,000 by the mid of April 2019 (received) , and (iii) the sale price will be increased by EUR 30,000. This addendum is executed further to the Company's announcement dated on October 17, 2018 regarding signing the pre-agreement for the sale of plot of land in Miercurea Ciuc, Romania in which the Company granted an option for the purchase of the plot till mid-April 2019 for a total price of EUR 1,550,000. The Company has received the amount of EUR 110,000 up to the execution date of the Addendum, including March 2019 (non-refundable payments).
To the extent that the Company will enter into a definitive agreement and consummates the transaction, the Company expects to receive EUR 1,220,000 (excluding non-refundable advance payments).

December 2018: Completed the sale of a 5-acre (~20,200 sqm) plot in Krusevac, Serbia, for EUR 0.29 million.

Sale of a plot in Lodz, Poland

Following the announcement dated June 13, 2017 regarding a preliminary sale of plot in Lodz, Poland, the Company signed in March 2019, a definitive agreement for the sale of its 13,770 sqm Plot (representing 22% of this holding) to a retail developer (the "Purchaser") for a total gross consideration of €1.15 million (less approximately €0.19 million invested by the Company in access road). Under the terms of the Agreement, the Purchaser paid €0.76 million, and the remaining consideration (approximately €0.09 million) will be paid not later than April 30, 2019. €0.11 million has already been received as advanced payments.

Definitive Agreement for the sale of Plot in Greece

On December 24, 2018 the Company signed a definitive agreement for the sale of its (indirectly) 100% stake in a Greek subsidiary (on an "as is" basis) for a total gross amount of EUR 1.05 million (out of which EUR 0.3 million has already been received as advance payments during 2017). The total net proceeds to the Company, following the deduction of working capital adjustments in accordance with the balance sheet of the SPV and transaction costs, were circa EUR 0.66 million.

As a result of the transaction, an amount EUR 1.05 million is recorded in Revenue from disposal of trading properties and amount of circa EUR 2.28 million is recorded in Cost of trading properties sold. In addition, as a result of sale on "as is" basis, the Company reversed tax liability previously recorded in the financial statements resulted in tax benefit of EUR 1.015 million (refer also to Note 9 in the annual financial statements as of December 31, 2018).

December 2018 **Belgrade Plaza**

Big Shopping Centers ("BIG") paid EUR 466,000 for the stands and signage at the Big Fashion mall in Belgrade (previously known as "Belgrade Plaza"). In addition, BIG further informed us that they intend to hold an additional EUR 1 million until an orderly engineering examination of the mall's technical conditions is completed as part of the final Price adjustment to be performed in May 2020. The Company is currently evaluating its options regarding BIG's intention to hold the EUR 1 million and sent a letter of demand for payment of the amount including interest.

Status of sale of assets in India

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 of approximately EUR 13.2 million (INR 1,060 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. The closing of the transaction was expected in February 2019. As the transaction was not completed the Term Sheet was terminated by EPI.

In February, 2019 the Chennai Project SPV issued notice to Pacifica terminating the Joint Development Agreement („JDA") due to its failure to obtain the access road. The said termination of JDA has been disputed by Pacifica. Therefore, the Chennai Project SPV has initiated arbitration proceeding against Pacifica in accordance with the Arbitration Rules of the Singapore International Arbitration Centre, in accordance with the JDA Agreement to protect its rights.

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 42.4 million) instead of the INR 321 Crores (approximately Euro 40.2 million) agreed in the previous agreement. As part of the agreement, INR 110 Crores (approximately Euro 13.8 million) were supposed to be paid by the Purchaser in instalments until the Final Closing. The Final Closing was scheduled on September 1, 2018, when the final instalment of INR 228 Crores (approximately Euro 29.8 million) were supposed to 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. INR 46 Crores (approximately EUR 6.06 million) were paid till March 2018.

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 EUR 44.5 million). The Final Closing will take place on 31 August 2019 when the final installment of circa INR 212 Crores (approximately EUR 26.9 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 all amounts paid by now 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.

On February 4, 2019 Plaza announced that the Purchaser defaults on payments and that EPI is considering all legal measures available to it to protect its interest.

During March 2019, the Purchaser has further paid to EPI INR 9.25 cores (approximately EUR 1.15 million), thereby having paid INR 80 crores (approximately EUR 10.26 million) as against approximately INR 92 crores (EUR 11.8 million) that was supposed to be paid by end of February 2019. The Parties continue to discuss regarding getting further payments. Plaza part from the consideration is 50%

In April 2019, EPI has reached an understandings with the purchaser according to which: (i) the closing date for the transaction will be extended to November 2019 (instead of August 2019) (the "Closing Date"); and (ii) the consideration will be increased to EUR 45.64 million (INR 356 crores) (instead of INR 350 crores) (Plaza part approximately EUR 17.69 million) (the "Consideration"). The Closing Date can be further extended to August 2020, subject to mutually agreed payment terms.

EPI and the Purchaser have not yet signed a revised agreement and there is no certainty that such a revised agreement will indeed be signed and /or what its final terms be.

Bank Loans- Refinancing and Discounts

As part of the Company's plan to reduce its leverage, the following actions were taken:

February 2014: Following the sale of its airplane for US$1.9 million, the Company reached a settlement with the airplane financing bank for a reduced repayment of US$1.1 million (out of the outstanding balance of US$1.9 million). The settlement generated a gain of US$0.81 million (€0.6 million) in the Company's books.

May 2015: The Company concluded the sale of Koregaon Park Plaza in Pune, India, which eliminated a recourse component of the loan of circa €14 million (the recourse would have matured 4 years from the restructuring approval – July 2018).

June 2015: The Company concluded the sale of an SPV holding a plot comprising a c. 1,200 sqm plot in Ploiesti, Romania for a total consideration of €240,000. The proceeds were used to repay an outstanding bank loan and no proceeds were obtained by the Group. A waiver was obtained for the remainder of the unpaid bank loan facility, totaling €1.4 million, and the Company therefore recorded a gain, included as finance income in its consolidated financial statements.

September 2015: A subsidiary of the Company has won a tender to buy the loan of the wholly owned holding and operating company for Liberec Plaza shopping and entertainment centre in the Czech Republic. Plaza has agreed to buy the €20.4 million bank loan (which was provided by two commercial banks) for €8.5 million, reflecting a discount of 58%. The Company recorded a profit on the discount (circa €12 million) in its consolidated financial statements for the second half of 2015. The Liberec loan was a full recourse loan (the recourse would have matured 4 years from the restructuring approval – July 2018).

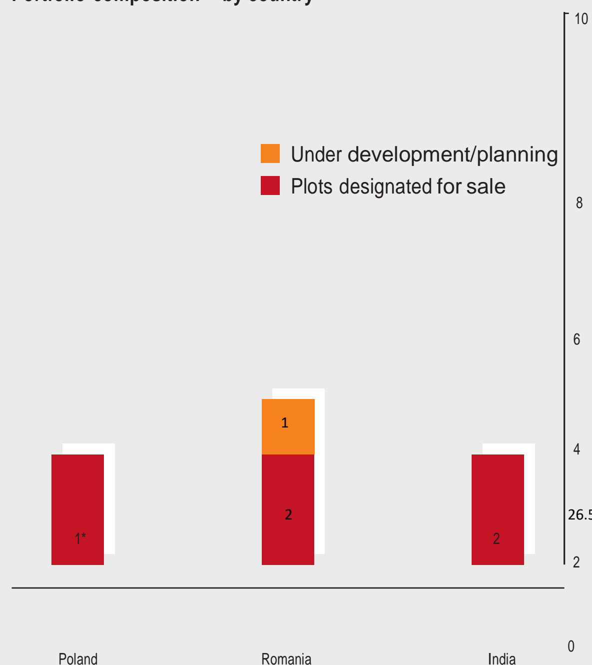
September 2016: Completed the sale of the shares in Zgorzelec Plaza. A Share Purchase Agreement has been signed with an Appointed Shareholder nominated by the Bank, after which the remainder of the DRA process was completed, including delivery of the Release Letters to the Company, and removing a mortgage over the asset of the Company in Leszno, Poland (valued at €0.8 million), as described in the announcement on 30 June 2016. Plaza recognised an accounting profit of circa €9.2 million, stemming from the release of €23.0 million of the outstanding (and partially recourse) loan (including accrued interest thereof), against an outstanding asset valued at €12.7 million.

December 2016: PC Enterprises (a subsidiary of the Company) has acquired a bank loan of circa €10 million, which was held against the Company's plot in Romania, for a total consideration of €1.35 million. The transaction represents a discount of over 86.5% on the bank loan amount and the Lender has transferred all collateral associated with the project related to the loan to Plaza, while also releasing the Company from its recourse loan. As part of the terms of the transaction, the Lender has been granted a purchase option for a term of three years, to acquire the plot for €1.1 million.

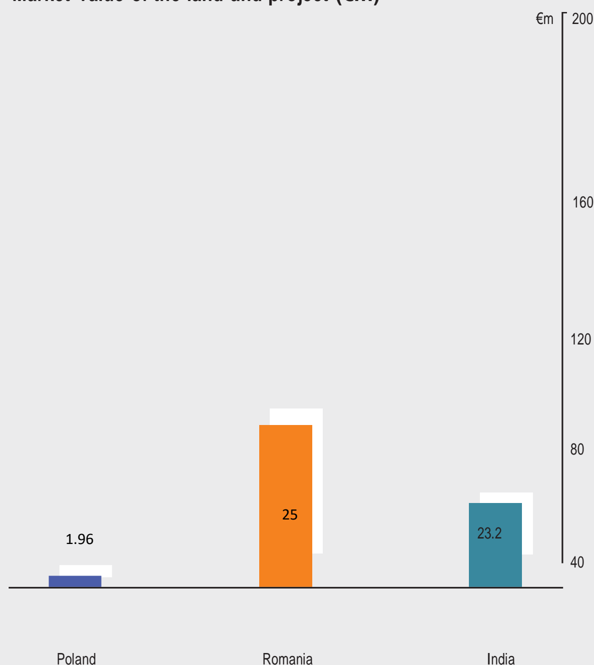
Our portfolio at a glance

Total of 6 assets located across CEE region and in India as of balance sheet date.

Portfolio composition – by country



Market value of the land and project (€m)



Project	Market value on completion (€m)[1]	Market value of the land and the project (€m)[1]
Casa Radio (1)	-	25
India (2)	-	23.2
Other pipeline projects	-	3.5
Total as at 31 December 2018	**-**	**51.7**

(1) Following signing of LOI, the Company measured the net realizable value of the project based on the signed LOI. For this purpose, a valuation was performed through an external appraiser whose opinion does not reflect the risk related to uncertainty in respect of fulfilment of the closing conditions and derived to a value of EUR 37.7 million. As a result, the Company's management assumed additional discount of 33.3% in order to reflect this uncertainty which resulted in value of the proposed deal of EUR 25 million. The rest of the assets were valuated by the Company's management.

(2) 50% (included in equity accounted investee); the valuations of the properties are based on the comparable method.

Group NAV at 31 December 2018

Net Financial Debt**	EUR Million (80.5)
Asset values	
Operating assets	-
Development Assets*	-
Pipeline assets	52.7
Total	**52.7**
Other assets and liabilities	1.1
NAV	**(26.7)**

* Including 100% of Casa Radio due to the material shareholders' loans and equity accounted investee.

** Excluding discount on Bonds in amount of €3.77 million.

*** Including Belgrade expected price adjustment.

Development focus

Following several years of efforts to promote the development of the project either by bringing a partner or through the sale of the Company's holdings, a number of proposals were received during the course of 2018 from experienced real estate investors which were examined by management and the board. The management and the board of directors came to the conclusion that the proposed price and terms of LOI are optimal and reasonable considering the Company's current status and decided to sign a LOI with AFI Europe N.V.

Casa Radio

Romania

467,000 sqm GLA

Casa Radio will include a 90,000 sqm GLA shopping mall and in- door leisure center, approximately 127,000 sqm GBA of offices, hotel complex with conference center, Public Authority Building and underground car parking spaces.

Current portfolio

Asset/Project	Location	Nature of asset	Size sqm (GLA)	Plaza's effective ownership %	Status
Development Assets					
Casa Radio	Bucharest, Romania	Mixed-use retail and leisure plus office scheme	467,000 (GBA including parking spaces)	75	Designated for sale; Non-binding Letter of Intent signed
Pipeline Projects			**Plot Size (sqm)**		
Lodz Plaza	Lodz, Poland	Retail & entertainment scheme	61,500	100	Designated for sale; Definitive Sale agreement for part of the plot in place
Csiki Plaza	Miercurea Ciuc, Romania	Retail & entertainment scheme	36,500	100	Preliminary sale agreement
Brasov	Brasov, Romania	Retail & entertainment scheme	67,000	100	Preliminary sale agreement
Bangalore	Bangalore, India	Residential Scheme	218,500	25	Amended revised sale agreement in place
Chennai	Chennai, India	Residential Scheme	302,400	50	JDA and term sheet terminated; Initiated an Arbitration proceeding

Chief Executive Officer's statement

Management statement

During 2018 the management's focus has almost entirely been on cost reductions, delivering the €2.3 million of disposals of plots of land that we completed in the 12 months to 31 December, which produced €2 million in net proceeds, and repayment of material funds - circa €38.5 million (principal and interest) paid to the bondholders following signing settlement agreement on January 2018 by and among the Company and the two Israeli Series of Bonds.

In addition, following several years of efforts to promote the development of the Casa Radio project either by bringing a partner or through the sale of the Company's holdings, a number of serious proposals were received during the course of 2018 from serious and experienced real estate investors which were examined by management and the board. The management and the board of directors came to the conclusion that the proposed price and terms of LOI are optimal and reasonable considering the Company's current status and decided to sign a LOI with AFI Europe in 2019.

In India, the Company focus its efforts to bring cash flows from Bangalore project in accordance with the signed sale agreement, and signed a term sheet for the sale of its 50% stake in a 74.7-acre plot in Chennai, India. The closing date was extended several times and in 2019 the company (through its 50% subsidiary) terminated the the Joint Development Agreement and the Term Sheet and initiated arbitration proceeding,

As a result of this activity, our total portfolio now comprises six assets in three countries, including one plot in Poland, three plots in Romania and two plots in India (under JV with Elbit).

Over the coming months, the Company will maintain its focus on and commitment to the portfolio rationalisation and continuous deleveraging of the balance sheet.

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Results

During the year, Plaza recorded a €38.4 million loss attributable to the shareholders of the Company. This is a 44% increase compared to the losses reported in 2017 (loss of €26.5 million).

Total result of operations excluding the finance income and finance cost was loss of €31.7 million in 2018 and €15 in 2017. Losses were generated in both years mainly from write down of trading properties. Additionally, currently the Company holds no operating assets.

The consolidated cash position as at 31 December 2018 was €1.4 million (31 December 2017: €44.8 million) and the current cash position is circa €1.28 million.

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Avi Hakhamov
Acting CEO

Liquidity & Financing

Plaza ended the period with a consolidated cash position of €1.4 million, compared to €44.8 million at the end of 2017.

As at December 31 2018 the Group's outstanding obligation to bondholders is €80.5 million after all bank loans were repaid or disposed. The outstanding balance of the debt to bondholders is circa €84.3 million as of today.

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.

In January 2018, a settlement agreement was signed by and among the Company and the two Israeli Series of Bonds (“Settlement Agreement”). In the Settlement Agreement it was agreed, inter alia, to approve:

- New repayment ratios between the two Israeli Series of Bonds (new ratio: Bond A- 39% Bond B- 61%);
- An increase in the level of the mandatory early repayments from 75% to 78% of the relevant net income;
- New repayment schedule;
- An increase in the compensation to be paid to the Bondholders in the event of successful disposal of Casa Radio Project;
- A waiver of claims to the Company and its directors and officers; and
- To waive the request for publication of quarterly financial reports by the Company.

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As a result of settlement agreement signing, Series A Bondholders withdrew their request for immediate repayment.

Information concerning the Group’s obligations and commitments to make future payments under contracts such as debt agreements in the 15 months starting April 1, 2019 is aggregated in the following table:

	Total Payment Due by period	
Liquidity Requirements	**Within 1 year**	**1-1.5 years**
	(in TEUR)	(in TEUR)
Bonds including current portion and interest*	56,354	31,118
General & administrative	1,725	750
Total liquidity requirements	58,079	31,868
Total Sources**	**6,561**	**7,015**
Total deficit	**(51,518)**	**(24,853)**

* An amount of Circa EUR 0.4 million was repaid (excluding interest) by the date of approval of these consolidated financial statements following the balance sheet date.

** The Company expects to increase the amount of its liquid balances during the 15 months starting April 1, 2019, by sale of plots of lands (excluding Chennai, India) and others, and on the assumption that a final agreement for sale Casa Radio Project will be concluded, not including cash balances as of the date of signing the financial statements.

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 recent default of purchaser of Bangalore project to meet payments schedule according to the signed amendment agreement, and default of purchaser of Chennai Project to complete the sale transaction, which is detailed above, it is expected that the Company will not be able to meet its entire contractual obligations in the upcoming 12 months.

As of December 31, 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. In addition, the Minimum Cash Reserve Covenant is not maintained as of December 31, 2018. If its continued throughout a period comprising two consecutive quarterly reports following the year-end report on which such breach has been established, then such breach shall constitute an event of default under the trust deeds, and the Bondholders shall be entitled to declare that all or a part of their respective (remaining) claims become immediately due and payable.

Moreover, the Company's financial statements as of December 31, 2017 include an auditor's opinion with emphasis of matter to going concern uncertainty as well as auditor's review report on interim financial statements as of June 30, 2018 include the same. As a result, there is a risk that the bondholders could argue that there are significant doubts with respect to the Company's ability to repay its obligations, which will trigger the immediate repayment of the bonds.

In respect of credit rating downgrade followed by withdraw of credit rating by Standard & Poor at the Company’s request refer to Note 8 (e) to the 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 financial statements the bondholders have not taken steps to assert their rights.

Avi Hakhamov
Acting CEO

On January 31, 2019 the bondholders of Series A and Series B approved a partial deferral of the scheduled Principal payment as of December 31, 2018 to July 1, 2019.

Strategy & Outlook

At this point in time, the Company remains focused on cost cutting, completing the disposal of the assets identified for sale (including signing definitive sale agreements), concentration of efforts with aim to sign a pre-sale agreement of Casa Radio, getting further payments for Bangalore project, progress and decision in the arbitration process of Chennai Project and delivering on its commitments to its stakeholders.

Avi Hakhamov
Acting CEO
23 April 2019

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 six projects is outlined in the table below.

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

Asset/Project	Location	Nature of asset	Plot Size sqm	Plaza's effective ownership %	Status *
Casa Radio (*)	Bucharest, Romania	Mixed-use retail, hotel and leisure plus office scheme	467,000 (GBA including parking spaces)	75	Designated for sale; Non-binding Letter of Intent signed
Lodz Plaza	Lodz, Poland	Retail & entertainment scheme	61,500	100	Designated for sale; Definitive sale agreement for part of the plot in place
Csíki Plaza	Miercurea Ciuc, Romania	Retail & entertainment scheme	36,500	100	Preliminary sale agreement
Brasov	Brasov, Romania	Retail & entertainment scheme	67,000	100	Preliminary sale agreement
Bangalore (**)	Bangalore, India	Residential scheme	218,500	25	Amended revised sale agreement in place
Chennai (**)	Chennai, India	Residential scheme	302,400	50	JDA and term sheet terminated; Initiated an Arbitration proceeding

(*) For additional details about Casa Radio Non-binding LOI and current project status refer to Note 5(4) in the consolidated financial statements for 2018

(**) For additional information and project sale status please refer to Note 6 in the consolidated financial statements for 2018.

Financial review

Results

Revenue for the period derived from the disposal of trading properties amounted to €2.3 million, compared to €193 million in 2017, the decrease being largely attributable to the sales of the last operating shopping and entertainment centres such as Suwalki Plaza and Torun Plaza in Poland in January and November 2017 respectively, and the disposal of Belgrade Plaza in Serbia in January 2017, whilst disposals of 2018 included the sale of three plots: the disposal of shares of SPV holding plot in Greece, land plot known as "Lodz Centrum Plaza" in Poland and the plot in Krusevac, Serbia, earn-out payment for the sale of Torun Plaza reduced by NAV adjustment and income for the stands and signage in Belgrade Plaza. Other income includes €0.22 due to settlement agreement with the buyer of Kragujevac Plaza mall regarding refund of claim from the city of Kragujevac.

The write down of trading properties increased from €11.5 million in 2017 to €29.5 million in 2018. The 2018 write down is mainly attributable to Lodz Plaza (€1.9 million) and Casa Radio (€24.2 million, net) projects.

Following signing of LOI for the sale of Casa Radio project, the Company measured the net realizable value of the project based on the signed LOI. For this purpose, a valuation was performed through an external appraiser whose opinion does not reflect the risk related to uncertainty in respect of fulfilment of the closing conditions, as described in Note 5(4)(f) and derived to a value of EUR 37.7 million. As a result, the Company's management assumed additional discount of 33.3% in order to reflect this uncertainty which resulted in value of the proposed deal of EUR 25 million.

Accordingly, since the value based on the Residual technique is higher than estimated value of the proposed deal, as of December 31, 2018, the Company recorded Casa Radio project at its net realizable value in the amount of EUR 25 million (trading property is presented at gross basis in the amount of EUR 39.1 million and provision for PAB liability in the amount of EUR 14.1 million).

During the year, administrative expenses decreased to €2.7 million (2017: €6.1 million) as a result of material cost cutting of professional services and manpower and further reductions are targeted for 2019.

Finance income increased considerably to €3.6 million in 2018, from €0.6 million in 2017. A gain of €3.4 million was recorded in 2018 due to foreign currency gain on bonds.

Finance costs slightly increased to €11.3 million in 2018, from €11.2 million in 2017. The main components were:

- FOREX (NIS-EUR) – foreign currency loss other €1.9 million (the effect on the debentures in 2017 – €1.1 million).
- Interest expenses booked on bank loans and debentures totaled €5.7 million (2017: €10.7 million).
- €3.7 million recorded as a cost, associated with the amortisation of the discount on debentures (2017: €0.7 million non-cash income).
- No financial costs were capitalized 2018 and 2017.

Tax benefit of circa €1 million was recorded as a result of reversed tax liability previously recorded following the disposal of SPV holding the plot in Athens, Greece on "as is" basis.

Balance sheet and cash flow

The balance sheet as at 31 December 2018 showed total assets of circa €62 million compared to total assets of €141 million at the end of 2017, largely as a result of the implementation of the debt reduction strategy through asset disposal, repayment of principal and interest in total amount of €38.5 million in January 2018 following the signed settlement agreement, and due to impairment of trading properties recognized in amount of EUR 29.5 million.

The consolidated cash position as at 31 December 2018 decreased to €1.4 million (31 December 2017: €44.8 million) mainly due to payment of principals and interests for bonds in total amount of circa €38.5 million in January 2018 from the cash which was at the closing balance as of December 31, 2017.

The value of the Company's trading properties decreased from €73.6 million as at 31 December 2017 to €42.6 million at the end of 31 December 2018, following the disposals of shares of SPV holding plot in Greece, land plot known as "Lodz Centrum Plaza" in Poland and the plot in Krusevac, Serbia, and the circa €24.2 million impairment against the Casa Radio project in Romania as explained in the results above.

Investments in equity accounted investee companies has decreased by €1.8 million to €17.7 million (31 December 2017: €19.5 million) mainly as a result of value increase of the Bangalore project in India in an amount of € 1.6 million and cash distribution of €2.5 million (31 December 2017: € 5.4 million).

Due to the sale of shares of SPV holding the plot in Greece and reverse of tax liability previously recorded in 2017 in an amount of €1 million, other current liabilities has decreased from €1.9 million to €0.5 million.

Financial review

As at 31 December 2018, Plaza has a balance sheet liability of €76.7 million (with an adjusted par value of circa €80.5 million) from issuing bonds on the Tel Aviv Stock Exchange. 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 €14.1 million (2017: €12.8 million) for the construction of the Public Authority Building.

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 from the date of approval of the reports ("Projected Cash Flow").

The Material uncertainty related to going concern was included in the independent auditors' report and 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 1 (b) and 5 of these Consolidated Financial Statements in this press release. The board and management estimates that the Company is unable to serve its entire debt according to the current repayment schedule. Moreover, following the recent default of purchaser of Bangalore project to meet payments schedule according to the signed amendment and default of purchaser of Chennai Project to complete the sale, it is expected that the Company will not be able to meet its entire contractual obligations in the following 12 months.

With 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. During first three months 2017, the Company paid to its bondholders a total amount of NIS 191.7 million (EUR 49.2 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 million) and thus obtained a deferral of one year for the remaining contractual obligations of the bonds.

In January 2018, a settlement agreement was signed by and among the Company and the two Israeli Series of Bonds (refer to section "Liquidity and financing").

On November 22, 2018 the Company announced based on its current forecasts, the Company expected to pay the accrued interest on Series A and Series B Bonds on December 31, 2018, in accordance with the repayment schedule determined in the Company's Restructuring Plan and Settlement Agreement with Series A and Series B Bondholders from 11 January 2018 (the "Settlement Agreement"). The Company noted that it will not meet its principal repayment due on December 31, 2018 as provided for in the Settlement Agreement. On February 18, 2019 the company paid principal of circa EUR 250,000 and Penalty interest on arrears of EUR 150,000 following the bondholder's approval to defer principal repayment to July 1, 2019.

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.

Financial review

2. Projected cash flow (Cont.)

In € millions	2019	2020
Cash - Opening Balance	**1.48**	**0.15**
Proceeds from selling trading and investment properties[123]	6.56	33.18
Total sources:	**8.04**	**33.33**
Debentures - principal	0.25	19.36
Debentures - interest	5.74	5.37
Compensation to Bondholders	-	2.14
Operational expenses	1.90	1.50
Total uses:	**7.89**	**28.37**
Cash - Closing Balance	**0.15**	**4.96**

1 Comprised from the sale of plots: Lodz Mall, Mirecurea Ciuc, Brasov and Bangalore (Company's share 50%), price adjustment from Belgrade Plaza during 2019 and 2020;

2 Assuming EUR/NIS rate of 4.1. The last schedule payment for Bangalore plot sale is at August 2019. The company took a conservative approach regarding payment schedule and therefore payments spread up to and including 2020. Chennai Project excluded;

3 Casa Radio project – assuming EUR 20 million to be received (2020).

Below is a summary table of the comparison between forecasted and actual cash flow, with explanations on the differences published for the year ending 31 December 2018.

In € millions	Forecast 2018	Actual 2018
Cash – Opening Balance	**44.8**	**44.8**
Proceeds from selling trading properties[1]	13.6	5.92
Total sources:	**58.4**	**50.72**
Debentures – principal[2]	53.9	40.891
Debentures – interest	5.7	5.69
Compensation to Bondholders	0.2	0.2
Operational expenses[3]	5	5.8
Total Uses	**63.0**	**49.24**
Cash – Closing Balance	**(4.6)**	**1.48**

1 Forecast included proceeds from: Chennai (€3.44 m), Bangalore (€2.70 m), Riga (€0.30 m), Kochi Advance (€1.4 m), Greece (€3.1 m), Lodz Plaza (€1.2 m), Lodz Centrum (€0.31 m), Torun Plaza price adjustment (€0.15 m), Belgrade (€1.0 m).
Actual included proceeds from: Bangalore (€1.85 m), Riga (€0.20 m), Kochi Advance (€1.55 m), Greece (€0.66 m), Lodz Plaza (€0.07 m), Lodz Centrum (€0.30 m), Torun Plaza price adjustment (€0.21 m), Belgrade (€0.47 m), Krusevac (€0.29 m), settlement in Kragujevac (€0.23 m), Miercurea Ciuc (€0.09 m).

2 Including the payment was made in January 2018 following the settlement agreement with the bondholders

3 Decrease as a result of non-cash costs of 2018 (€0.4 m) and material cost cutting of professional services and manpower.

Avi Hakhamov
Acting CEO
23 April 2019

Valuation Summary

as at 31 December 2018 (in EUR)

Country	Project name	Company's share	Market value of land and project 31 December 2017 (EUR M)	Market value of land and project 31 December 2018 (EUR M)	Market value upon completion 31 December 2017 (EUR M)	Market value upon completion 31 December 2018 (EUR M)
Poland	Lodz	100%	3.9	1.96	comparable*	N/A
	Lodz Residential	100%	0.4**	Sold	N/A	N/A
Romania	Casa Radio	75%	50.4***	25***	633.9	N/A
	Ciuc	100%	1.0**	1.0**	N/A	N/A
	Brasov	100%	1.1**	0.55*	N/A	N/A
Greece	Helios	100%	3.3**	Sold	N/A	N/A
India	Varthur	50%	13.6	14.7	comparable*	comparable*
	Chennai	50%	8.8	8.5	comparable*	comparable*
Serbia	Krusevac	100%	0.6**	Sold	N/A	N/A
TOTAL			**83.1**	**51.7**	**633.9**	**-**

All values represent the Company's share, except of Casa Radio project, which represents 100% due to material shareholders loan. All external valuation for 2018 were conducted by Jones Lang LaSalle, except of the Indian projects, which were valued by Cushman and Wakefield.

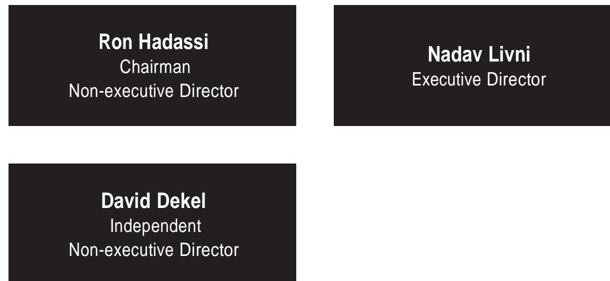
* Asset was valued with the comparative sales price method; no value at completion was estimated.

** Management estimation.

*** 100% (due to material shareholder loans), net of PAB liability of EUR 14.1million.
Following signing of LOI, the Company measured the net realizable value of the project based on the signed LOI. For this purpose, a valuation was performed through an external appraiser whose opinion does not reflect the risk related to uncertainty in respect of fulfilment of the closing conditions and derived to a value of EUR 37.7 million. As a result, the Company's management assumed additional discount of 33.3% in order to reflect this uncertainty which resulted in value of the proposed deal of EUR 25 million

Management structure

Plaza Centers' Board



- Oversight of company strategy and all project development decisions
- Wide-ranging property development expertise
- Review and approval of business plan and budgets
- Active management and monitoring of development risks

Senior Management

- Experienced property development professionals with global property development expertise
- Responsible for sourcing development projects
- Development of business plans
- Overseeing the management of development projects

Local Country Management

- Extensive local experience
- Cultivating connections within market to source opportunities
- Day-to-day management of local operations and developments

* Starting April 1st 2018, Acting CEO .
** Between January 1, 2018 till October 30, 2018 served as external Legal Advisor.
*** Resigned on October 31, 2018
**** Left February 1st 2018.

Board of Directors and Senior management

Chairman

Mr. Ron Hadassi, Non-executive director (male, 54, Israeli)
Mr. Ron Hadassi has broad experience in leading real estate firms. Mr. Hadassi currently is the senior manager of Bronfman-Fisher Group, engaged in industry, real estate, finance and retail and holds various positions within the Bronfman-Fisher Group. He also serves on the Board of Directors of the controlling shareholder and Carmel Winery and he is the chairman of Elbit Medical Technologies Ltd. Mr. Hadassi holds a BA in economics, political science, an LLB and an MBA from the Tel Aviv University. Mr. Hadassi was appointed as an executive director on 8 July 2014 and elected as chairman and non-executive director on 28 November 2014 and re-elected on 30 June, 2016. Mr. Hadassi may periodically be re-elected by the Annual General Meeting pursuant to article 23.6 of the Articles, provided that Mr. Hadassi has expressed his availability for a subsequent term of office.

Executive director

Mr. Nadav Livni, (male, 45, British)
Mr. Nadav Livni is the founder of The Hillview Group, an independent privately owned merchant bank based in London. Since 2006, The Hillview Group has expertly managed over $3.5 billion of strategic capital market transactions across Central and Eastern Europe, Russia, Africa and USA. Mr. Livni previously worked at Deutsche Bank, Goldman Sachs and KPMG. He also serves on the board of EI. Mr. Livni is a qualified chartered accountant, holds a Bachelor of Commerce (honors in economics), a Master of Science (finance), and is a guest speaker on the topics of private equity and real estate investment at London Business School. Mr. Livni was appointed as a non-executive director on 8 July 2014 and elected as an executive director on 28 November 2014 and re-elected on 30 June, 2016. Mr. Livni may periodically be re-elected by the Annual General Meeting pursuant to article 23.6 of the Articles, provided that Mr. Livni has expressed his availability for a subsequent term of office.

Independent non-executive directors

Mr. David Dekel (male, 54, Dutch)
Mr. David Dekel is currently a non-executive director at Nanette Real Estate Group N.V., a residential developer, operating in Central Europe. He is the founder and chief executive officer of Endeavour Enterprises N.V. from Amsterdam, the Netherlands and has several other managerial functions. Mr. Dekel holds a BBA from the Delta University in Utrecht, the Netherlands and an MBA from the University of Teesside (the Hague extension) in the Hague, the Netherlands. Mr. Dekel was appointed as a non-executive director on 8 July 2014. Mr. Dekel may periodically be re-elected by the Annual General Meeting pursuant to article 23.6 of the Articles, provided that Mr. Dekel has expressed his availability for a subsequent term of office.

Senior management

Mr. Avi Hakhamov (45), MBA, CPA (Isr.)
Acting CEO *

Mr. Hakhamov joined the Group in 2006 as a financial controller in the headquarters team of the Group, and was appointed as a CFO and Acting CEO in April 2018. Prior joining to Plaza Centers he worked 1 year as a member of the audit teams of BDO, 3.5 years in professional department of Arthur Andersen and KPMG Israel and served two years as a Chief Financial Officer of Ivory Computers ltd. Mr. Hakhamov holds an MBA degree in Accounting and Business from College of Management Academic Studies, and he is a certified public accountant in Israel.

Mr. Uzi Eli (43) LLB, Attorney at Law (Isr),
MBA General Counsel **

Mr. Uzi Eli joined the Company as general counsel and compliance officer in 2007. Prior to joining the Company, he practised law in two leading commercial law firms in Israel. His main practice concentrated in commercial and corporate law, providing ongoing legal services to corporate clients (mainly hi-tech and bio-tech companies and venture capital funds) in all aspects of corporate governance, and representation in various transactions, such as financing and M&A transactions and other wide varieties of licensing and technology transactions. Mr. Eli holds a LLB degree and an MBA degree from the College of Management Academic Studies and he is an attorney at law.

Mr. Rabia Shihab (39) BA, CPA, Czech Republic, Serbia
Country Director***

Mr. Rabia Shihab joined Plaza Centers in June 2008 as financial director of Romania and Bulgaria. From November 2011, he has been serving as the financial director of Serbia and the Czech Republic. On March 2014, he was additionally appointed as the country manager. Prior joining Plaza Centers, he served as financial controller for Tefron Ltd. Mr. Shihab holds Bachelor degree of economics from the Hebrew University of Jerusalem.

* Starting 1st April 2018
** Between January 1, 2018 till October 31, 2018 served as external Legal Advisor
*** Resigned on January 30, 2018

Directors' report

Principal activities and review of business

Plaza Centers N.V. was a developer of shopping and entertainment centers with a focus on the emerging markets of Central and Eastern Europe ("CEE"), where it has operated since 1996 when it became the first company to develop western-style shopping and entertainment centers in Hungary. This followed its early recognition of the growing middle class and increasingly affluent consumer base in such markets.

Since then, it has expanded its CEE operations into Poland, the Czech Republic, Latvia, Romania, Serbia, Bulgaria and Greece. In addition, the Group has extended its area of operations beyond the CEE into India and the US. The Group has been present in real estate development in emerging markets for over 22 years. To date, the Group has developed, let and opened 34 shopping and entertainment centers of which 34 were sold with an aggregate gross value of circa €1.55 billion. 21 of these centers were acquired by Klepierre, one of the largest shopping center owners/operators in Europe. Four additional shopping and entertainment centers were sold to the Dawnay Day Group, one of the UK's leading institutional property investors at that time. One shopping center (Arena Plaza in Budapest, Hungary) was sold to Active Asset Investment Management ("AAIM"), a UK commercial property investment group representing circa 20% of all real estate transactions completed in Hungary in 2007, and one shopping center (Kragujevac Plaza in Serbia) was sold in 2014 to New Europe Property Investments plc ("NEPI"), a publicly traded commercial property investor and developer in Eastern Europe. In 2015 Plaza sold its Indian mall located in Pune and in March 2016 its mall in Liberec, Czech Republic, in March 2017 Plaza announced the successful completion of the sale of Belgrade Plaza shopping and entertainment centre to a subsidiary of BIG Shopping Centers Ltd, a publicly traded company in Tel Aviv Stock Exchange. Belgrade Plaza (Visnjicka) has been the largest development underway in Serbia and in November 2017 plaza completed the sale of its last operating mall – Torun Plaza in Poland to a private investment fund.

During 2018 the management's focus has almost entirely been on cost reductions, delivering the €2.3 million of disposals of plots of land. In India, the Company focus its efforts to bring cash flows from Bangalore project in accordance with the signed sale agreement, and signed a term sheet for the sale of its 50% stake in a 74.7-acre plot in Chennai, India. The closing date was extended several times and in 2019 the company (through its 50% subsidiary) terminated the the Joint Development Agreement and the Term Sheet and initiated arbitration proceeding,
In addition, following several years of efforts to promote the development of the Casa Radio project either by bringing a partner or through the sale of the Company's holdings, a number of proposals were received during the course of 2018 from experienced real estate investors which were examined by management and the board.

The management and the board of directors came to the conclusion that the proposed price and terms of LOI are optimal and reasonable considering the Company's current status and decided to sign a LOI with AFI Europe in 2019.

For a more detailed status of Plaza's main focus in 2018 and current activities and projects, the directors refer to the Executive Officer's statement on pages 18 to 19 as well as to the following chapters: Overview, Business Review and Management and Governance.

For an overview of events after the reporting period refer to note 19 to the consolidated financial statements.

Portfolio progress

The Company currently has a land bank of 6 plots, across the CEE and in India. During 2018 and up to date, Plaza received net proceeds of €2 million from sales transactions and price adjustments.

The disposals form part of the Company's ongoing strategy to reduce the Company's debt. At this point in time, the Company remains focused on completing the disposal of the assets identified for sale and on delivering on its commitments to its stakeholders.

Going Concern

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, as disclosed in notes (1)(b) and 8 of the consolidated financial statements.
The Board of Directors has analyzed the following major risks associated with the preparation of the financial statements included in the annual report:

1. Extensive review and assessment of the real estate valuation process, together with senior management and the external valuators of the Company as of 31 December 2018, which is the base for important disclosures included in the Company's 2018 financial reports. For Casa radio valuation based on net realizable value of the the signed LOI please refer to Note 5(4) in the consolidation financial statements.
2. Extensive review and assessment of the features of the debt restructuring plan as amended in November 2016 and the settlement agreement signed by and among the Company and the two Israeli Series of Bonds ("Settlement Agreement") in January 2018 regarding early prepayment requirements, including prospective cash outflow, covenants and comply with these elements, taking into account the significant doubts regarding the Company's ability to serve its entire debt according to the current repayment schedule, as noted in November 2018 by the company that it will not meet its principal repayment due on December 31, 2018 as provided for in the Settlement Agreement.

Directors' report

3. Exposure 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 and devaluation of INR against EUR can significantly decrease the cash flows from the sale of projects in India.

4. As of December 31, 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 In addition, the Minimum Cash Reserve Covenant as defined in Note 17(b)(1)(d) is not maintained as of December 31, 2018. If its continued throughout a period comprising two consecutive quarterly reports following the year-end report on which such breach has been established, then such breach shall constitute an event of default under the trust deeds, and the Bondholders shall be entitled to declare that all or a part of their respective (remaining) claims become immediately due and payable.

5. The board and management estimate that the Company is unable to serve its entire debt according to the current repayment schedule. Moreover, following the recent default of purchaser of Bangalore project to meet payments schedule according to the signed amendment agreement, and default of purchaser of Chennai Project to complete the sale transaction, it is expected that the Company will not be able to meet its entire contractual obligations in the following 12 months.

Moreover, the Company's financial statements as of December 31, 2017 include an auditor's opinion with emphasis of matter to going concern uncertainty as well as auditor's review report on interim financial statements as of June 30, 2018 include the same. As a result, there is a risk that the bondholders could argue that there are significant doubts with respect to the Company's ability to repay its obligations, which will trigger the immediate repayment of the bonds.

In addition, based on trust deeds, in the case of material deterioration in the Company's business and the existence of significant doubts regarding the Company's ability to repay the bonds on time, the bondholders may require an immediate repayment of bonds due to the Company's breach of a covenant in the trust deeds.
In respect of credit rating downgrade followed by withdraw of credit rating by Standard & Poor at the Company's request refer to Note 8(e) to these 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 financial statements the bondholders have not taken steps to assert their rights.

On January 31, 2019 the bondholders of Series A and Series B approved a partial deferral of the scheduled Principal payment as of December 31, 2018 to July 1, 2019 (see Note 8).

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.

Dividends

The Company shall not make any dividend distributions, unless (i) at least 75% of the unpaid principal balance of the debentures (€199 million) has been repaid and the coverage ratio on the last examination date prior to such distribution is not less than 150% following such distribution, or (ii) a majority of the plan creditors consents to the proposed distribution.

Notwithstanding the aforesaid, in the event an additional capital injection of at least €20 million occurs, then after one year following the date of the additional capital injection, no restrictions other than those under restructuring plan as specified on page 9 and the applicable law shall apply to dividend distributions in an aggregate amount up to 50% of such additional capital injection.

Directors' interests

The directors have no interests in the shares of the Company, other than the directors' share options as given on page 53 of this report.

Directors and appointments

The following served as directors of the Company at 31 December 2018:

Ron Hadassi, Chairman, Non-executive director
Nadav Livni, Executive director
David Dekel, Independent non-executive director

The general meeting of shareholders is the corporate body authorised to appoint and dismiss the directors. All directors in function, unless they are retiring, submit themselves for re-election every three years, pursuant to the rotation scheme for directors as laid down in article 15.3 of the Articles of Association. The general meeting of shareholders is entitled to suspend and dismiss directors by a simple majority vote.

Directors' report

Substantial shareholdings

As of the balance sheet date, Davidson Kempner Capital LLC** held approximately 26.3% and York Capital Management Global Advisors held approximately 2.67%*** of the entire issued share capital of the Company. Other than that, and except as disclosed under "directors' interests" above, the Company is not aware of any additional interests amounting to 3% or more in the Company's shares besides of Elbit Imaging Ltd holding 44.9% through its subsidiary Elbit ultrasound (Luxemburg) B..V/S.a.r.l (Shares have been deposit with a trustee at year end and consider itself as no longer controlling shareholder)

** Based on the latest disclosed positions made by Davidson Kempner Capital Management LLC ("DK"). Burlington Loan Management Limited holds 23.89%. and DK holds 2.4% directly.
*** based on the latest disclosed positions York Capital Management Global Advisors LLC holds 2.67%

Employee involvement

The Company has employees and other persons providing similar services. At the end of 2018 the Group had 9 employees and other persons providing similar services including board members. The management expects further changes in the development of the number of employees due to reduction of activities.

Annual General Meeting (AGM)

The annual general meeting of shareholders is held every year within six months from the end of the financial year in order to discuss and approve the annual report and adopt (vaststellen) the Dutch statutory annual accounts, discharge of the directors from their liability for the conduct of business in the preceding year and any other issues mentioned below.

The main powers of the general meeting of shareholders relate to the appointment of members of the Board, the adoption of the annual financial statements, declaration of dividend, release the Board's members from liability and amendments to the Articles of Association.

The annual general meeting of shareholders was held at the Company's registered address in the Netherlands on 14 June 2018.

In this AGM, inter alia, the following resolutions were proposed to the shareholders:

(i) Report by the board of managing directors of the Company (the "Board") of the 2017 financial year and consideration of the Company's Dutch statutory annual accounts and the annual report for the year ended 31 December 2017.

(ii) Report on remuneration in the year ended 31 December 2017.

(iii) Proposal to adopt (vaststellen) the Company's Dutch statutory annual accounts for the financial year ended 31 December 2017.

(iv) Proposal to not distribute any dividend in respect of the year ended 31 December 2017.

(v) Proposal to discharge the directors of the Company from their liability for the conduct of business for the financial year ended 31 December 2016.

(vi) Proposal to appoint Baker Tilly Berk N.V.
B.V. as the external auditor for the 2018 financial year.

(vi) Proposal to reappoint as a non-executive director, Mr. Ron Hadassi, who is retiring by rotation and may be reappointed under Article 23 paragraphs 6 and 9 of the Articles of Association.

All proposed resolutions were passed

Article 10 of Directive 2004/25

With regard to the information referred to in the resolution of Article 10 of the EC Directive pertaining to a takeover bid which is required to be provided according to the Dutch law, the following can be reported:

- There are no special restrictions on the transfer of the shares of the Company.
- There are no special statutory rights related to the shares of the Company.
- There are no restrictions on the voting rights on the Company's shares.
- Information on significant shareholding can be found above.
- There are no agreements between the shareholders which are known to the Company and may result in restrictions on the transfer of securities and/or voting rights.
- The applicable provisions regarding the appointment and dismissal of members of the Board and amendments to the Articles of Association are set forth above.
- The power of the Board regarding the issue of shares and the exclusion of pre-emption rights and the repurchase of shares in the Company can be found above.
- There are no significant agreements to which the Company is a party and which take effect alter or terminate upon a change of control of the Company following a takeover bid.
- There are no agreements between the Company and its Board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid.
- Other information can be found in the notes to the financial statements (please see note 10 – Equity)

Forecast

During 2018 the management's focus has almost entirely been on cost reductions, delivering the €2.3 million of disposals of plots of land that we completed in the 12 months to 31 December, which produced €2 million in net proceeds, and repayment of material funds - circa €38.5 million (principal and interest) paid to the bondholders following signing settlement agreement on January 2018 by and among the Company and the two Israeli Series of Bonds.

Over the coming months, the Company will maintain its focus on and commitment to the portfolio rationalisation and continuous deleveraging of the balance sheet.

At this point in time, the Company remains focused on cost cutting, completing the disposal of the assets identified for sale (including signing definitive sale agreements), concentration of efforts with aim to sign a pre-sale agreement of Casa Radio, getting further payments for Bangalore project, progress and decision in the arbitration process of Chennai Project and delivering on its commitments to its stakeholders.

On the debt side, Plaza will continue to reduce corporate debt by early repayments following sale of assets according to the Company's debt restructuring agreement, and as agreed in the settlement agreement signed on January 2018 with Israeli bondholders. For important information in regards to Plaza's negative cash flow projections please refer to Note 1(b) in the consolidated financial statements. The board and management estimate that the Company is unable to serve its entire debt according to the current repayment schedule. Moreover, following the recent default of purchaser of Bangalore project to meet payments schedule according to the signed amendment agreement (refer to Note 6(b)(1)), and default of purchaser of Chennai Project to complete the sale transaction (refer to Note 6(b)(2)), it is expected that the Company will not be able to meet its entire contractual obligations in the following 12 months

Plaza will Continue with efficiency measures and cost reduction where possible. The general and administrative expenses for 2019 shall be reduced to circa €1.7 million and starting 1 April 2019 a new phase starts which is forecasted to have G&A per annum of circa €1.48 million continuing strongest cost control initiatives e.g. reduction of manpower, cutting cost of suppliers, advisors etc. (excluding non-recurring items).

The number of the Group's employees and other persons providing similar services changed significantly over recent years and following the approval of the restructuring plan as amended on November 2016, material changes occurred. Manpower as reduced from 62 employees and board members in 2016 to 9 employees and board members as at April 2019. During 2018 Plaza has moved offices in the Netherlands, releasing senior positions - CEO has retired, General council (outsourcing), Romania and Serbia country's manager and leasing Manager, CEE leasing director, headquarter secretary has left in the Netherlands and team in Poland was released followed by outsourcing. Reduce IT systems and outsourcing bookkeeping

In 2019 further reductions of headcount implemented and moving to smaller and cheaper offices in Romania

Corporate governance

The Company was incorporated in The Netherlands on May 17, 1993 as a private limited liability company (besioten ven-nootschap met beperkte aansprakelijkheid). The Company was converted into a public limited liability company (naamloze vennootschap) on October 12, 2006, with the name “Plaza Centers N.V.”. The principal applicable legislation and the legislation under which the Company and the Ordinary Shares in the Company have been created is book 2 of the Dutch Civil Code (Burgerlijk Wetboek).

Compliance

During 2017, the new Dutch Corporate Governance Code of 8 December 2016 (the “Dutch Corporate Governance Code”) came into effect in the Netherlands. For the full text of this code, reference is made to www.commissiecorporategovernance.nl.

The Dutch Corporate Governance Code aims to create a solid and transparent system of checks and balances at Dutch listed companies and to regulate relationships between the Board and the (general meeting of) shareholders. The Dutch Corporate Governance Code has a statutory basis in the Dutch Civil Code (Burgerlijk Wetboek). The Company is rendering account in this report vis-à-vis its compliance with the Dutch Corporate Governance Code, which like the previous code is based on the principle of ‘apply or explain’.
The information required under the Code can be found in various sections of this report for 2018.

The Company complies with most of the principles and best practice provisions of the Dutch Corporate Governance Code, with the exception of the Best Practice Provisions set out below. The limited number of Best Practice Provisions not complied with, are considered not to be in the interests of the Company and its stakeholder or are not practically feasible to implement.

The Board is committed to high standards of Corporate Governance, In order to maintain the trust of the Company’s shareholders and other stakeholders. The Company has a one-tier board (as provided for In the Dutch Civil Code and the Dutch Corporate Governance Code.

Where possible, taking the aforesaid into consideration, the Company also complies with the provisions of the UK Corporate Governance Code, with the exception of the provisions set out below.

The deviations from the Dutch Corporate Governance Code in 2018

- Principle 1.3. deals with the internal audit function. The Company does not have an internal auditor. As, to the letter of the Corporate Governance Code, the Company does not have an internal audit function, Best Practice Provisions 1.3.1 up to and including 1.3.5 have not been complied with in 2018.

- Best Practice Provision 1.5.2. stipulates that inter alios, the internal auditor and the external auditor shall attend meetings of the audit committee. As the Company does not have an internal audit function in place, this Best Practice Provision cannot apply to it.

- Best Practice Provision 2.1.5. stipulates that a diversity policy shall be in place. Such diversity policy is not in place given the fact that, due to the current status of the Company, it is not envisaged that new employees or members of the Board will be attracted. For that reason, the topic of diversity has not been addressed in this Annual Report.

- Best Practice Provision 2.1.7 applies to a one-tier board. Until 12 September 2017, the Board comprised of one executive director (Mr. Nadav Livni) and three non-executive directors (Messrs. Ron Hadassi, David Dekel and Marco Habib Wichers) out of whom Messrs. Wichers and Dekel were considered to be independent. Mr. Marco Habib Wichers stepped down on 12 September 2017, after which event the Board comprises one executive director and two non-executive directors, out of whom one non-executive director (Mr. David Dekel) is to be considered independent. Therefore, from 31 July 2017 onwards, the Company does not comply with Best Practice Provision 2.1.7. Given the fact that at this moment, there is no long-term scenario for the Company, engaging new managing directors is not an issue.

- Best Practice Provision 2.1.10 stipulates (in conjunction with Best Practice Provision 5.1.5) that the management report shall contain an explanation as to the independence requirements for directors, as set forth in the Dutch Corporate Governance Code. Strictly speaking, in this Annual Report, there is no separate paragraph in respect of the independence of directors, though this section “Corporate Governance” contains, in the explanation re Best Practice Provision 2.1.7 and Best Practice Provision 5.1.3., statements re the independence of directors.

- Best Practice Provision 2.2.8 stipulates that the management report shall contain information re the evaluation of the performance of committees and board members. Given the limited number of directors in function during 2018, a formal approach of evaluation has not been deemed appropriate; the members of the Board cooperate on a continuous basis.

- Best Practice Provision 2.3.5 contains requirement re the report of committees. Given the limited composition of the management board, in 2018, the Company did not have a remuneration committee or a nomination committee in place (which is also not required pursuant to Best Practice Provision 2.3.2.).

- Principle 3.1. contains provisions addressed to the remuneration committee. Given the limited number of managing directors with the Company, in 2018 no remuneration committee was in place (which is also not required pursuant to Best Practice Provision 2.3.2.). Remuneration issues are decided upon by the full board, pursuant to the remuneration policy and the Articles of Association.

- Best Practice Provision 3.1.2. vii stipulates that share options granted cannot be exercised during the first three years after they have been awarded. The current share incentive schemes of the Company do not restrict the exercise of options to a lockup period of three years. The reason therefore is that the Company and the Elbit group share the same remuneration policy and the Company's Share Option Schemes were drafted in accordance with Elbit's Share Option Scheme, in order to maintain the incentive for all employees of the Elbit group based upon the same principles. It should be noted however that, in 2018, no options were granted or exercised.

- Best Practice Provision 5.1.1. – in respect of the independent directors, reference is made to the explanation with Best Practice Provision 2.1.7.

- Best Practice Provision 5.1.3. stipulates that the chairman of the Board shall be independent within the meaning of the Dutch Corporate Governance Code. Mr. Ron Hadassi, acting chairman, is not to be considered independent as Mr. Hadassi also functions as chairman of the board of directors of the Company's major shareholder Elbit Imaging Ltd.

- Best Practice Provision 5.1.5. requires an additional explanation in respect of a number of Best Practice Provisions. The Company deviated in 2018 from Best Practice Provisions 2.1.10, 2.2.8 and 2.3.5, the explanations in respect of which have been set forth above.

Deviations from the UK Code on Corporate Governance

The Company did not comply with the following provisions of the UK Code on Corporate Governance in the year ended 31 December 2018:

- Code Provision A.2.1 states that the division of responsibilities between the Chairman and Chief Executive should be clearly established, set out in writing and agreed by the Board. Whilst the Company does not possess such a document, it believes that the division of responsibilities between the Chairman and Chief Executive is sufficiently clear.

- Code Provision A.4.2 states that the Chairman should hold meetings with the non-executive directors without the executive directors present and, led by the Senior Independent Director, the non-executive directors should meet without the Chairman present at least annually to appraise the Chairman's performance and on such other occasions as are deemed appropriate. Given the limited number of members of the Board currently in function, appropriate compliance with this provision is not feasible.

- Code Provision B.6.1 states that the Board should refer in the annual report as to how performance evaluation of the Board, its committees and its individual directors has been conducted. The Company has not had committees in place in 2018.

- Code Provision B.6.3 states that the non-executive directors, led by the Senior Independent Director, should be responsible for performance evaluation of the Chairman, taking into account the views of executive directors. In 2018, the Chairman and the non-executive directors did not meet separately. However, at every Board meeting, an assessment is made by each Board member of his own performance and that of other members. The Board is of the view that this course of action provides an appropriate mechanism for the evaluation of the performance of Board members.

- Code Provision C.2.3 states that the Board should, at least annually, conduct a review of the effectiveness of the Company's risk management and internal control systems and should report to shareholders that they have done so. The Board did not conduct a review of the effectiveness of the Company's risk management and internal control systems in the year under review. However, the Board has established a process for identifying and managing the risks faced by the Company and both the Audit Committee and the executive director regularly consider the effectiveness of the Company's internal controls and risk management procedures as part of the on-going management of the Company. The Board

confirms that any appropriate actions either have been or are being taken to address any weaknesses in these areas.

- Code Provision C.3.6 states (amongst other things) that, where there is no internal audit function, the Audit Committee should consider annually whether there is a need for an internal audit function and make a recommendation to the Board, and the reasons for the absence of such a function should be explained in the relevant section of the annual report. In light of the fact that Elbit imaging has lost control of Plaza shares at the end of 2018, there is no more quality control that actually replaces the internal auditor function, as in the past. Furthermore, in light of the Company's business and financial situation and in view of its minimal cost structure, the Company has no internal auditor.

- Code Provision E.2.3 states that the Chairman should arrange for the Chairman of the Audit, Remuneration and Nomination Committees to be available to answer questions at the Annual General Meeting of Shareholders and for all directors to attend. In 2018, the Company did not have a remuneration committee and a nomination committee. Mr. Dekel, Chairman of the Audit Committee attended at the general meetings of the shareholders.

Compliance with WSE Corporate Governance Rules

The Code of Best Practice for WSE-Listed Companies (the "WSE Corporate Governance Rules") applies to companies listed on the WSE, irrespective of whether such companies are Polish Incorporated. The WSE Corporate Governance Rules consist of general recommendations related to best practice for listed companies (Part I) and best practice provisions relating to management boards, supervisory board members and shareholders (Parts II to IV). The WSE Corporate Governance Rules impose upon the companies listed on the WSE an obligation to disclose in their current reports continuous or incidental non-compliance with best practice provisions (with the exception of the rules set forth in Part I). Moreover, every year each WSE-listed company is required to publish a detailed statement on any non-compliance with the WSE Corporate Governance Rules (including the rules set forth in Part I) by way of a statement submitted with a listed company's annual report. Companies listed on the WSE are required to justify non-compliance or partial compliance with any of the WSE Corporate Governance Rules and to present possible ways of eliminating the potential consequences of such non-compliance or the steps such com-pany intends to take to mitigate the risk of non-compliance with such rule in the future. The Company complies, to the extent practicable, with all the principles of the WSE Corporate Governance Rules. However, the Company will only be in the position to comply with certain principles insofar such is permitted by Dutch law. Detailed information regarding non-compliance as well as additional explanations regarding partial compliance with certain Corporate Governance Rules of the WSE due to incompatibilities with Dutch law, will be included in the aforementioned reports, which will be available on the Company's website and published by way of a current report.

Board practices

In the Netherlands, statutory law provides for both a one-tier governance (monistisch bestuursmodel) and a two-tier governance (dualistisch bestuursmodel, having a separate management board and a separate supervisory board). It is well established practice for international active companies in the Netherlands to have a one-tier structure in the management board (bestuur). Although all members of the management board are formally managing directors (bestuurders), the articles of association will provide that certain directors have executive tasks and obligations (executive directors, uitvoerend bestuurders) and certain directors have supervisory duties (non-executive directors, niet-uitvoerend bestuurders). In case of the Company, the Articles of Association do provide that some directors are responsible for the day-to-day management of the Company (executive directors) and other directors are responsible for supervising the day-to-day management of the Company (non-executive directors). All responsibilities are subject to the overall responsibility of the Board. All statutory provisions relating to the members of the management board apply in principle to all members of a one-tier board.

The Board is accountable to the General Meeting of Shareholders.

Composition and operation of the Board

From 1 January 2018 until 31 December 2018, the Company had three directors – one executive director and two non-executive directors, of whom one is independent.

The appointment of Board members is done by the General Meeting. The current Articles of Association contain (section 23A) an arrangement for the appointment/re-appointment of independent directors, if and for so long as the ordinary shares are admitted to the Official List of the London Stock Exchange, which in essence provides for a regulation pursuant to which the appointment is made by separate resolutions of the General Meeting and the meeting of Independent shareholders (an independent shareholder not being a person who exercises or controls on its own or together

acting in concert thirty percent (30%) or more of the votes in a General Meeting).

The Board meets regularly throughout the year, when each director has full access to all relevant information. Non-executive directors may if necessary, take independent professional advice at the Company's expense. From August 2016 onwards, due to the reduction of the number of members of the Board, the Company has no remuneration committee and no nomination committee in place. The Audit Committee, which has a statutory basis in Dutch law, is still in function.

Audit Committee

The Audit Committee meets at least three times each financial year. The Audit Committee has the general task of evaluating and advising the Board on matters concerning the financial administrative control, the financial reporting and the internal and external auditing. Among other matters, It must consider the integrity of the Company's financial statements, the effectiveness of its internal controls and risk management systems, auditors' reports and the terms of appointment and remuneration of the auditor.

Composition*: Mr. Ron Hadassi, Mr. Dekel. Chairman: Mr. Dekel.

Internal control/risk management

The Board has established a continuous process for identifying and managing the risks faced by the Company, and confirms that any appropriate actions have been or are being taken to address any weaknesses. It is the responsibility of the Audit Committee to consider the effectiveness of the Company's internal controls, risk management procedures, and risks associated with individual development projects.

Share Dealing Code

The Company operates a share dealing code, which limits the freedom of directors and certain employees of the Company to deal in the Company's shares. The share dealing code imposes restrictions beyond those that are imposed by law. The Company takes all reasonable steps to ensure compliance by those parties affected. The Company operates a share dealing code, particularly relating to dealing during close periods, for all Board members and certain employees, as is appropriate for a listed company. The Company takes all reasonable steps to ensure compliance by those parties affected.

The prevailing share dealing code complies with the provisions of the Market Abuse Regulation (regulation (EU) No 596/2014 of the European Parliament and of the Council) of 16 April 2014. The share dealing code is available on the Company's website http://www. plazacenters. com/downloads/Dealing_Code_23_November_2016. pdf).

Group Global Compliance Policy

The Company operates a Group Global Compliance Policy, which ensure adherence to all applicable laws, regulations and policies and to provide a mechanism for preventing and reporting any breach of those laws or regulations. The Company aspires to conduct business in an honest way, and without the use of unlawful or unethical practices including but not limited to bribery, unlawfully limiting competition and/or violating economic sanctions.

Controlling shareholder and conflicts of interest

At the date of this document, the Company is aware of the following persons who are interested directly or indirectly in 3% or more of the issued share capital of the Company:

	Number of ordinary shares	Percentage of issued share capital/voting rights
Elbit Imaging Limited (*)	3,078,474	44.90%
Davidson Kempner Capital Management LLC	1,802,820	26.30%
York Capital Management Global Advisors LLC	182,971	2.67%

The Board is satisfied that the Company is capable of carrying on Its business Independently of Elbit Imaging Limited, with whom it had during 2018 a relationship agreement to ensure that all transactions and relationships it has with the Elbit Imaging Group are conducted at arm's length and on a normal commercial basis.

(*) The Company's immediate parent company was Elbit Ultrasound (Luxembourg) B.V. / S.à r.l. ("EUL"), which held 44.9% of the Company's shares, till December 19, 2018 when EUL informed that it has signed a trust agreement according to it deposited its shares of the Company with a trustee and no longer considers itself to be the controlling shareholder of Plaza.

Shareholder communication

The Board meets with shareholders each year at the Annual General Meeting (AGM) to discuss matters relating to the business.

Details of AGM's held in 2018 can be found on pages 34.

The Board is committed to maintaining an open, honest and positive dialogue with shareholders. To ensure that all its communications are factually correct, it is furnished with full information before every meeting on the state and performance of the business. It also has ultimate responsibility for reviewing and approving all information contained in its annual, interim and other reports, ensuring that they present a balanced assessment of the Company's position.

The main channels of communication with shareholders are the independent director, Chairman, CEO, CFO and our financial PR advisers, although all directors are open to dialogue with shareholders as appropriate. The Board encourages communication with all shareholders at any time other than during close periods (as referred to in the share dealing code) and is willing to enter dialogue with both institutional and private shareholders.

The Board also actively encourages participation at the AGM, which is the principal forum for a dialogue with private shareholders. As well as presentations outlining the progress of the business, the AGM includes an open question and answer session in which individual interests and concerns may be addressed. Resolutions put to vote and their results will be published following the meeting.

The Company's website (www.plazacenters.com) contains comprehensive information about the business, and there is a dedicated "Investor Relations" section where detailed financial information on the Company may be found.

Corporate, social and ethical policies

The Company is responsible not only to its shareholders, but also to a range of other stakeholders including employees, customers, suppliers and the communities upon whom its operations have an impact.

It is therefore the responsibility of the Board to ensure that the Company, its directors and its employees act at all time in an ethical manner. As a result, the Company seeks to be honest and fair in its relations with all stakeholders and to respect the laws and sensitivities of all the countries in which It operates. Reference is made to the „Plaza Centers Group Global Compliance Policy ((http://www.plazacenters.com/downloads/Plaza_Centers_Global_Policy_2016.pdf), as described on page 39, which also addresses compliance with foreign trade laws, sound working conditions and no discrimination.

Environment

The Company regards compliance with environmental legislation in every country where it operates as its minimum standard, and significant levels of management attention are focused on ensuring that all employees and contractors achieve and surpass both regulatory and internal environmental standards.

The Company undertakes a detailed environmental impact study of every project it undertakes, including an audit of its waste management, water and energy usage, emissions to air and water, ozone depletion and more. Reference is made to the "Plaza Centers Group Global Compliance Policy (http://www.plazacenters.com/downloads/Plaza_Centers_Global_Policy_2016.pdf), which also addresses sustainable entrepreneurship (including environment).

Health and safety

The Company regards compliance with environmental legislation in every country where it operates as its minimum standard, and significant levels of management attention are focused on ensuring that all employees and contractors achieve and surpass both regulatory and internal environmental standards.

The Company undertakes a detailed environmental impact study of every project it undertakes, including an audit of Its waste management, water and energy usage, emissions to air and water, ozone depletion and more. Reference is made to the "Plaza Centers Group Global Compliance Poli-cy ((http://www.plazacenters.com/downloads/Plaza_Centers_Global_Policy_2016.pdf),which also addresses sound working conditions of employees.

Corporate governance declaration

This declaration is included pursuant to Article 2a of the Decree further stipulations regarding the content of management reports (Vaststellingsbesluit nadere voorschriften inhoud bestuursverslag) of 23 December 2004 (as amended) (hereafter the "Decree").

For the statements in this declaration as understood in Articles 3, 3a and 3b of the Decree, please see the relevant sections of this Annual Report. The following should be understood to be inserts to and repetitions of these statements:

- Compliance with the provisions and best practice principles of the Code (pages 36-37);
- Particulars of the risk management system: pages 42-52;
- The functioning of the general meeting of shareholders, its primary authorities, the rights of shareholders and how they can be exercised (page 34);
- The composition and functioning of the Board and the Audit Committee (pages 38-39);
- The regulations regarding the appointment and replacement of members of the Board (page 38);
- Information in respect of diversity with the Company (page 36).

Risk management

The following section describes the Group's risk management and control system which forms an essential part of the business operations and reporting, and aims to ensure with a reasonable degree of certainty that the risks to which the group is exposed are identified and controlled adequately within the margins of the risk profile.

Plaza mainly hold its plots of land in emerging markets and therefore it is exposed to a relatively high degree of inherent risk in such activities. The Management Board is responsible for setting strategic, financial, and operational objectives as well as for implementing risk management according to these objectives.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions and the Group's activities.

The strategic risks largely pertain to the real estate plots, geographical allocation and timing of plots of land sales. Operational risks include, amongst other things, the technical condition of properties, tax-related risks, as well as the performance of Plaza's organisation and its systems. The financial risks concern interest rate, liquidity and counterparty credit risks, foreign currency exchange rates, level of gearing, debt arrangements cross-defaults and compliance with its debt restructuring plan and its amendments.

Plaza has an adequate risk management and internal control system. An important element of the internal control system is a management structure that can take decisions effectively and on the basis of consultation. Strict procedures are followed for the regular preparation of quarterly and annual figures based on the Company's accounting principles. Conference calls are held between the Management Board and Headquarter to discuss the results per country versus budgets and the long-term financial planning. The internal management reporting system is designed to follow the value of investments and to improve and dispose of its real estate assets at optimal market conditions. The preparation of the financial results for period in comparison with the budget. There are internal information systems regulations which contain inter alia back-up, recovery back up and management of disasters plan to ensure that data will not be lost in case of emergencies.

Business strategy and restructuring plan

Plaza is focused on its Plots of land in CEE region and India (emerging markets). By nature, various aspects of the emerging markets are relatively underdeveloped and unstable and therefore are often exposed to risks arising from unforeseen changes, such as legal, political, tax, regulatory, and economic changes.

At this point in time, the Company remains focused on cost cutting, completing the disposal of the assets identified for sale (including signing definitive sale agreements), concentration of efforts with aim to sign a pre-sale agreement of Casa Radio, getting further payments for Bangalore project, progress and decision in the arbitration process of Chennai Project and delivering on its commitments to its stakeholders.

The strategy is evaluated by the Management Board each year, reformulated as necessary and established in a business plan and a cash flow forecast. The strategy considers a period of two years, taking into account the expected negative cash flows (refer to Note 1(b) of consolidated financial statements), with detailed budget proposals elaborated in the first year. The strategy is then translated into concrete tasks and actions. During this process, opportunities and important business risks are identified, and the Company's objectives and strategy are evaluated and adjusted if appropriate. The strategy is discussed with and approved by the Management Board pursuant to the restructuring plan restrictions and amendments and consulting and reporting to its bondholders.

In addition, to ensure knowledge and understanding of its business environments, Plaza employs local external service suppliers and consultants, in a minimum level adjusted to the company's level of activities.

Capital management

Pursuant to the approved restructuring plan and amendments, the Company will be allowed to distribute dividends to its shareholders only if at least 75% of the unpaid balance of the bonds (excluding bonds that are sold by a Company's subsidiary) following the date the restructuring plan will come into effect and shall bind all creditors which are subject to it, have been repaid in full prior to such distribution and provided that following such distribution a certain financial coverage ratio is met, unless such distribution has been approved in a meeting of the creditors that are subject to the restructuring plan by a majority of at least 67% of the debt's balance which is being held by the creditors participating in such meeting and voting. Notwithstanding the aforesaid, in case of an additional equity investment in the Company of at least €20 million that occurs following the date the restructuring plan came into force, the Company will be allowed (subject to applicable law) to distribute a dividend to its shareholders in an amount equal to 50% of the said additional equity investment and such distribution will not be subject to the said limitations.

Plaza will continue with efficiency measures and cost reduction where possible. At the end of 2019, G&A expenses will be reduced to circa EUR 1.9 million (including plot maintenance) and foretasted adjusted G&A for the following year starting April 2019 is EUR 1.48 million (excluding non-recurring items) following stringent cost control initiatives, e.g. reduction of manpower, cutting cost of suppliers, advisors, liquidation of inactive companies etc.

Management regularly reviews compliance with specified minimum cash reserve covenants which have to be greater than the amount estimated to pay all administrative and general expenses and interest payments to the debentures holders falling due in the following six months, minus sums of proceeds from transactions that have already been signed (by the Company or a subsidiary) and closed and, to the expectation of the Company's management, have a high probability of being received during the following six months. The Minimum Cash Reserve Covenant as defined in Note 17(b)(1)(d) is not maintained as of December 31, 2018.

As of December 31, 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.

Risk appetite

Pursuing any business objective inevitably leads to taking risks. Risks can jeopardize those objectives in various ways.
Each type of risk encountered is being dealt with in a manner and with the intensity that matches the nature and size of the risk in relation to the risk appetite of the Board of Management. Risk appetite is the level of risk we deem acceptable to achieve our objectives. The risk appetite per risk area is determined annually by the Board of Management. These risk areas comprise themes such as financial, operational, strategic, compliance and (information) security themes. Overall, Plaza's risk appetite did not materially change compared to previous year.

Effective risk management is a key success factor for realizing our objectives. Risk areas with a low-risk appetite and thus, a low acceptable residual risk requires strong risk management and strong internal controls. Risk areas with a high-risk appetite requires relatively less risk management and internal control effort.

Plaza has a generally prudent risk appetite, which can be described per risk category as follows:

Strategic risks: in the pursuit of our strategic objectives, Plaza is willing to accept reasonable risks in a responsible way, taking into account our stakeholders' interests, existing sources and constraints.

With respect to other risk categories, the approach of the company towards risks could be qualified as conservative, with compliance and financial reporting risks as most conservative categories.

Compliance risks: we are committed to full compliance with relevant laws and regulations and have a zero-tolerance approach to bribery and corruption, fraud and all other forms of (illegal) misconduct.

Financial reporting risks: we have effective control frameworks (Given the size and condition of the company) in place to minimize the risk of material misstatements and errors in our financial statements.

Financing risk management

Liquidity risk

The Company has implemented the restructuring plan that was approved by the Dutch court on July 9, 2014 (the "Restructuring Plan"). For background on this restructuring and Settlement agreement, please refer to pages 9-12.

In January 2018, a settlement agreement was signed by and among the Company and the two Israeli Series of Bonds ("Settlement Agreement"). In the Settlement Agreement it was agreed, inter alia, to approve:

- New repayment ratios between the two Israeli Series of Bonds (new ratio: Bond A- 39% Bond B- 61%);
- An increase in the level of the mandatory early repayments from 75% to 78% of the relevant net income;
- New repayment schedule;
- An increase in the compensation to be paid to the Bondholders in the event of successful disposal of Casa Radio Project;
- A waiver of claims to the Company and its directors and officers; and
- To waive the request for publication of quarterly financial reports by the Company

On January 31, 2018 the Company paid the bondholders a total amount of principal and interest of EUR 38,487 thousand.

In January 2018, Standard & Poor's Maalot, the Israeli credit rating agency which is a division of International Standard & Poor's has discontinued tracking Plaza's rating at the Company's request.

On November 2018, the Company noted that it will not meet its principal repayment due on December 31, 2018 as provided for in the Settlement Agreement. In January 2019 Plaza announced that based on its current forecasts, the Company expects to repay on February 18, 2019 approximately EUR 400,000 to its Series A and Series B. The Company further intends to act for the postponement of the repayment of the remaining balance of the Bonds, all in coordination with the trustee of the Bonds and subject to the receipt of the Bondholders' approval as required by the relevant deeds of trust. The bondholders approved the deferral of payment to July 1, 2019 and the company paid principal of circa EUR 250,000 and Penalty interest on arrears of EUR 150,000.

The company published cash flow forecast (as described on page 23) until H2-2020 in order to demonstrate the abovementioned repayments, as they fall due and to emphasize that the board and management estimate that the Company is unable to serve its entire debt according to the current repayment schedule. Moreover, following the recent default of purchaser of Bangalore project to meet payments schedule according to the signed amendment agreement (and though revised understanding published on April 10, 2019), and default of purchaser of Chennai Project to complete the sale transaction , it is expected that the Company will not be able to meet its entire contractual obligations in the following 12 months.

Interest rate risks

The Group incurred certain floating rate indebtedness and changes in interest rates may increase its cost of borrowing, impacting on its profitability. Currently there is no hedge against interest fluctuations (including CPI on its ILS debentures).

Foreign currency exchange rates

As Plaza's functional currency is Euro, it is exposed to risk deriving from changes in foreign currency exchange rates as some of its purchases of services are conducted in local currencies, or are affected by them. The Group sought to minimise these risks by ensuring that its principal liabilities (financing) and its principal sources of revenue (sale proceeds) are all denominated in the same currency (namely Euro), or are linked to the rate of exchange of the local currency and the Euro.

As the Company does not use hedging instruments regarding its foreign exchange rate exposure, changes in currency exchange rates relative to the Euro may adversely affect the Group's profit or loss, cash flows and certain covenants. A devaluation of the local currencies in relation to the Euro, or vice versa, may adversely affect the Group's results in 2019, mainly in Poland and India.

As a policy, the Group does not invest in foreign currencies for speculative purposes. The consolidated financial statements include additional information about and disclosure on Plaza's use of financial instruments and sensitivity analysis.

The Company's top risks

The following risks and related key mitigants, where applicable, are described below:

- **Our business is subject to general business and macro and microeconomic risks**

  Risk description: The group is exposed to number of specific real estate factors, including all of the risks inherent in the business of owning, managing real estate, changes in laws and governmental regulations, property valuations and fluctuations in the property markets generally and in the local markets where the group operates. if any of these factors were to materialize and be adverse, they could have a material adverse effect on the Group's business, financial condition and prospects. Liquidity of real estate assets differs substantially between markets, assets classes and between development and investment and during the development stage. Many of the Group's assets are less liquid due to their location (emerging markets), type (requiring intensive management e.g. Casa Radio) and their stage of development (uncompleted projects). Such illiquid may affect the Group's ability to dispose of or liquidate some projects in a timely fashion and at satisfactory prices in response to changes in the economic environment, the local real estate market or other factors. The competition in the real estate markets in Poland and Serbia where we had shopping malls affected sale price as result of occupancy and rental rates (including Torun plaza and Belgrade Plaza price adjustments in 2019).

  The Group carries out continual certain level reviews of the real estate sector in the markets in which it is present to review its existing portfolio in line with the market movements.
  Regular updates are presented by brokers and valuators to the senior management to gauge economic trends and analyze its impact of the Group's assets.

  Risk mitigation: In reaction to slow economic recovery Plaza will continue with efficiency measures and cost reduction where possible (e.g G&A expenses were reduced materially following stringent cost control initiatives (excluding non-recurring items)), and focus on improvement and disposal of its real estate assets at

optimal market conditions. These measures have been and will be pursued with vigor. Market developments and broker efforts and reports will be closely watched and additional measures will be taken if necessary.

- **Events of default under the Group's debt arrangements may result in cross-defaults being triggered under other debt arrangements that the Group has in place**
  If an event of default were to subsist under one or more of the Group's debt arrangements, that event of default may, in accordance with the cross-default provisions, constitute an event of default under the Group's other debt arrangements. Upon an event of default (whether due to cross-default or otherwise), the relevant lenders would have the right, subject to the terms of the relevant facility arrangements to, amongst other things, declare the borrower's outstanding debts under the relevant facilities to be due and payable and/or cancel their respective commitments under the facilities, enforce their security, take control of certain assets or make a demand on any guarantees given in respect of the relevant facility. In respect of the bonds, the trustees representing holders of bonds (or a resolution of the holders of bonds) may be able to claim, under circumstances where the Company does not fulfil its obligations under the bonds (including but not limited to payment obligations and financial statements publication) an immediate settlement, and declare all or any part of the unsettled balance of the bonds immediately due and payable. In respect of the Polish bonds, each holder of the Polish bonds has the right to ask for an early redemption of the Polish bonds on the occurrence of an event of default by the Company (including but not limited to payment obligations). A default and/or acceleration of repayment of debt under the debt arrangements may affect the ability of the Group to obtain alternative financing in the longer term, either on a timely basis or on terms favourable to the Group, and the Group's ability to pursue its strategic business plans. This may have an adverse effect on the Group's business, results of operations, financial condition and/or prospects. Whilst the use of borrowings is intended to enhance the returns on the Group's invested capital when the value of the Group's underlying assets is rising, it may have the opposite effect where the value of underlying assets is falling. Any fall in the value of any of the Group's properties may have significantly reduce the value of the Group's equity investment in the member of the Group which holds such property, meaning that the Group may not make a profit, may incur a loss on the sale or revaluation of any such property and/or increase the likelihood of a member of the Group breaching certain financial covenants in its existing debt arrangements resulting in an event of default under such arrangements. The occurrence of one or more of these factors may have a material adverse effect on the Group's business, financial condition and/or results of operations.

  Risk mitigation: The Company's bondholders under the bond agreements (1) are entitled the bondholders to declare that all or a part of their respective (remaining) claims become immediately due and payable, since the Company is not in compliance with Coverage Ratio Covenant ("CRC") as defined in the restructuring plan at 2017 year-end (2) 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. Further, the note states that as at the date of authorisation of the consolidated financial statements the bondholders have not taken steps to assert their rights.

  Transparency and periodic update meetings with the Company's creditors help to understand the situation and decision making.

- **The Group's financial performance is dependent on local Real estate prices and rental levels**
  Risk description: There can be no guarantee that the real estate markets in CEE region and India will continue to develop, or develop at the rate anticipated by the Group, or that the market trends anticipated by the Group will materialise. Where yields are high, the Group will not be able to achieve substantial income / cash flows by selling the assets or by price adjustment mechanism of sold commercial centers.

  Risk mitigation: Sale of plots of land where value potential is or is close to being established and where sale price is appealing.

- **Real estate valuation is inherently subjective and uncertain**
  Risk description: The valuation of property is inherently subjective due to, amongst other things, the individual nature of each property, and furthermore valuations are sensitive to change in market sentiment. As such, valuations are subject to uncertainty and cash generated on disposals may be different from the value of assets previously carried on the Group's balance sheet. There is no assurance that valuations of properties, (including restricted marketing period assumption), when made, will reflect the actual sale prices even where those sales occur shortly after the valuation date. This may mean that the value ascribed by the Group to the properties held by it may not reflect the value realised on sale, and that the returns generated by the Group on disposals of properties may be less than anticipated. In addition, the value of the Group's properties may fluctuate as a result of factors such as changes in regulatory requirements and applicable laws (including taxation and planning), political conditions, the availability of credit finance and the condition of financial markets, interest and inflation fluctuations and local factors such as competition. Each of these factors may have an adverse effect on the Group's busi-

ness, result of operations, financial condition and/or prospects. The Company may from time to time publish such valuations. These valuations become increasingly difficult as they relate to estimates and assumptions for projects in the preliminary stage of development.

Any decreases in the published value of the Group's properties may adversely affect the price of the ordinary shares.

Risk mitigation: Plaza will rely on its extensive experience and knowledge of managing retails assets and strong relationships with local and international retailers while using estimates and associated assumptions. These estimates and underlying assumptions, including sales under restricted marketing period, are closely reviewed on an ongoing basis by the Board members.

Following signing of LOI with AFI EUROPE N.V for the sale of Casa Radio project, the Company measured the net realizable value of the project based on the signed LOI .For this purpose, a valuation was performed through an external appraiser whose opinion does not reflect the risk related to uncertainty in respect of fulfilment of the closing conditions, as described in Note 5(4)(f). As a result, the Company's management assumed additional discount of 33.3% in order to reflect this uncertainty.

- **The Group's borrowing costs and access to capital markets depend significantly on the Company's market perception of the Company's and the controlling shareholder's financial resilience**

Risk description: Deterioration in the capital market perception of the Group's financial resilience, could significantly increase its borrowing costs, limit its access to the capital markets and trigger additional collateral requirements in derivative contracts arrangements. Therefore, any further deterioration of market perception could materially adversely affect the Group's access to liquidity and, hence, have a material adverse effect on the Group's business, financial position and/or results of operations. These material adverse effects could also follow from a reduction in the credit ratings of the controlling shareholder.

In January 2018, Maalot has discontinued tracking Plaza's rating at the Company's request.

Risk mitigation: Implementing the amended restructuring plan will resolve the Company's liquidity situation. Plaza continues reviewing financing options available to the Company to achieve the most effective debt profile.

Plaza is actively pursuing sales opportunities to generate cash which will contribute to the Company's liquidity and reduce debt levels. The amended maturity schedule of debentures and the deferral of principal repayment are detailed in the restructuring plan on page 9-12 and in note 1(b) and 8 to the consolidated financial statements.

- **We may have difficulties exercising a full separation from our partner in connection with our project in Bangalore, India which may significantly affect our ability to dispose of such asset and complete our strategy relating to our plots in India**

Our strategy with respect to our plots in India is to dispose of such assets under the most optimal market conditions. Due to regulatory, physical and other limitations to develop our project in Bangalore, India, on December 2, 2015, we announced that EPI (JV with Elbit imaging) signed an agreement to sell 100% of its interest in a special purpose vehicle which holds a site in Bangalore, India to a local Investor. The transaction was subject to certain conditions precedent which have not been met. As a result, the local investor was required to carry out an agreed upon separation mechanism under which EPI obtained, from the Escrow Agent, the transfer deeds for land plots covering approximately 8.7 acres which has been mortgaged by the Partner in favor of the SPV in order to secure the completion of the transaction. The Additional Property has not yet been registered in favor of the SPV. In addition, as per the Sale Agreement, the Company took actions in order to get full separation from the Partner with respect to the Plot and specifically the execution of the sale deed with respect of the 10% undivided interest, all as agreed in the Sale Agreement. As a result of the failure of the Partner to complete the transaction under the Sale Agreement and in accordance with the provisions thereto, EPI has 100% control over the SPV and the partner is no longer entitled to receive the 50% shareholding. In June 2017, EPI signed a revised sale agreement with the former partner which was later amended in march 2018. On February 2019 the local investor has default on payments and on April 2019 has reached an understanding with the purchaser in respect of Closing date and updated consideration and the Purchaser have not yet signed a revised agreement and there is no certainty that such a revised agreement will indeed be signed and /or what its final terms be.

Even if we are able to properly execute the separation mechanism in case the revised sale agreement will not be executed (in particular with respect to the transfer of the local partner's 10% undivided interest in our favor) and/or exercise the guarantees placed by the local investor, there is no guarantee that we will be able to dispose of the land in the Bangalore project to a third party due to proprietary claims to certain parts of the Bangalore project, and other third party holdings on parts of the land within the Bangalore project thus making the holdings in the land a non-contiguous property.

In addition, legal and regulatory restrictions placed by local authorities can materially impede our ability to dispose of the land on optimal commercial terms which may materially adversely affect our ability to dispose of the land to third parties which may jeopardize our business strategy, planning and operations, and could cause severe delays in disposition of the plots and could

have a material adverse effect on our operations, cash flow and in turn, our ability to repay our debts in timely manner.

Risk mitigation: Negotiations with the purchaser and upward adjustment of the purchase price due to delays caused by him, forfeit all amounts paid by now by the Purchaser as stipulated in the revised agreement, the realization of the guarantees granted and the conclusion of the separation process, and the threat of taking legal proceedings, including liquidation of the purchase, if needed.

- **We rely on our local joint development partner's performance, financial capability and reputation in our project in Chennai. Any significant decline in the reputation of the local joint development partner's capabilities or the existence of conflicts of interest could adversely affect our results of operation and cash flow.**

Our strategy in respect of our projects in India is to liquidate our assets at the most commercially optimal prices. However, we have entered into JDA transaction with a local developer in order to develop our project in Chennai. As per the terms of the JDA, we are entitled to receive an agreed upon percentage of the proceeds from sales to third parties of villas and plots developed by the local developer.

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. 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 (twelve) months period from the execution date of the JDA. The required approvals have not yet been obtained at the target date. 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.

In addition, any significant decline in the reputation of the local partner could cause delays in the marketing of the project to third parties' buyers. Since the local partner has another project in Chennai in close proximity to our Chennai project, there may be a conflict of interest in the construction and marketing of our Chennai, India project since the local partner may have other business interests that are inconsistent with ours.

Consequently, disputes or disagreements with the local partner could result in interruption to the business operations of our project and may materially impact our financial condition, cash flow, and results of operations.

In July 2018 EPI signed a term sheet ("Term Sheet") with the Developer for the sale of the Property. The closing of the transaction was expected in February 2019. As the transaction was not completed the Term Sheet was terminated by EPI. In February 2019 the Chennai Project SPV issued notice to Developer terminating the JDA due to its failure to obtain the access road. The said termination of JDA has been disputed by the Developer.

As a consequence, our cash flow from the Chennai, India project in the near term is very limited. In addition, our ability to sell the project to other third-party developers is limited since new developers would likely ask that we terminated our JDA with the local developer, which is possible only under certain events detailed in the JDA.

Additionally, we may need to terminated the JDA and seek alternative exist strategies from the Chennai, India project which may not be on optimal terms.

Risk mitigation: Chennai Project SPV has initiated arbitration proceeding against the Developer in accordance with the Arbitration Rules of the Singapore International Arbitration Centre, in accordance with the JDA Agreement to protect its rights.

- **Casa Radio Project**

Risk description: The joint venture in relation to the Casa Radio site in Bucharest is governed by the public-private partnership laws of Romania pursuant to which no projects have yet been implemented in Romania. There is a risk that the legal structure of this partnership may be challenged in the future and that the development and exploitation rights to be granted by the Romanian government to the joint venture company are more restrictive than currently anticipated, leading to us being unable to obtain the development profits predicted for the project. Last few years political changes in Romania have resulted in delays in receiving required communications, regulatory approvals and permits from the Romanian government, which may affect our ability to develop and sell our projects there. Furthermore, third parties could challenge the Romanian government's decision, following the failure of the original partners to fulfill their obligations or to put the contract out to tender or to carry out a new site valuation. A successful challenge on either count could result in us having to enter a new tender process, which would lead to an increase in associated expenses and uncertainty.

In 2015, the Board and Management became aware of certain issues with respect to certain agreements that were executed in the past in connection with the Project. In order to address this matter, the Board appointed the chairman of the Audit Committee to investigate the matters and independent law firms to analyze the available alternatives in this respect. The chairman of the Audit Committee did not conclude the investigation as the person with key information was not available to answer questions.

- **Casa Radio Project (Cont.)**

The Board, among other steps, implemented a specific policy in order to prevent the reoccurrence of similar issues and appointed the chairman of the audit committee to monitor the policy's implementation by the Company's management. In addition, it was decided that certain agreements will be brought to the Board's approval prior to signing.

The Company has approached and is co-operating fully with the relevant Romanian Authorities regarding the matters that have come to its attention and it has submitted its initial findings in March 2016 to the Romanian Authorities. The Company, during this process has been verbally informed by the Romania Authorities that it has received immunity from certain potential criminal charges and received further verbal assurance that the mentioned investigation should have no effect on the Company's existing legal rights to the Project and the PPP Agreement. As this process is still on-going, the Company is unable to comment on any details related to this matter. Management is currently unable to estimate any monetary sanctions in respect to the potential irregularities.

In addition, our Casa Radio project in Romania may be subject to governmental expropriation or monetary sanctions. The nature of the development and exploitation rights granted to the joint venture company in relation to the Casa Radio site in Bucharest are for a period of only 49 years, and in the event that this term is not extended, the rights in relation to the site would revert to the Government of Romania. Additionally, there may be other regulatory risks relating to the Romanian government's right to expropriate the rights to the Casa Radio Site in Bucharest or that they will impose sanctions on the Company with respect to the property. Furthermore, these rights are subject to termination under certain circumstances by the Romanian government, such as in the event a delay in the project timetable, and any termination prior to the expiration of such rights may have a material adverse effect on our business.

Risk Mitigation: Efforts to promote the development of the project either by bringing a partner or through the sale of the Company's holdings. A number of serious proposals were received during the course of 2018 from serious and experienced real estate investors which were examined by management and the board. The management and the board of directors came to the conclusion that the proposed price and terms of LOI are optimal and reasonable considering the Company's current status and decided to sign a LOI with AFI Europe, in February 2019.

Legal and regulatory risk

Like all international companies, the Company is exposed to the changing regulatory environment in the countries and regions where it conducts business. Many of the CEE countries in which the Group operates or intends to operate are countries that until the last two decades were allied with the former Soviet Union under a communist economic system, and they are still subject to various risks, which may include instability or changes in national or local government authorities, land expropriation, changes in taxation legislation or regulation, changes to business practices or customs, changes to laws and regulations relating to currency repatriation and limitations on the level of foreign investment or development. The Group will be affected by the rules and regulations regarding foreign ownership of real estate and personal property.

The Group may be liable for the costs of removal, investigation or remediation of hazardous or toxic substances located on or in a site owned or leased by it, regardless of whether a member of the Group was responsible for the presence of such hazardous or toxic substances. The costs of any required removal, investigation or remediation of such substances may be substantial and/or may result in significant budget overruns. The presence of such substances, or the failure to remediate such substances properly, may also adversely affect the Group's ability to sell the development. Additionally, any future sale of the development will be generally subject to indemnities to be provided by the Group to the purchaser against such environmental liabilities. Accordingly, the Group may continue to face potential environmental liabilities with respect to a particular property even after such property has been sold. Laws and regulations, as may be amended over time, may also impose liability for the release of certain materials into the air or water from a property, including asbestos, and such release can form the basis for liability to third persons for personal injury or other damages. Other laws and regulations can limit the development of, and impose liability for, the disturbance of wetlands or the habitats of threatened or endangered species. Any environmental issue may significantly increase the cost of a development and/or cause delays, which may have a material adverse effect on the profitability of that development and the results of operations of the Group.

There is an increasing awareness of environmental issues in Central and Eastern Europe. This may be of critical importance in areas previously occupied by the Soviet Army, where soil pollution may be prevalent.

Also, some countries such as Poland, Romania require that a developer carries out an environmental report on the land before building permit applications are considered. Nevertheless, the Group cannot be certain that all sites acquired will be free of environmental pollution. If a property that the Group acquired turns out to be polluted, such a finding will adversely affect the Group's ability to construct, develop and operate a shopping and entertainment center on such property or sell the plot, and may cause the Group to suffer expenses incurred in cleaning up the polluted site which may be significant.

While the Group made every effort to conduct thorough and reliable due diligence investigations, in some countries where former communist regimes carried out extensive land expropriations in the past, the Group may be faced with restitution claims by former land owners in respect of project sites acquired by it. If upheld, these claims would jeopardise the integrity of its title to the land and its ability to develop the land, which may have a material adverse effect on the Group's business, financial condition and/or results of operations.

Relief from taxation available to the Group may not be in accordance with the assumptions made by the Company and/or may change. Changes to the tax laws or practice in the countries in which the Company operates or any other tax jurisdiction affecting the Group could be relevant. Such changes could affect the value of the investments held by the Company or affect the Company's ability to achieve its investment objective or alter the post-tax returns to shareholders. The tax positions taken by the Group, including the tax effect of transfer pricing and the availability of tax relief provisions, are also subject to review by various tax authorities.

Under the Dutch participation exemption rules, income including dividends and capital gains derived by Dutch companies in respect of qualifying investments in the nominal paid up share capital of resident or non-resident investee companies, are exempt from Dutch corporate income tax provided the conditions as set under these rules have been satisfied. The participation exemption rules and more particularly the statutory conditions thereunder have most recently been amended with effect from 1 January 2010. Such amended conditions require, among others, a minimum percentage of the share capital in the investee company requires that the investee company is not held as a passive investment (the "motive test').
If the motive test is not met, the participation exemption nevertheless applies provided that either the subject-to-tax-test or asset test is met. To benefit from the participation exemption regime during the entire holding period, the requirements must be met throughout the entire holding period. Should the Company not be in compliance with all participation exemption requirements or should the participation exemption rules be amended, this will affect its tax relief which could have an adverse effect on its cash flow position and net results.

Tax losses may be carried forward and set off against income of the immediately preceding tax year and the nine subsequent tax years and may be offset against any income of the companies currently included in the fiscal unity as long as these remain part of the fiscal unity. If losses are considered so-called "holding and/or financing losses", they may only be offset against income that is derived in years that the Company also qualifies as "holding and/or financing company" within the meaning of art. 20 (4) of the Dutch Corporate Income Tax Act 1969, provided that the net balance of intragroup receivables has not increased compared to the relevant loss making year (unless there are sufficient business reasons for such increase).

If the Company were to be treated as having a permanent establishment, or as otherwise being engaged in a trade or business (including owning real estate outside the Netherlands), in any country in which it used to develop shopping and entertainment centers, income (positive and negative) attributable to or effectively connected with such permanent establishment or trade or business, is generally excluded from the Dutch tax base. Specific conditions may apply based on the relevant double taxation treaty and Dutch domestic law. The occurrence of one or more of these factors may have a material adverse effect on the Group's business, financial condition and/or results of operations.

We may be exposed to liabilities under anti-bribery laws, and any determination that we or any of our subsidiaries has violated the anti - bribery laws could have a material adverse effect on our business.

We are subject to compliance with various laws and regulations, including anti-corruption laws, which generally prohibit companies and their intermediaries from engaging in bribery or making other improper payments to foreign officials for the purpose of obtaining or retaining business or gaining an unfair business advantage. Such compliance regulations also require proper record keeping and characterization of such payments in our reports.

While our employees and agents are required to comply with these laws, we operate in many parts of the world that have experienced governmental and commercial corruption to some degree and, in certain circumstances, strict compliance with anti-bribery laws may conflict with local customs and practices. Despite our commitment to legal compliance and corporate ethics, we cannot ensure that our policies and procedures will always protect us from intentional, reckless or negligent acts committed by our employees or agents. Violations of these laws, or allegations of Violations of these laws, or allegations of such violations, could disrupt our business and result in financial penalties, debarment from government contracts and other consequences that may have a material adverse effect on our business, financial condition or results of operations.

Regarding certain particular irregularities and co-operation with the Romanian Authorities see references to Note 5(4).

The Company has been made aware that commission paid to an agent in connection with the disposal of the US portfolio in 2012 may have benefited a former director of the Company, and it is probable therefore that those arrangements should have been classified as a related party transaction under the Listing Rules. At the time of the disposal, it appears that the Company was not aware that there was any potential related party interest with respect to the commission arrangements. The Company is currently discussing this matter with its Sponsor and the UKLA and seeking appropriate advice as to whether any retrospective disclosures or other actions may be required under the Listing Rules.
In order to address this matter, Plaza's Board has appointed, on April 25, 2017, the chairman of the audit committee Mr. David Dekel, to investigate and examine the issues raised as part of a joint committee together with a special committee formed for the purpose by EI, and with the joint committee's external legal advisors. The internal committees has concluded their examination of these matters and submitted their recommendations to the Company's board of directors. The Company's board of directors fully adopted the committee's recommendations, and is working to implement them. Please also see Note 5(4)(d) in this respect, with respect to Elbit's settlement with the SEC.

Since 2012, Plaza has made significant changes to update and strengthen its financial controls and corporate governance in order to address the issues identified by SEC and to prevent any recurrence. In addition, a review was ongoing, as announced on 21 November 2017, with regard to one of the payments referred to by the SEC made in 2012 and which should have been treated as a related party transaction under the Listing Rules.

Following the review concluded in 2018 by the Financial Conduct Authority (FCA), no retrospective disclosures or other actions are required under the FCA's Listing Rules in relation to this matter.

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. In July 2018, the Company has filed a response to the relevant court. In January 2019, a Court hearing was held following which the judge decided that the board of directors of each of the two companies will examine the relevant facts and the allegations raised by the plaintiff and decide whether or not they should file a law suit against any of its officers. The two companies will submit their conclusion to both the court and the plaintiff (not later than May 12, 2019) and afterwards the plaintiff will notify the court weather or not he wishes to continue with the Motion.

Financial reporting

Plaza prepares an annual budget for each country, which is compared with the actual results. Investment budgets and cash flow forecasts are also prepared including strict follow-up and, to the extent required, including creditor update meetings. The semi-annual figures are reviewed by the external auditor prior to its publication by means of a press release. The financial statements are audited by the external auditor, and half year figures are subjected to a limited review by the external auditor.

Maintaining a sound financial control system over the financial reporting, setting up clear accounting policies within the Group and hiring professional finance staff can assist to reduce the risk that the financial reporting does not include any errors of material importance. In addition, the risk that trading properties are incorrectly valued is mitigated by executing major project valuations by internationally reputed external appraisers. Trading properties are being appraised at least once a year (mainly by external appraisers), subject to materiality and or if there is no Preliminary sale agreement in Place.

Please note that the risks the company may incur are not limited to the risks in the Risk management section. For Further details, please refer to the Company's prospectus related to its Restructuring plan dated May 27, 2014 and Company's prospectus in respect of the proposed Rights offering dated October 16, 2014 as available on the Company's website at www.plazacenters.com.

Internal control and risk management procedures

Internal control is the structure within which resources, behavior, procedures and actions are implemented by the Management Board and throughout the Company to ensure that activities and risks are fully controlled and to obtain the reasonable assurance that the Company's strategic objectives have been met.

Plaza's internal control procedures aim to ensure:

- the optimization of operations and the smooth functioning of the Groups internal processes;
- compliance with current laws and regulations;
- compliance with its Restructuring Plan;
- the application of instructions and directions given by the Management Board; and
- the reliability of financial information.

The system is based on the following key principles:

- the involvement of and taking responsibility by all personnel: all Group employees or other persons providing similar services contribute to internal control procedures; each employee, at his or her level, should exercise effective control over the activities for which he or she is responsible and report to Acting CEO;
- the full extent of the scope covered by the procedures: the procedures should apply to all entities (operational and legal).

The internal control procedures designed to address the objectives described above cannot, however, ensure with certainty that these objectives will be achieved in full, since all procedures have inherent limitations. However, they aim to make a very significant contribution in this direction.

Components of internal control procedures

Permanent control is the responsibility of all Group employees and other persons providing similar services. It is linked directly to the functions and subsidiaries.

Acting CEO, aim to ensure compliance with the Group's internal control procedures, whose tasks are:

- to ensure the methods chosen at Group level are coordinated and implemented by their teams;
- to design and adapt the reporting procedures on a regular basis, giving the most appropriate indicators to obtain clear visibility of their permanent control; and
- to regularly receive local reports and check if its indicate problems and incoherence in order to enable appropriate decisions to be taken regarding changes to the controls.

The powers of the Group companies' legal representatives are limited and subject to controls. Permanent control procedures require several participants. At Group level, the coordination of permanent control is carried out under the authority of the head of accounting and Acting CEO/CFO, whose tasks are:

- to ensure the design and implementation of actions to improve permanent control in the Group's business functions;

- to coordinate the choice of methodologies and tools;
- to monitor the development of the procedures in the subsidiaries; and
- to ensure all material agreements, and all brokerage fee agreements, are gathered and brought to the Board's attention.

- To ensure implementing Anti -Corruption and Agency Policy, Including the recognition of employees, suppliers and brokers of this policy

The Group is careful to anticipate and manage major risks likely to affect the achievement of its goals and to compromise its compliance with current laws and regulations. These risks and risks appetite are identified above in this section. The identification and evaluation of risks is used as a reference to determine procedures and controls which, in their turn, influence the level of residual risk.
The procedures provide a framework for the activity, in a more precise way where risks have been identified, and their application provides a control mechanism.

The Management Board has overall responsibility for the Group's internal control systems. The Management Board is tasked with defining the general principles of the internal control system, creating and implementing an appropriate internal control system and associated roles and responsibilities, and monitoring its smooth functioning in order to make any necessary improvements. Under the direction of the Management Board, the activities and functions managers carry out the supervision of the internal control system with the support of the permanent control coordination function. The Audit Committee meets at least three times per, and Its work and conclusions are reported to the Management Board. The supervision is also supported by the comments and recommendations of the statutory auditors and by any regulatory supervision which may take place.

Due to the company status and current structure internal audit is limited in scope and there is lack of segregation of duties,

Internal control procedures relating to accounting and financial information

The aim of accounting controls is to ensure adequate coverage of the main accounting risks. They rely on understanding operational processes and the way they are translated into the Company accounts, and on defining the responsibilities of the individuals responsible for accounting scopes and information system security. Internal accounting controls aim to ensure:

- that published accounting and financial information complies with accounting regulations;
- that the accounting principles and instructions issued by the Group are applied by all its subsidiary companies; and
- that the information distributed and used internally is sufficiently reliable to contribute to processing accounting information.

The production of accounting information and the application of the controls implemented to ensure the reliability of said information are primarily the responsibility of the Acting CEO together with the chief controller that submit information to the Group. The corporate and consolidated financial statements are prepared by the Acting CEO together with the chief controller, which reports directly to the Management Board. The Acting CEO together with the chief controller are charged with:

- updating accounting rules in view of changes in accounting regulations;
- defining the various levels of accounting control to be applied to the financial statement preparation process;
- ensuring correct operation of the internal accounting control environment within the Group;
- preparing and updating the procedures, validation rules and authorisation rules applying to the department; and
- monitoring the implementation of recommendations made by external auditors.

The management of financial risks, and in particular the financial structure of the Group, its financing needs and interest rate and exchange rate risk management procedures, is provided by the Acting CEO, which reports directly to the Management Board. At the end of each year, the Board validates the provisional financing plan for the following year, which sets out the broad outlines in terms of the balance and choice of resources. During the year, key financial transaction decisions are submitted individually for approval by the Board and Audit Committee, which also receives a summary of these transactions once they have been completed.
The processing and centralisation of cash flows and budget, are the responsibility of the Acting CEO together with the chief controller, which keep a record of commitments and ensures that they are reflected in the accounting system.

Plaza's consolidated financial statements are prepared centrally at Plaza's corporate headquarters. The chief controller is responsible for collecting information from the local bookkeepers and applying a series of appropriate controls to her job functions, as defined in the corresponding procedures. The Chief controller has set up a system of internal collection and verification of country data and controls carried out. This system of control covers all Group entities.

The clarity of financial information and the relevance of the accounting principles used are monitored by the Board of Directors at its meeting as an audit committee.

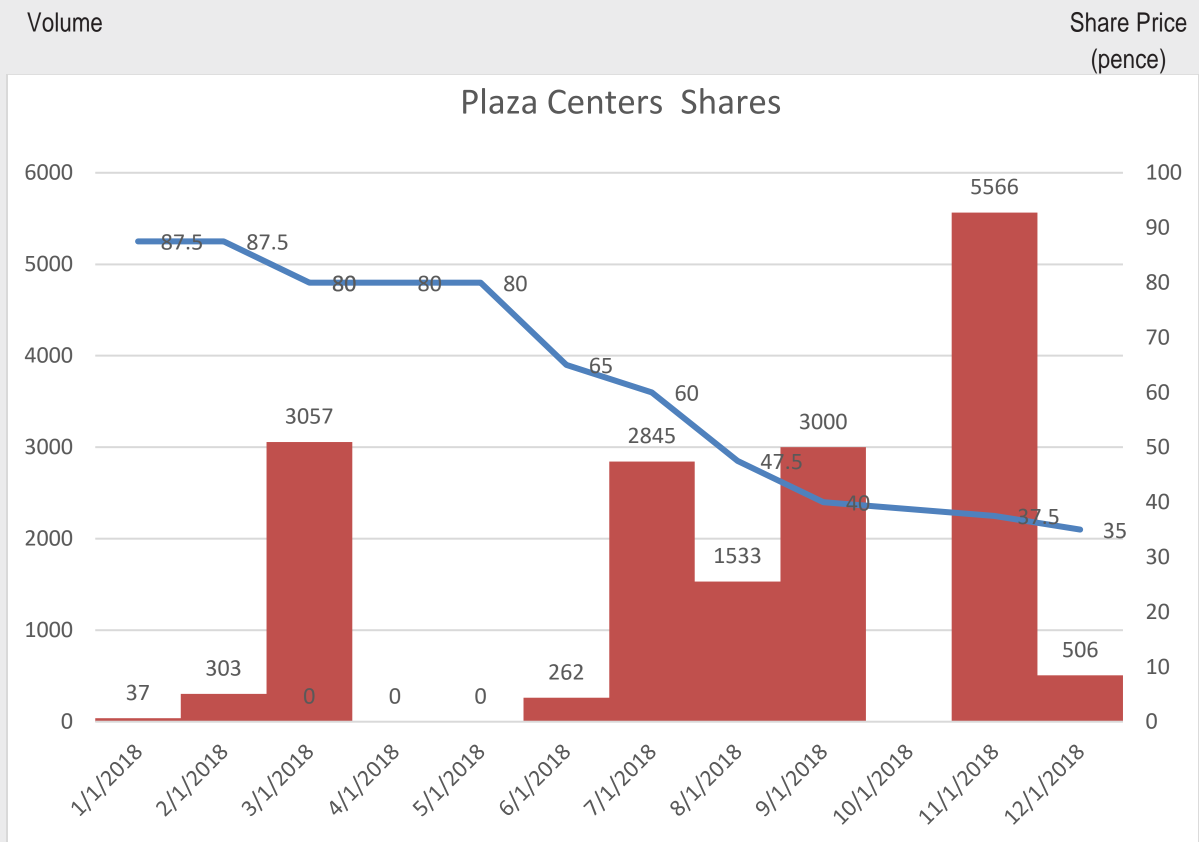
As the Dutch Corporate Governance Code prescribes the establishment of committees only if more than four non-executive directors are in function, the Remuneration Committee and the Nomination Committee are no longer in place as from August 2016 due to the reduction of the number of members of the Board. Pursuant to the Articles of Association, the general meeting of shareholders determines the remuneration policy. When the remuneration policy needs changing, approval will be sought from the general meeting of shareholders of the Company.

2018	Salary and fees €'000	Share incentive plan[1] €'000	Total non-performance related remuneration €'000	Total performance related remuneration €'000
Executive directors				
Non-performance related remuneration				
Mr. Nadav Livni	68	-	68	-
Total	68	-	68	-
Non-executive directors				
Non-performance related remuneration				
Mr. Ron Hadassi	183	-	183	-
Mr. David Dekel	70	-	70	-
				-
Total	253	-	253	-
Total – all directors	**321**	**-**	**321**	**-**

Service arrangements

The directors have specific terms of reference. Their letters of appointment state an initial 12-month period, terminable by either party on three months' written notice. Save for payment during respective notice periods, these agreements do not provide for payment on termination.

The shareholder returns performance 2018*



* Source: Yahoo Finance, as of 31 December 2018. Past performance is not an indication of future returns.

Share options

On October 26, 2006 the Company's Board of Directors approved the grant of up to 338,345 non-negotiable options for the Company's ordinary shares to the Company's board members, employees in the company and other persons who provide services to the Company including employees of the Group ("Offerees").

The options were granted to the Offerees for no consideration. Furthermore, 2nd ESOP plan was adopted on November 22, 2011 which is based on the terms of the 1st ESOP as amended in accordance with the terms as referred to above, with a couple of amendments, the most important of which is the total number of options to be granted under the 2nd ESOP is fourteen million and a cap of GBP 200. Regarding the modification of Share Option Scheme and reverse split 1:100 refer to note 20 of the consolidated financial statements for year ended December 31, 2017.

In 2018 none of the Board members has share options.
Mr. Avi Hakhamov (Acting CEO) had 419,445 options granted and unexercised. The option fully vested with an exercise price of £43 and are deeply out of the money.

For the exercise and forfeiture of options refer to the table below.

	Number of options as at 31 December 2018
Total pool	478,345
Granted	471,951
Exercised	(84,205)
Forfeited	(152,222)
Left for future grant	158,616

Amsterdam, 23 April 2019

The Board of Directors:

Ron Hadassi　　Nadav Livni　　David Dekel

Statement of the directors

The responsibilities of the directors are determined by applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The directors are responsible for preparing the annual report and the annual financial statements in accordance with applicable law and regulations.

Netherlands law requires the directors to prepare financial statements for each financial year that give, according to generally acceptable standards, a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the companies that are included in its consolidated accounts for that period.

Netherlands law requires the directors to prepare an annual report that gives a true and fair view of the position as per the balance sheet date, the course of business during the past financial year of the Company and its affiliated companies included in the annual financial statements, and that the annual report contains a proper description of the principal risks the company faces.

Directors are required to abide by certain guidelines in undertaking these tasks.

The directors need to select appropriate accounting policies and apply them consistently in their reports. They must state whether they have followed applicable accounting standards, disclosing and explaining any material departures in the financial statements.
Any judgments and estimates that directors make must be both reasonable and prudent. The directors must also prepare financial statements on a "going concern" basis, unless it is inappropriate to presume that the Company will continue in business. The directors confirm that they have complied with the above requirements in preparing the financial statements. Throughout the financial year, the directors are responsible for keeping proper accounting records which disclose at any time and with reasonable accuracy the financial position of the Company. They are also responsible for ensuring that these statements comply with applicable company law.

In addition, they are responsible for internal control systems that help identify and address the commercial risks of being in business, and so safeguard the assets of the Company. They are also responsible for taking reasonable steps to enable the detection and prevention of fraud and other irregularities.

The Company's website may be accessed in many countries, which have different legal requirements. The directors are responsible for maintaining the accuracy of corporate and financial information on the website, where a failure to update or amend information may cause inappropriate decision making.

As required pursuant to Best Practice Provision 1.4.3. of the Dutch Corporate Governance Code, the Board declares that this Annual Report provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems in place with the Company. The Board declares that the aforementioned systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies and that, based on the current state of affairs of the Company, it is justified that the financial reporting is prepared on a going concern basis.

The Board further declares that this Annual Report states those material risks and uncertainties that are relevant to the expectation of the Company's continuity for the period of twelve months after the preparation of the report.

The financial statements fairly represent the Company's financial condition and the results of the Company's operations and provide the required disclosures.

The board and management estimate that the Company is unable to serve its entire debt according to the current repayment schedule. Moreover, following the recent default of purchaser of Bangalore project to meet payments schedule according to the signed amendment agreement, and default of purchaser of Chennai Project to complete the sale transaction, it is expected that the Company will not be able to meet its entire contractual obligations in the following 12 months.

It should be noted that the above does not imply that these systems and procedures provide absolute assurance as to the realisation of operational and strategic business objectives, or that they can prevent all misstatements, inaccuracies, errors, fraud and non-compliance with legislation, rules and regulations.

In view of all of the above, hereby following the requirements of Article 5:25c Paragraph 2 under c. of the Netherlands Act on the Financial Supervision (Wet op het financieel toezicht), the directors hereby confirm that (i) the annual financial statements 2018, as included herein, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and its affiliated companies that are included in the consolidated financial statements; and (ii) the annual report includes a fair review of the position at the balance sheet date and the development and performance of the business of the Company and its affiliated companies that are included in the consolidated annual financial statements and that the principal risks and uncertainties that the company faces are described.

The Board of Managing Directors

Ron Hadassi
Non-executive Director,
Chairman

David Dekel
Independent Non-executive
Director

Nadav Livni
Executive Director

23 April 2019

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Consolidated statement of financial position

	Note	December 31, 2018 €'000	December 31, 2017 €'000
ASSETS			
Cash and cash equivalents	3	1,405	44,844
Other receivables	4	240	670
Prepayments		-	131
Total current assets		**1,645**	**45,645**
Trading properties	2, 5	42,600	73,569
Equity - accounted investees	6	17,676	19,530
Property and equipment		19	178
Related parties' receivables	18	-	1,753
Total non-current assets		**60,265**	**95,030**
Total assets		**61,940**	**140,675**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Bonds at amortized cost	8	76,698	116,914
Trade payables		53	584
Related parties' liabilities		3	87
Other liabilities	7	500	1878
Total current liabilities		**77,254**	**119,463**
Provisions	5(4)(e)	14,087	12,849
Total non-current liabilities		**14,087**	**12,849**
Share capital	10	6,856	6,856
Translation reserve	10	(29,598)	(28,800)
Other reserves		(19,983)	(19,983)
Share based payment reserve	10	35,376	35,376
Share premium	10	282,596	282,596
Retained losses		(304,648)	(267,682)
Total equity		**(29,401)**	**8,363**
Total equity and liabilities		**61,940**	**140,675**

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

23 April 2019
Date of approval of the financial statements

Avi Hakhamov
Acting Chief Executive Officer

David Dekel
Director and Chairman of the Audit Committee

Consolidated statement of profit or loss

	Note	Year ended December 31, 2018 €'000	Year ended December 31, 2017 €'000
Revenues and gains			
Revenue from disposal of trading properties	5	2,333	192,958
Total revenues		**2,333**	**192,958**
Gains and other			
Rental income		-	7,908
Other income	14	254	757
Total gains		**254**	**8,665**
Total revenues and gains		**2,587**	**201,623**
Expenses and losses			
Cost of Trading properties disposed	5	(2,891)	(188,868)
Cost of operations		(357)	(2,231)
Write-down of Trading Properties	5	(29,450)	(11,487)
Share in results of equity-accounted investees, net of tax	6	1,443	(7,177)
Administrative expenses	13	(2,722)	(6,146)
Other expenses	14	(329)	(657)
		(34,306)	(216,566)
Finance income	15	3,647	577
Finance costs	15	(11,306)	(11,196)
		(41,965)	(227,185)
Loss before income tax		**(39,378)**	**(25,562)**
Income Tax expense		1,013	(1,001)
Loss for the year		**(38,365)**	**(26,563)**
Loss attributable to:			
Equity holders of the Company		(38,365)	(26,563)
Earnings per share			
Basic and diluted loss per share (EUR)	11	(5.60)	(3.87)

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

Consolidated statement of comprehensive income

	Year ended December 31, 2018 €'000	Year ended December 31, 2017 €'000
Loss for the year	**(38,365)**	**(26,563)**
Other comprehensive income		
Items that are or may be reclassified to profit or loss:		
Foreign currency translation differences – foreign operations (Equity accounted investees)	(798)	(1,697)
Other comprehensive loss for the year, net of income tax	(798)	(1,697)
Total comprehensive loss for the year	(39,163)	(28,260)
Total comprehensive loss attributable to:		
Equity holders of the Company:	(39,163)	(28,260)
Non-controlling interests	-	-
Total comprehensive loss for the year	**(39,163)**	**(28,260)**

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

Consolidated statement of changes in equity

	Attributable to the equity owners of the Company						
	Share capital €'000	Share premium €'000	Share based payment reserves €'000	Translation reserve €'000	Capital reserve from acquisition of non-controlling interests €'000	Retained losses €'000	Total €'000
Balance at January 1, 2017	**6,856**	**282,596**	**35,376**	**(27,103)**	**(19,983)**	**(241,119)**	**36,623**
Comprehensive income for the year							
Net loss for the year	-	-	-	-	-	(26,253)	(26,253)
Foreign currency translation differences	-	-	-	(1,697)	-	-	(1,697)
Total comprehensive loss for the year	**-**	**-**	**-**	**(1,697)**	**-**	**(26,253)**	**(28,260)**
Balance at December 31, 2017	**6,856**	**282,596**	**35,376**	**(28,800)**	**(19,983)**	**(267,682)**	**8,363**
Adjustments on initial application of IFRS 9 (see Note 2(u)(2))						1,399	1,399
Comprehensive income for the year							
Net loss for the year	-	-	-	-	-	(38,365)	(38,365)
Foreign currency translation differences	-	-	-	(798)		-	(798)
Total comprehensive loss for the year	**-**	**-**	**-**	**(798)**	**-**	**(36,966)**	**(37,764)**
Balance at December 31, 2018	**6,856**	**282,596**	**35,376**	**(29,598)**	**(19,983)**	**(304,648)**	**(29,401)**

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

Consolidated statement of cash flow

	Note	Year ended December 31, 2018 €'000	Year ended December 31, 2017 Restated* €'000
Cash flows from operating activities			
Loss for the year		(38,365)	(26,563)
Adjustments necessary to reflect cash flows used in operating activities:			
Depreciation and impairment of property and equipment		155	18
Net finance costs		7,659	10,619
Share of loss (gain) of equity-accounted investees, net of tax		(1,443)	7,177
Loss (Gain) from sale of subsidiaries		-	(2,900)
Income tax expense (Tax benefit)		(1,013)	1,001
		(33,007)	**(10,648)**
Changes in:			
Trade receivables		27	(3,102)
Other receivables		2,287	2,914
Provision		1,238	(395)
Trading properties		30,970	23,694
Trade payables		(85)	(500)
Other liabilities, related parties liabilities and provisions		(634)	(1,586)
		33,803	**21,025**
Interest paid		(5,887)	(10,739)
Taxes paid		-	(41)
Net cash used in operating activities		**(5,091)**	**(403)**
Cash from investing activities			
Proceeds from sale of property and equipment		4	3,127
Proceeds from sale of subsidiaries (Appendix A)		-	89,814
Changes in restricted cash		-	3,189
Distribution received from Equity Accounted Investees		2,503	2,560
Net cash provided by investing activities		**2,507**	**98,690**
Cash from financing activities			
Proceeds from bank loans		-	4,029
Repayment of debentures		(40,605)	(62,179)
Repayment of interest-bearing loans from banks		-	(939)
Net cash used in financing activities		**(40,605)**	**(59,089)**
Increase (decrease) in cash and cash equivalents during the year		**(43,439)**	**39,198**
Effect of movement in exchange rate fluctuations on cash held		**(790)**	**-**
Cash and cash equivalents as at January 1st		**44,844**	**5,646**
Cash and cash equivalents as at December 31st		**1,405**	**44,844**

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

	Note	Year ended December 31, 2018 €'000	Year ended December 31, 2017 €'000
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)		-	6,307
Trading Properties		-	166,432
Bank loans		-	(85,365)
Gain from sale of subsidiaries		-	2,440
		-	**89,814**

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

NOTE 1 – GENERAL INFORMATION

a. 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 Pietersbergweg 283, 1105 BM, 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 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 was Elbit Ultrasound (Luxembourg) B.V. / S.à r.l. ("EUL"), which held 44.9% of the Company's shares, till December 19, 2018 when EUL informed that it has signed a trust agreement according to EUL will deposit its shares of the Company with a trustee no longer considers itself to be the controlling shareholder of Plaza. (December 31, 2017 - 44.9%). For the list of the Group entities, refer to Note 20.

b. 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 December 31, 2018 the Group's outstanding obligations to bondholders are EUR 80.5 million (refer also to Note 8).

Information concerning the Group's obligations and commitments to make future payments under contracts such as debt agreements in the 15 months starting April 1, 2019 is aggregated in the following tables.

	Total Payment Due by period (in TEUR)	
Liquidity Requirements	**Within 1 year**	**Within 1-1.5 years**
Bonds including current portion and interest*	56,354	31,118
General & administrative	1,725	750
Total liquidity requirements	**58,079**	**31,868**
Total Sources **	**6,561**	**7,015**
Total deficit	**(51,518)**	**(24,853)**

(*) An amount of Circa EUR 0.4 million was repaid (excluding interest) by the date of approval of these consolidated financial statements following the balance sheet date.

(**) The Company expects to increase the amount of its liquid balances during the 15 months starting April 1, 2019, by sale of plots of lands (excluding Chennai, India) and others, and on the assumption that a final agreement for sale Casa Radio Project will be concluded, not including cash balances as of the date of signing the financial statements.

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 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.

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.

The board and management estimate that the Company is unable to serve its entire debt according to the current repayment schedule. Moreover, following the recent default of purchaser of Bangalore project to meet payments schedule according to the signed amendment agreement (refer to Note 6(b)(1)), and default of purchaser of Chennai Project to complete the sale transaction (refer to Note 6(b)(2)), it is expected that the Company will not be able to meet its entire contractual obligations in the following 12 months.

NOTE 1 – GENERAL INFORMATION

As of December 31, 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. In addition, the Minimum Cash Reserve Covenant as defined in Note 17(b)(1)(d) is not maintained as of December 31, 2018. If its continued throughout a period comprising two consecutive quarterly reports following the year-end report on which such breach has been established, then such breach shall constitute an event of default under the trust deeds, and the Bondholders shall be entitled to declare that all or a part of their respective (remaining) claims become immediately due and payable.

Moreover, the Company's financial statements as of December 31, 2017 include an auditor's opinion with emphasis of matter to going concern uncertainty as well as auditor's review report on interim financial statements as of June 30, 2018 include the same. As a result, there is a risk that the bondholders could argue that there are significant doubts with respect to the Company's ability to repay its obligations, which will trigger the immediate repayment of the bonds.

In addition, based on trust deeds, in the case of material deterioration in the Company's business and the existence of significant doubts regarding the Company's ability to repay the bonds on time, the bondholders may require an immediate repayment of bonds due to the Company's breach of a covenant in the trust deeds.

In respect of credit rating downgrade followed by withdraw of credit rating by Standard & Poor at the Company's request refer to Note 8(e) to these 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 financial statements the bondholders have not taken steps to assert their rights.

On January 31, 2019 the bondholders of Series A and Series B approved a partial deferral of the scheduled Principal payment as of December 31, 2018 to July 1, 2019 (see Note 8).

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 2:- SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation of these financial statements:

The following accounting policies have been applied consistently in the financial statements for all periods presented, unless otherwise stated.
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union ("EU").

The consolidated financial statements were authorized for issue by the Board of Directors on April 23, 2019.

b. Functional and presentation currency:

These consolidated financial statements are presented in EURO ("EUR"), which is the Company's functional currency. All financial information presented in EUR has been rounded to the nearest thousand, unless otherwise indicated.

c. Investment property vs. trading property classification:

The Group has designated all its properties for sale. The Company is actively seeking buyers and does not hold the properties with the intention to gain from capital appreciation. Therefore, management also believes that these are appropriately classified as trading properties.

d. Functional and presentation currency

The EUR is the functional currency for Group companies (with the exception of Indian companies - in which the functional currency is the Indian Rupee - INR) since it is the currency of the economic environment in which the Group operates. This is because the EUR (and in India the INR) is the main currency in which management determines its pricing with potential buyers and suppliers, determine its financing activities and budgets and assesses its currency exposures.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

e. Operating cycle determination:

The Group is unable to clearly identify its actual operating cycle with respect to trading properties. As such, the Group's operating cycle relating to trading properties and corresponding liabilities is 12 months. Trading properties and liabilities associated therewith are presented as non-current assets and non-current liabilities, respectively.

Despite of the above, where a sale and purchase agreement exists as of the end of the reporting period, the asset and related liabilities are reclassified as current.

f. Use of estimates and judgments:

The preparation of the consolidated financial statements in conformity with IFRS as adopted by the EU requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Information about other critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 5 - judgements used in determining the net realisable value of trading properties;

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Notes 5 - key assumptions used in determining the net realisable value of trading properties;
- Note 5,16 - recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

g. Basis of consolidation:

1. Subsidiaries:

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.
Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group in the consolidated financial statements.

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2. Interests in equity-accounted investees:

The Group's interests in equity-accounted investees comprise interests in associates and joint ventures.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

When the equity attributable to the owners of an associate changes as a result of the associate selling or buying shares of its subsidiaries (that are consolidated in its financial statements) to third parties while retaining control in those subsidiaries, the balance of the investment in the associate that is presented on the Company's books on the equity basis changes. The Company has chosen the accounting policy of recognizing the change in the balance of the investment in these cases directly in Profit or loss.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

3. Loss of control:

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity.

Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

4. Transactions eliminated on consolidation:

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

h. Foreign currency:

1. Foreign currency transactions:

Transactions in foreign currencies are translated to the respective functional currencies of Group companies at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined.

Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

2. Foreign operations:

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into euro at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into euro at the exchange rates at the dates of the transactions. Foreign currency differences are recognised in other comprehensive income, and accumulated in the translation reserve, except to the extent that the translation difference is allocated to non-controlling interest.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interest.

When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

If the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, then foreign currency differences arising from such item form part of the net investment in the foreign operation. Accordingly, such differences are recognised in other comprehensive income and accumulated in the translation reserve.

3. Index-linked monetary items:

Monetary assets and liabilities linked to the changes in the Israeli Consumer Price Index ("Israeli CPI") are adjusted at the relevant index at each reporting date according to the terms of the agreement.

i. Cash equivalents:

Cash equivalents are considered as highly liquid investments, including unrestricted short-term bank deposits with an original maturity of three months or less from the date of investment or with a maturity of more than three months, but which are redeemable on demand without penalty and which form part of the Group's cash management.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

j. Financial instruments:

As described in Note 2a(u)(2) regarding the initial adoption of IFRS 9, "Financial Instruments" ("the Standard"), the Company elected to adopt the provisions of the Standard retrospectively without restatement of comparative data.

The accounting policy for financial instruments applied until December 31, 2017, is as follows:

1. Financial assets:

Financial assets within the scope of IAS 39 are initially recognized at fair value plus directly attributable transaction costs, except for financial assets measured at fair value through profit or loss in respect of which transaction costs are recorded in profit or loss.

After initial recognition, the accounting treatment of financial assets is based on their classification as follows:

a) Loans and receivables:

Loans and receivables are investments with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans are measured based on their terms at amortized cost plus directly attributable transaction costs using the effective interest method and less any impairment losses. Short-term borrowings are measured based on their terms, normally at face value.

2. Financial liabilities:

Financial liabilities are initially recognized at fair value. Loans and other liabilities measured at amortized cost are presented less direct transaction costs.

After initial recognition, the accounting treatment of financial liabilities is based on their classification as follows:

a) Financial liabilities at amortized cost:

After initial recognition, loans and other liabilities are measured based on their terms at amortized cost less directly attributable transaction costs using the effective interest method.

3. 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.

4. Derecognition of financial instruments:

a) Financial assets:

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or the Company has transferred its contractual rights to receive cash flows from the financial asset or assumes an obligation to pay the cash flows in full without material delay to a third party and has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

b) Financial liabilities:

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

5. Impairment of financial assets:

The Group assesses at the end of each reporting period whether there is any objective evidence of impairment of a financial asset or group of financial assets as follows:

Financial assets carried at amortized cost:

Objective evidence of impairment exists when one or more events that have occurred after initial recognition of the asset have a negative impact on the estimated future cash flows. The amount of the loss recorded in profit or loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. If the financial asset has a variable interest rate, the discount rate is the current effective interest rate. In a subsequent period, the amount of the impairment loss is reversed if the recovery of the asset can be related objectively to an event occurring after the impairment was recognized. The amount of the reversal, up to the amount of any previous impairment, is recorded in profit or loss.

The accounting policy for financial instruments applied commencing from January 1, 2018, is as follows:

1. Financial assets:

Financial assets are measured upon initial recognition at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets, except for
financial assets measured at fair value through profit or loss in respect of which transaction costs are recorded in profit or loss.

Debt instruments are measured at amortized cost when:

The Company's business model is to hold the financial assets in order to collect their contractual cash flows, and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. After initial recognition, the instruments in this category are measured according to their terms at amortized cost using the effective interest rate method, less any provision for impairment.

2. Impairment of financial assets:

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

3. Derecognition of financial assets:

A financial asset is derecognized only when:

- The contractual rights to the cash flows from the financial asset has expired; 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; or
- 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

a) Financial liabilities measured at amortized cost:

Financial liabilities are initially recognized at fair value less transaction costs that are directly attributable to the issue of the financial liability.

After initial recognition, the Company measures all financial liabilities at amortized cost using the effective interest rate method.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

5. Derecognition of financial liabilities:

A financial liability is derecognized only when it is extinguished, that is when the obligation specified in the contract 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.

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.

k. Fair value measurement

A number of the Group's accounting policies and disclosures require the measurement of fair value, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. The Company's finance department reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes, is used to measure fair values, then the finance department assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2:* inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- *Level 3:* inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 16 - Financial instruments

l. Share capital:
Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognized as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12. Costs attributable to listing existing shares are expensed as incurred.

m. Trading properties:

Trading properties are being designated for sale in the ordinary course of business and as such are classified as trading properties (inventory) and measured at the lower of cost and net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs to complete construction and selling expenses. If net realisable value is less than the cost, the trading property is written down to net realisable value.

In each subsequent period, a new assessment is made of net realisable value. When the circumstances that previously caused trading properties to be written down below cost no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised net realisable value.

The amount of any write-down of trading properties to net realisable value and all losses of trading properties are recognised as a write-down of trading properties expense in the period the write-down or loss occurs. The amount of any reversal of such write-down arising from an increase in net realisable value is recognised as a reduction in the expense in the period in which the reversal occurs.

Costs comprise all costs of purchase, direct materials, direct labour costs, subcontracting costs and other direct overhead costs incurred in bringing the properties to their present condition.

Borrowing costs directly attributable to the acquisition or construction of a qualifying asset are capitalized as part of the costs of the asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recognized as an expense in the period in which they incurred.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

n. Impairment of non-financial assets:

The Company evaluates the need to record an impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable. If the carrying amount of non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount is the higher of fair value less costs of sale and value in use. In measuring value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

An impairment loss of an asset is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Reversal of an impairment loss, as above, shall not be increased above the lower of the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years and its recoverable amount. The reversal of impairment loss of an asset presented at cost is recognized in profit or loss.

The following criteria are applied in assessing impairment of these specific assets:

Investment in associate or joint venture:

After application of the equity method, the Company determines whether it is 3necessary to recognize any additional impairment loss with respect to the investment in associates or joint ventures. The Company determines at each reporting date whether there is objective evidence that the carrying amount of the investment in the associate or the joint venture is impaired. The test of impairment is carried out with reference to the entire investment, including the goodwill attributed to the associate or the joint venture.

o. Provisions:

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Warranties

A provision for warranties is recognised when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

Legal claims:

A provision for claims is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources embodying economic benefits will be required by the Group to settle the obligation and a reliable estimate can be made of the amount of the obligation.

p. Revenue recognition:

As described in Note 2(u)(1) regarding the initial adoption of IFRS 15, "Revenue from Contracts with Customers" ("the Standard"), the Company elected to adopt the provisions of the Standard using the modified retrospective method with the application of certain practical expedients and without restatement of comparative data.

The accounting policy for revenue recognition applied until December 31, 2017, is as follows:

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Revenues from selling of trading property

Revenue from selling of trading property is measured at the fair value of the consideration received or receivable. Revenues are recognized when all the following conditions are met:

a. the Group has transferred to the buyer the significant risks and rewards of ownership;

b. the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the property sold;

c. the amount of revenue can be measured reliably;

d. it is probable that the economic benefits associated with the transaction will flow to the Group (including the fact that the buyer's initial and continuing investment is adequate to demonstrate commitment to pay);

e the costs incurred or to be incurred in respect of the transaction can be measured reliably; and

f. there are no remaining significant performance obligations.

Determining whether these criteria have been met for each sale transaction, requires certain degree of judgment by the Group management. The judgment is made in determination whether, at the end of the reporting period, the Group has transferred to the buyer the significant risks and rewards associated with the real estate assets sold.

Such determination is based on an analysis of the terms included in the sale agreement executed with the buyer as well as an analysis of other commercial understandings with the buyer in respect of the real estate sold. In certain cases, the sale agreement with the buyer is signed during the construction period and the consummation of the transaction is subject to certain conditions precedents which have to be fulfilled prior to delivery.

Revenues are, therefore, recognized when all the significant condition precedent included in the agreement have been fulfilled by the Group and/or waived by the buyer prior to the end of the reporting period.

Generally, the Group is provided with a bank guarantee from the buyer for the total estimated proceeds in order to secure the payment by the buyer at delivery. Therefore, the Group is not exposed to any significant risks in respect of payment of the proceeds by the buyer.

The accounting policy for revenue recognition applied commencing from January 1, 2018, is as follows:

Revenue recognition:

Revenue from contracts with customers is recognized when the control over the goods or services is transferred to the customer. Revenues from trading properties are taken into account at the moment the trading property is sold. The company considers the moment of sale being the latest of a) receiving the payment for the trading property; or b) the transfer of the deed at the public notary. The transaction price is the amount of the consideration that is expected to be received based on the contract terms, excluding amounts collected on behalf of third parties (such as taxes).

In determining the amount of revenue from contracts with customers, the Company evaluates whether it is a principal or an agent in the arrangement. The Company is a principal when the Company controls the promised goods or services before transferring them to the customer.

In these circumstances, the Company recognizes revenue for the gross amount of the consideration. When the Company is an agent, it recognizes revenue for the net amount of the consideration, after deducting the amount due to the principal.

Revenue from the sale of goods:

Revenue from sale of goods is recognized in profit or loss at the point in time when the control of the goods is transferred to the customer, generally upon delivery of the goods to the customer.

Variable consideration:

The Company determines the transaction price separately for each contract with a customer. When exercising this judgment, the Company evaluates the effect of each variable amount in the contract, taking into consideration discounts, penalties, variations, claims, and non-cash consideration. In determining the effect of the variable consideration, the Company normally uses the "most likely amount" method described in the Standard. Pursuant to this method, the amount of the consideration is determined as the single most likely amount in the range of possible consideration amounts in the contract.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

According to the Standard, variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

q. Operating lease payments:

The criteria for classifying leases as finance or operating leases depend on the substance of the agreements and are made at the inception of the lease in accordance with the following principles as set out in IAS 17.

Payments made under operating leases (in respect of plots of land under usufruct) are recognized in profit or loss on a straight-line basis over the term of the lease but are capitalized in relation to land used for the development of trading properties during the construction period (similar to borrowing costs).

r. Finance income and cost:

Interest income and expense which are not capitalized are recognized in the income statement as they accrue, using the effective interest method.

s. Income tax:

Income tax expense comprises current and deferred tax. It is recognised in profit or loss.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible Temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Such reduction is reversed when the probability of future taxable profits improved.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences.

When they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset only if certain criteria are met.

t. Employee benefits:

1. Bonuses:

The Group recognizes a liability and an expense for bonuses, which are based on agreements with employees or according to management decisions based on Group performance goals and on individual employee performance. The Group recognizes a liability where contractually obliged or where past practice has created a constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

2. Share-based payment transactions:

The fair value of options granted to employees to acquire shares of the Company is recognized as an employee expense or capitalized if directly associated with development of trading property, with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The amount recognized as an expense is adjusted to reflect the actual number of share options that vest.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification, which increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employees as measured at the date of modification. The fair value of the amount payable to employees in respect of share-based payments, which may be settled in cash, at the option of the holder, is recognized as an expense, with a corresponding increase in liability, over the period in which the employees become unconditionally entitled to payment. The fair value is re-measured at each reporting date and at settlement date.

Any changes in the fair value of the liability are recognized as an additional cost in salaries and related expenses in the income statement.

u. Changes in accounting policies - initial adoption of new financial reporting and accounting standards and amendments to existing financial reporting and accounting standards:

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

The IASB issued IFRS 15, "Revenue from Contracts with Customers" ("the new Standard") in May 2014. The new Standard replaces IAS 18, "Revenue", IAS 11, "Construction Contracts", IFRIC 13, "Customer Loyalty Programs", IFRIC 15, "Agreements for the Construction of Real Estate", IFRIC 18, "Transfers of Assets from Customers" and SIC-31, "Revenue - Barter Transactions Involving Advertising Services".

The new Standard introduces a five-step model that applies to revenue earned from contracts with customers.

The new Standard has been applied for the first time in these financial statements. The Company elected to adopt the provisions of the new Standard using the modified retrospective method with the application of certain practical expedients and without restatement of comparative data. The Company recognizes any difference between the previous carrying amount and the carrying amount on the date of initial application of the new Standard as an adjustment to the opening balance of retained earnings (or another component of equity, as applicable).

The effect of the initial application of the new Standard on the Company's financial statements is not significant.

2. 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: Recognition and Measurement". The new Standard mainly focuses on the classification and measurement of financial assets and it applies to all assets within the scope of IAS 39.

The new Standard has been applied for the first time in these financial statements retrospectively without restatement of comparative data.

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

During 2017, a non-substantial modification to the terms of previously issued debentures was made by the Company due to modification of the trust deeds terms. Accordingly, the Company accounted for the modification in accordance with the principles of IAS 39.AG7 by adjusting the effective interest rate such that the revised cash flows, discounted at the new interest rate, was equal to the carrying amount of the debentures before the modification in terms. Under the provisions of the new Standard, the change should be accounted for pursuant to the principles of IAS 39.AG8 whereby the revised cash flows after the modification in terms are discounted using the original effective interest rate of the debentures to arrive at a new carrying amount, with any difference from the existing carrying amount on the date of modification being recorded in profit or loss.
The effects of the above changes on the Company's financial statements are as follows:

In the consolidated statements of financial position:

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

In the consolidated statements of financial position:

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

v. Disclosure of new standards in the period prior to their adoption:

1. IFRS 16, "Leases":

In January 2016, the IASB issued IFRS 16, "Leases" ("the new Standard"). According to the new Standard, a lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

The effects of the adoption of the new Standard are as follows:

- According to the new Standard, lessees are required to recognize all leases in the statement of financial position (excluding certain exceptions, see below). Lessees will recognize a liability for lease payments with a corresponding right-of-use asset, similar to the accounting treatment for finance leases under the existing standard, IAS 17, "Leases". Lessees will also recognize interest expense and depreciation expense separately.

- The accounting treatment by lessors remains substantially unchanged from the existing standard, namely classification of a lease as a finance lease or an operating lease.

The new Standard is effective for annual periods beginning on or after January 1, 2019.

The Company believes, based on an assessment of the impact of the adoption of the new Standard, that its application is not expected to have a material effect on the financial statements.

2. IFRIC 23, "Uncertainty over Income Tax Treatments":

In June 2017, the IASB issued IFRIC 23, "Uncertainty over Income Tax Treatments" ("the Interpretation"). The Interpretation clarifies the accounting for recognition and measurement of assets or liabilities in accordance with the provisions of IAS 12, "Income Taxes", in situations of uncertainty involving income taxes. The Interpretation provides guidance on considering whether some tax treatments should be considered collectively, examination by the tax authorities, measurement of the effects of uncertainty involving income taxes on the financial statements and accounting for changes in facts and circumstances in respect of the uncertainty.

The Interpretation is to be applied in financial statements for annual periods beginning on January 1, 2019. Early adoption is permitted. Upon initial adoption, the Company will apply the Interpretation using one of two approaches:

1. Full retrospective adoption, without restating comparative data, by recording the cumulative effect as of the date of initial adoption in the opening balance of retained earnings.

2. Full retrospective adoption including restatement of comparative data.

The Company does not expect the Interpretation to have any material effect on the financial statements.

3. IAS 28, "Investments in Associates and Joint Ventures":

In October 2017, the IASB published an amendment to IAS 28, "Investments in Associates and Joint Ventures" ("the Amendment"). The Amendment clarifies that long-term interests in associates and joint ventures (such as loans receivable or investments in preferred shares) which form part of the net investment in an associate or joint venture are initially accounted for according to the provisions of IFRS 9 (both regarding measurement and impairment) and subsequently those interests are subject to the provisions of IAS 28.

The Amendment is to be applied retrospectively for annual periods beginning on January 1, 2019. Early adoption is permitted.
The Company is currently evaluating potential effect of the Amendment on its financial statements.

NOTE 3 - CASH AND CASH EQUIVALENTS

Bank deposits and cash denominated in	December 31, 2018 €'000	December 31, 2017 €'000
EUR – bank balances	1,323	11,654
United States Dollar (USD) – bank balances	11	586
New Israeli Shekel (NIS)	4	32,039
Polish Zlotys (PLN)	34	418
Other currencies	33	147
Total	**1,405**	**44,844**

* The balances are not bearing interest.

The Group's sensitivity analysis for financial assets and liabilities are disclosed in Note 16.

NOTE 4 - OTHER RECEIVABLES

	December 31, 2018 €'000	December 31, 2017 €'000
Other receivables:		
VAT and tax receivables	226	133
Others	14	537
Total	**240**	**670**

*) refer to Note 18.

NOTE 5 - TRADING PROPERTIES

	December 31, 2018 €'000	December 31, 2017 €'000
Balance as at 1 January:	73,569	263,695
Construction costs and other[1]	-	1,514
Write-down of trading properties, net[2]	(28,212)	(11,487)
Trading properties disposed[3]	(2,757)	(180,153)
Balance as at 31 December	**42,600**	**73,569**
Trading properties designated for sale	42,600	73,569

1 2017– mainly due to construction activities in Serbia.

NOTE 5 - TRADING PROPERTIES (Cont.)

2 Breakdown of write-downs of trading properties is presented in the table below.

Project name (location)	The year ended December 31, 2018 €'000	The year ended December 31, 2017 €'000
Helios Plaza (Athens, Greece)	1,150	-
Krusevac (Krusevac, Serbia)	300	400
Lodz Plaza (Lodz, Poland)	1,940	1,200
lodz Centurm (Lodz, Poland)	100	-
Casa radio (Bucharest, Romania)	24,172	10,095
Brasov (Brasov, Romania)	550	-
Other, aggregated)	-	187
Other, aggregated	28,212	11,822
Change in provision in respect to PAB*	1,238	(395)
Total write-downs	**29,450**	**11,487**

* See also (5)(4)(e) below.

The 2018 write-downs were caused mainly due to the following factors:

- EUR 0.1 million of write-down in Lodz Centrum (Residential Plot), Poland, which is based on the preliminary agreement signed during July 2018.
- EUR 1.9 million of write-down regarding plot in Lodz Plaza ("Lodz mall"), Poland based on indications received from the local brokers regarding investors' interest, including the expected price level, direct talks with investors and non-binding proposals received.
- EUR 0.3 million of write-down in Krusevac, Serbia during first half of 2018 based on management internal estimation, which reflects the fact that no proposals have been received for a long period including brokers for the expected price, and the legal status of the Plot.
- EUR 0.55 million of write-down in Brasov plot of land, Romania, which reflects signed sale agreement (see Note 19(a)).
- EUR 25.4 million of write-down (including change in provision in respect to PAB) in Casa Radio project, Romania (see 4 in this Note).

For detailed information with respect to valuation techniques and main assumptions, refer also to (5) in this Note.

NOTE 5 - TRADING PROPERTIES (Cont.)

3. Sale of assets in the reporting period:

a) 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 " Centrum Plaza", in consideration for PLN 1.3 million (circa EUR 0.3 million). The agreement was conditional upon the pre-emptive right of the municipality of Lodz. The plot was sold in September 2018.

b) Sale of Plot in Lodz, Poland:

On June 13, 2017, the Company announced that its subsidiary 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 €1.15 million. As part of the agreement, the purchaser paid an immediate installment of EUR 0.035 million followed by an installment of EUR 0.073 million paid on 2018 after obtaining environmental permit for investing in the access road to the plot.

On April 2, 2019 the Company announced that its subsidiary has signed a definitive agreement for a total gross consideration of EUR 1.15 million (less approximately EUR 0.19 million invested by the Company in access road).Under the terms of the Agreement, the Purchaser paid EUR 0.76 million, and the remaining consideration (approximately €0.09 million) will be paid not later than April 30, 2019. EUR 0.11 million has already been received as advanced payments.

c) Earn-out payment for the sale of Torun:

On 21 November, 2017 one of the Company's subsidiaries has completed the sale of Torun Plaza shopping and entertainment center in Poland to a private investment fund. The Company has received 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 payments received in 2018. The Company recorded revenue of EUR 71.6 million from the disposal and a loss of circa EUR 1.5 million (not including the earn-out payment mentioned).

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 included in Revenue from disposal of trading properties.

d) Disposal of land plot in Greece:

Following certain 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 transactions was expected to be concluded in 2018 as an asset deal (instead of the original agreement of share deal) with a lower sale price of EUR 3.35 million.

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.
On December 24, 2018 the Company signed a definitive agreement for the sale of its (indirectly) 100% stake in a Greek subsidiary (on an "as is" basis) for a total gross amount of EUR 1.05 million (out of which EUR 0.3 million has already been received as advance payments during 2017). The total net proceeds to the Company, following the deduction of working capital adjustments in accordance with the balance sheet of the SPV and transaction costs, were circa EUR 0.66 million.

As a result of the transaction, an amount EUR 1.05 million is recorded in Revenue from disposal of trading properties and amount of circa EUR 2.28 million is recorded in Cost of trading properties sold. In addition, as a result of sale on "as is" basis, the Company reversed tax liability previously recorded in the financial statements resulted in tax benefit of EUR 1.015 million (refer also to Note 9).

e) Update on disposal of land plot in Miercurea Ciuc, Romania:

On April 1, 2019 the Company announced that following negotiations with the purchaser, the parties agreed and signed an addendum to the pre-agreement (the “Addendum”) that provided as follows: (i) the signing date of a definitive sale purchase agreement will be postponed by 3 months to mid-July 2019 (ii) the receipt of additional non-refundable advance payments of EUR 150,000 on signing date and EUR 100,000 by the mid of April 2019, and (iii) the sale price will be increased by EUR 30,000.

NOTE 5 - TRADING PROPERTIES (Cont.)

Update on disposal of land plot in Miercurea Ciuc, Romania (Cont.):

This addendum is executed further to the Company's announcement dated on October 17, 2018 regarding signing the pre-agreement for the sale of plot of land in Miercurea Ciuc, Romania in which the Company granted an option for the purchase of the plot till mid-April 2019 for a total price of EUR 1,550,000. The Company has received the amount of EUR 110,000 up to the execution date of the Addendum, including March 2019 (non-refundable payments) and the additional EUR 250,000 advanced payment has been paid.

To the extent that the Company will enter into a definitive agreement and consummates the transaction, the Company expects to receive EUR 1,220,000 (excluding non-refundable advance payments).

f) Belgrade Plaza

On January 26, 2017, the Company signed a binding share purchase agreement with BIG Shopping Centers Ltd ("BIG"), for the sale of the SPV holding Belgrade Plaza shopping and entertainment center. 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 estimated in the range of EUR 6.2-6.5 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 did not record a gain from expected future purchase price adjustments at the sale date.
During June 2018 (the first adjustment date) the First purchase price adjustment was examined and accordingly no additional proceed was made.

During December 2018, BIG paid to the Company EUR 466,000 for the stands and signage recorded as Revenue from disposal of trading property. In addition, BIG further informed the Company that they intend to hold an additional EUR 1 million until an orderly engineering examination of the mall's technical conditions is completed as part of the final Price adjustment to be performed in May 2020. The Company is currently evaluating its options regarding BIG's intention to hold the EUR 1 million which was not recorded in the consolidated financial statements due to uncertainty related to receipt of such amount.
2018.

g) Disposal of land plot in Krusevac, Serbia

On December 3, 2018 the Company announced that it completed the sale of its (indirectly) 100% stake in a 5-acre plot in Krusevac, Serbia, for a total consideration of approximately EUR 290 thousand which is slightly below book value.

(4) Casa Radio:

(a) General:

In 2006 the Company entered into an agreement according to which it acquired 75% interest in a company ("Project SPV") which is under a PPP agreement with the Government of Romania to develop the Casa radio site in the center of Bucharest ("Project"). After signing the PPP agreement, the Company holds indirectly 75% of the shares in the Project SPV, the remaining 25% are held by the Romanian authorities (15%) and a third-party private investor (10%).

As part of the PPP, the Project SPV was granted with development and exploitation rights in relation to the site for a period of 49 years, starting December 2006 (37 years remaining at the end of the reporting period). As part of its obligations under the PPP, the Project SPV has committed to construct a Public Authority Building ("PAB") measuring approximately 11.000 square meters for the Romanian Government at its own cost.

Large scale demolition, design and foundation works, financed by loans given to the Project SPV by the Company were performed on the construction site until 2010, when current construction and development was put on hold due to lack of progress in the renegotiation of the PPP agreement with the Authorities, as discussed in subsection (c) below, and the global financial crisis. These circumstances (and mainly the bureaucratic deadlock with the Romanian Authorities to deal with the issues specified below) caused the Project SPV not to meet the development timeline of the Project, as specified in the PPP. However, management believes that it had legitimate reasons for the delays in this timeline, as discussed in subsection (c) below.

(b) Obtaining of the Detailed Urban Plan ("PUD") permit:

The Project SPV obtained the PUD related to this project in September 2012. Furthermore, on December 13, 2012, the Court took note of the waiver of the claim submitted by certain plaintiffs and rejected the litigation aiming to cancel the approval of the Zonal Urban Plan ("PUZ") related to the Project. The court decision is irrevocable.

NOTE 5 - TRADING PROPERTIES (Cont.)

(4) Casa Radio (Cont.)

As the PUD is based on the PUZ, the risk that the PUD would be cancelled as a result of the cancellation of the PUZ was removed following the date when the PUZ was cleared in court on December 13, 2012.

(c) Discussions with Authorities on construction time table deferral:

Following the Court decision with respect to the PUZ, the Project SPV was required to submit a request for building permits within 60 days from the approval date of the PUZ/PUD and commence development of its project within 60 days after obtaining building permit. The building permits have not been obtained.

However, due to substantial differences between the approved PUD and stipulations in the PPP agreement as well as changes in the EU directives concerning environmental considerations in buildings used by public authorities the Project SPV attempted to renegotiate the future development of the Project with the Romanian Authorities on items such as time table, structure and milestones as well as adaptation of the PAB development to the current EU requirements. Despite many notifications sent to the Romanian Authorities expressing a wish to renegotiate the existing PPP agreement no major breakthrough could be achieved. The Company can be subject to significant delay penalties under the terms of the PPP agreement if it is determined that the Company was at fault in causing the delays.

Because of the failure of the public authorities to cooperate, negotiate and adjust the PPP agreement, the Project SPV was not able to meet its obligations under the PPP. This resulted in a situation where the Project SPV could not "de facto" continue the execution of the Project and created a risk that the public authorities could attempt to terminate 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 (EUR 25 million). As of the date of approval of these consolidated financial statements the Project SPV did not receive any termination notification by the public authorities.

The Company believes that although there is no formal obligation for the Romanian Authorities to renegotiate the PPP agreement, such obligation is implicitly provided for the situation when significant unexpected circumstances arise and that the unresponsiveness of the authorities is a violation of the general undertaking to support the Project SPV in the execution of the Project as agreed in the PPP agreement.

The Company believes that the risk that the public authorities may seek to terminate the PPP and/or relevant permits on the basis of the perceived breach of the Company's commitments and/or may seek to impose delay penalties on the basis of the PPP contract is unlikely given the public authorities have not sought to do such since the perceived breach in 2012 and given the Company believes that it has basis for counter claims against the relevant public authorities.

In the case of termination for breach under the PPP agreement the relationship and compensation between the parties is to be decided by a competent court of arbitrations. Management believe that, in the case of termination, the Company has a strong case to claim compensation for damages.

Since 2016 management has taken a number of steps in order to unblock the development of the project and mitigate the risk of termination of the PPP agreement, including commencing a process to identify third party investors willing and capable to join the Group for the development of the project and/or potential buyers for the Project. Management believes that reputable investors with considerable financial strength can enhance negotiation position vis-à-vis the public authorities and assist in advancing an amicable agreement with the relevant authorities with respect to the development of the project. As a result of its ongoing efforts, a non-binding LOI for the sale of its holdings was signed after the balance sheet date. (refer to section (f)).

Management considers the risk of termination of the PPP agreement and/or the imposition of penalties by the authorities to be unlikely and the consolidated financial statements do not include any provision in respect to any potential future penalties in respect to the breach of the PPP agreement.

(d) Co-operation with the Romanian Authorities regarding potential irregularities

In 2015, the Board and Management became aware of certain issues with respect to certain agreements that were executed in the past in connection with the Project. In order to address this matter, the Board appointed the chairman of the Audit Committee to investigate the matters and independent law firms to analyze the available alternatives in this respect. The chairman of the Audit Committee did not conclude the investigation as the person with key information was not available to answer questions. The Board, among other steps, implemented a specific policy in order to prevent the reoccurrence of similar issues and appointed the chairman of the audit committee to monitor the policy's implementation by the Company's management. In addition, it was decided that in the future certain agreements will be brought to the Board's approval prior to signing.

NOTE 5 - TRADING PROPERTIES (Cont.)

(4) Casa Radio (Cont.)

The Company has approached and is co-operating fully with the relevant Romanian Authorities regarding the matters that have come to its attention and it has submitted its initial findings in March 2016 to the Romanian Authorities. The Company, during this process has been verbally informed by the Romanian Authorities that it has received immunity from certain potential criminal charges and received further verbal assurance that the mentioned investigation should have no effect on the Company's existing legal rights to the Project and the PPP Agreement. As the investigation by the Romanian Authorities is still on-going, the Company in unable to comment further on any details related to this matter. Management is currently unable to estimate any monetary sanctions in respect to the potential irregularities, consequently no provision has been recorded in connection with these matters.

(e) Provision in respect of PAB:

As mentioned in point a above, when the Company entered into an agreement to acquire 75% interest in the Project SPV it assumed a commitment to construct the PAB at its own costs for the benefit of the Romanian Government. Consequently, the statement of financial position includes a provision in the amount of EUR 14.1 million in respect of the construction of the PAB (December 31, 2017: EUR 12.8 million).

During 2018, the Company recorded loss in total amount of EUR 1.2 million from change in PAB provision as part of write down of trading properties (in 2017 income - EUR 0.4 million).

Management believes that the current level of provision is an appropriate estimation in the current circumstances. Upon reaching concrete agreements with Authorities, the Company will be able to further update the provision.

(f) On February 11, 2019 the Company signed a non-binding Letter of Intent ("LOI") with AFI Europe N.V. (the "Purchaser", and together with the Company, the "Parties"), for the sale of its entire indirect shareholdings (75%) in the Casa Radio Project, for a maximum consideration of EUR 60 million, subject to the fulfilment of certain conditions.

Following the execution of the LOI, the Purchaser shall have a period of 3 months to conduct due diligence, after which, if satisfactory, a pre-sale agreement will be executed within 30 days following the conclusion of the due diligence investigations. (the "Pre-Sale Agreement").

In the framework of the Pre-Sale Agreement, the Purchaser will pay the Company a non-refundable down payment. 15 months following the execution of the Pre-Sale Agreement, and subject to the satisfactory fulfillment of certain conditions precedent, the Parties will sign a sale agreement.

The consummation of the Transaction is subject to the fulfillment of certain conditions ("the closing conditions"), including, inter alia: (i) certain confirmations and approvals of competent public authorities regarding the PPP agreement in place and acceptance of the Purchaser; (ii) the successful conclusion by the Purchaser of its due diligence investigations; (iii) obtaining the approval of the Romanian authorities for the updated structure of the Project and timetable; (iv) confirmation that the 49-year lease period under the PPP agreement (signed between the Romanian Authorities and the Company) will commence from 2012 at the earliest, although, should the said lease period commence earlier, the parties shall amicably negotiate a price adjustment mechanism to the Purchaser's satisfaction and approval; and (v) the execution of definitive agreements.

During the period commencing on the date of the execution of the LOI and ending on the earlier of: (i) 18 month, or (ii) the Purchaser informs the Company of his withdrawal from the Transaction, the Company and its representatives have undertaken to refrain from negotiating with any other third party other than the Purchaser for the purpose of selling its shareholdings in the Project.

The payment schedule according to the LOI is expected to be set as follows:

Non-refundable down Payments	EUR 200,000
Execution of Sale Agreement (following fulfillment of the conditions precedent)	EUR 20,000,000
Issuance of Building Permit for Phase 1 (the construction of the shopping mall, offices/residential, Hotel& Casino, Supermarket and parking).	EUR 22,000,000
Finalization and inauguration of Phase 1	EUR 17,800,000

NOTE 5 - TRADING PROPERTIES (Cont.)

The Company is not obligated to participate in the financing of the Project. In addition, the Purchaser acknowledged the liability to build the public authority building under the PPP agreement.

As of the date hereof, there can be no certainty that either the Pre-Sale Agreement, or the Sale Agreement will be executed and/or that the Transaction will be consummated as presented above or at all.

(5) Write-down of trading properties:

Trading properties are measured at the lower of cost and net realizable value. Determining net realizable value is inherently subjective as it requires estimates of future events and takes into account special assumptions in the valuations, many of which are difficult to predict.

Actual results could be significantly different than the Company's estimates and could have a material effect on the Company's financial results. Trading Properties accumulated write-downs from cost as of December 31, 2018, amounted to EUR 184.7 million or 79.5% percent of outstanding trading properties original cost (December 31, 2017 - EUR 171.8 million or 70% of gross trading property balance).

These valuations become increasingly difficult as they relate to estimates and assumptions for projects in the preliminary stage of development.

Management is responsible for determining the net realizable value of the Group's trading properties. In determining net realizable value of the vast majority of trading properties, management utilizes the services of an independent third party recognized as a specialist in valuation of properties (as at December 31, 2018, 91.8% of the value of trading properties was based on valuations done by the independent third-party valuation service (2017 – 91.3%).

In 2017 the trading property Casa Radio was valued using the Residual technique which set a value of EUR 50 million. Prior to the signing of the LOI, the Company had obtained an updated appraisal as of December 31, 2018 based on the same technique which reflected a value of EUR 43 million.

Following several years of efforts to promote the development of the project either by bringing a partner or through the sale of the Company's holdings, a number of serious proposals were received during the course of 2018 from serious and experienced real estate investors which were examined by management and the board. The management and the board of directors came to the conclusion that the proposed price and terms of LOI are optimal and reasonable considering the Company's current status and decided to sign a LOI with AFI Europe.

Following signing of LOI as described in Note 5(4)(f), the Company measured the net realizable value of the project based on the signed LOI .For this purpose, a valuation was performed through an external appraiser whose opinion does not reflect the risk related to uncertainty in respect of fulfilment of the closing conditions, as described in Note 5(4)(f) and derived to a value of EUR 37.7 million. As a result, the Company's management assumed additional discount of 33.3% in order to reflect this uncertainty which resulted in value of the proposed deal of EUR 25 million.

Accordingly, since the value based on the Residual technique is higher than estimated value of the proposed deal, as of December 31, 2018, the Company recorded Casa Radio project at its net realizable value in the amount of EUR 25 mill
ion (trading property is presented at gross basis in the amount of EUR 39.1 million and provision for PAB liability in the amount of EUR 14.1 million).

Following parameters have been considered to arrive at the net realizable value of the property:

NOTE 5 - TRADING PROPERTIES (Cont.)

(5) Write-down of trading properties (Cont.)

Following parameters have been considered to arrive at the net realizable value of the property:

Risk category	Rate	Comments
Asset risk	7.63%	7.25% Prime Yield - the prime real estate yield as a basis for the computation of the discount rate since this risk reflects investors' sentiment regarding the country risk as well as liquidity/industry risk; and 0.38% Submarket risk - based on relevant transactions recently closed but as well as considering current market sentiment, the respective prime yield was adjusted, for each asset class planned to be developed on the site The overall estimated transaction yield is resulting from the weighted average, for each asset class, between the expected GLA and its respective transaction yield.
Approval risk	0.00%	The assessment assumed that all authorizations will be obtained therefore no risk was considered in this respect.
Project risk	1.75%	Considering the legal specificities of the transaction (PPP legal framework), the potential delays in obtaining all authorizations/approvals as well as the potential findings during the due diligence phase, a component of construction risk as well inherent to a development project - it was assumed an overall project risk of 1.75%
Counterparty risk	5.00%	Considering the macroeconomic instability, the end of the ECB's quantitative easing, the recent widening spread, the forecasted interest rate growth as well as local financing conditions, an estimated of 5% counterparty risk for this transaction.
Discount rate	**14.38%**	

The following table provides sensitivity analysis on net realizable value of the property, based on additional discount implemented by the management:

		Discount rate							
		12.88%	13.38%	13.88%	14.38%	14.88%	15.38%	15.88%	16.38%
Potential discount	0.00%	39.4	38.8	38.2	37.7	37.2	36.7	36.2	35.7
	10.00%	35.5	34.9	34.4	33.9	33.5	33.0	32.6	32.1
	20.00%	31.5	31.0	30.6	30.2	29.8	29.4	29.0	28.6
	33.33%	26.3	25.9	25.5	25.1	24.8	24.5	24.1	23.8
	40.00%	23.6	23.3	22.9	22.6	22.3	22.0	21.7	21.4
	50.00%	19.7	19.4	19.1	18.9	18.6	18.4	18.1	17.9

Trading property in India owned by joint controlled entity were valued using comparable method (refer to Note 6).

All trading properties carrying amounts equal their net realizable values.

The Company reviews annually (and in certain cases during the year), the valuation methodologies utilized by the independent third-party valuator service for each property.

NOTE 5 - TRADING PROPERTIES (Cont.)

The main features included in each valuation are:

(1) Comparable method:

Valuation by comparison is essentially objective in that it is based on an analysis of the price achieved for sites with broadly similar development characteristics. Valuation by comparison is generally used if evidence of actual sales can be found and analysed on a common unit basis, such as site area, developable area or habitable room.

Where comparable development cannot be identified in the immediate area of the subject site or when sales information is not clearly available through common channels of information (internet, newspapers, trade journals, periodic market research) it is necessary to look further out for suitable comparable and to make necessary adjustments to the price in order to account for dissimilarities between the comparable development and the subject site. Such adjustments include, but not limited to:

- Adjustment due to the time of the transaction. Market conditions at the time of the sales transaction of a comparable property may differ from those on the valuation date of the property being valued. Factors that impact market conditions include rapidly appreciating or depreciating property values, changes in tax laws, building restrictions or moratoriums, fluctuations in supply and demand, or any combination or forces working in concert to alter market conditions from one date to another.

- Adjustment due to asking price and condition of payment. The special motivations of the parties to the transaction in many situations can affect the prices paid and even render some transactions as non-market. Examples of special conditions of sale include a higher price paid by a buyer because the parcel has synergistic, or marriage value; a lower price paid because a seller was in a hurry to conclude the sale; a financial, business, or family relationship between the parties involved in the transaction, unusual tax considerations; lack of exposure of the property in the (open) market; or the prospect of lengthy litigation proceedings.

- Adjustment because of size, shape, contiguous and surface area. Where the physical characteristics of a comparable property vary from those of the subject property, each of the differences is considered, and the adjustment is made for the impact of each of these differences on value.

- Adjustment because of location. The locations of the comparable sale properties and the subject property are compared to ascertain whether location and the immediate environment are influencing the prices paid. The better location a property is located in the more it is worth per square meter; and conversely the worse location a property is in the less it is worth per square meter. An adjustment is made to reflect such differences based on the valuers' professional experience. Extreme location differences may indicate that a transaction is not truly comparable and are disqualified.

NOTE 5 - TRADING PROPERTIES (Cont.)

(6) **Below is a summary table for main projects status:**

Project	Location	Purchase year	Holding Rate (%)	Nature of rights	Permit status	Plot Size (sqm)	Carrying amount December 31, 2018 (MEUR)	Carrying amount December 31, 2017 (MEUR)
Lodz residential	Poland	2001	100	Ownership/ Perpetual usufruct	Planning permit valid	4,000	sold	0.4
Lodz plaza	Poland	2009	100	Perpetual usufruct	Planning permit pending	61,500	1.96	3.9
Casa radio	Romania	2007	75	Remained Lease period 37years	Detailed Urban Plan ("PUD") valid	467,00 0 GBA (*)	(**)39.1	(**) 63.2
Miercurea Ciuc Plaza	Romania	2007	100	Ownership	No valid permit (Building Permit expired)	36,500	1.0	1.0
Piraeus Plaza	Greece	2002	100	Ownership	-	15,000	sold	3.3
Brasov Plot (2017- Other plots, grouped)						(***)	0.55	1.7
Total							**42.6**	**73.5**

(*) Gross Building area (sqm)

(**) Represents gross value including commitment for PAB construction, which is presented as non-current provision in amount of EUR 14.09 million as of December 31, 2018 (EUR 12.85 million as of December 31,2017).

(***) An indirectly subsidiary of Plaza Centers, holding Brasov plot in Romania, granted to that previous financing bank of the project the right to purchase the property under conditions of an option pact for 3 years starting December 6, 2016 for an amount of EUR 1.1 million free of encumbrances.

NOTE 6 - EQUITY ACCOUNTED INVESTEES

a) The Group has the following interest (directly and indirectly) in the below joint ventures, as at December 31, 2018 and 2017:

Company name	Country	Activity	Interest of holding (percentage) as at December 31, 2018	Interest of holding (percentage) as at December 31, 2017
Elbit Plaza India Real Estate Holdings Ltd. (“EPI”)*	Cyprus	Mixed-use large scale projects	47.5%	47.5%

None of the joint ventures are publicly listed.

* Though EPI is 47.5% held by the Company, the Company is accounted for 50% of the results, as the third party holding 5% in EPI is deemed not to participate in accumulated losses, hence EI and the Company, the holders of the remaining 95% each account for 50% of the results of EPI.

NOTE 6 - EQUITY ACCOUNTED INVESTEES

The movement in equity accounted investees (in aggregation) was as follows:	2018 €'000	2017 €'000
Balance as at 1 January	19,530	30,160
Distribution received from equity-accounted investees, net[3]	(2,499)	(1,441)
Share in results of equity-accounted investees, net of tax[1]	1,443	(7,177)
Effect of movements in exchange rates	(798)	(1,697)
Dissolving of Equity accounted investee	-	(315)
Balance as at 31 December[2]	17,676	19,530

1 Breakdown of the Group's share of increase (write-downs) of trading properties projects held by equity accounted investees is as follows:

Project name (holding company name)	The year ended December 31, 2018 €'000	The year ended December 31, 2017 €'000
Bangalore (held by EPI)*	1,623	(4,408)
Chennai (held by EPI)*	-	(988)
Total	**1,623**	**(5,396)**

* Refer to the below paragraphs b(1) and b(2) regarding the properties' write downs

2 Other investment in equity accounted investees is through certain equity instruments to cover negative equity position considered part of the Group's net investment in the investees.

3 Repayment of loan granted to EPI from proceeds received from the Partner in Bangalore property. See b (1) below.

b) Material joint ventures:

The summarized financial information of the material joint venture EPI (due to holding of major schemes in Bangalore and Chennai) is as follows:

	2018 €'000	2017 €'000
Current assets*	1,956	2,794
Trading properties-non current	46,390	45,060
Other current liabilities	(12,994)	(8,794)
Net assets (100%)	35,352	39,060
Group share of net asset (50%)**	17,676	19,530
Carrying amount of interest in joint venture	**17,676**	**19,530**

* Including cash and cash equivalents in the amount of EUR 1,812 thousand (2017 - EUR 2,592 thousand)

** Refer to remark on EPI holding rate in section a above.

NOTE 6 - EQUITY ACCOUNTED INVESTEES (Cont.)

	2018	2017
	€'000	€'000
Increase (Write-downs) of trading properties	3,246	(10,792)
Other income (expenses)	(360)	(3,562)
Total net profit (loss) and comprehensive income (100%)	2,886	(14,354)
Group share of Profit (loss) and comprehensive income (50%)	1,443	(7,177)
Total results from investees	**1,443**	**(7,177)**

1. Bangalore:

In March, 2008 EPI entered into a share subscription and framework agreement (the "Agreement"), with a third-party local developer (the "Partner"), and a wholly owned Indian subsidiary of EPI which was designated for this purpose ("SPV"), to acquire together with the Partner, through the SPV, up to 440 acres of land in Bangalore, India (the "Project") in certain phases as set forth in the Agreement. As of December 31, 2018, the Partner has surrendered sale deeds to the SPV for approximately 54 acres (the "Plot"). In addition, under the Agreement the Partner has also been granted with 10% undivided interest in the Plot and have also signed a Joint Development Agreement with the SPV in respect of the Plot.

On December 2, 2015 EPI has signed an agreement to sell 100% of its interest in the SPV to the Partner (the "Sale Agreement"). The total consideration upon completion of the transaction was INR 321 crores (approximately EUR 40.2 million) which should have been paid no later than September 30, 2016 (" Long Stop Date"). On November 15, 2016, the Partner informed EPI that it will not be able to execute the advance payments.

As a result of the foregoing, the Company has received from the escrow agent the sale deeds in respect of additional 8.7 acres (the "Additional Property") which has been mortgaged by the Partner in favor of the SPV in order to secure the completion of the transaction on the Long Stop Date. The Additional Property has not yet been registered in favor of the SPV. In addition, as per the Sale Agreement, the Company took actions in order to get full separation from the Partner with respect to the Plot and specifically the execution of the sale deed with respect of the 10% undivided interest, all as agreed in the Sale Agreement.

As a result of the failure of the Partner to complete the transaction under the Sale Agreement and in accordance with the provisions thereto, EPI has 100% control over the SPV and the partner is no longer entitled to receive the 50% shareholding.

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 42.4 million) instead of the INR 321 Crores (approximately Euro 40.2 million) agreed in the previous agreement. As part of the agreement, INR 110 Crores (approximately Euro 13.8 million) were supposed to be paid by the Purchaser in instalments until the Final Closing. The Final Closing was scheduled on September 1, 2018, when the final instalment of INR 228 Crores (approximately Euro 29.8 million) were supposed to 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. INR 46 Crores (approximately EUR 6.06 million) were paid till March 2018.

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 EUR 44.5 million). The Final Closing will take place on 31 August 2019 when the final installment of circa INR 212 Crores (approximately EUR 26.9 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 all amounts paid by now 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.

On February 4, 2019 Plaza announced that the Purchaser defaults on payments and that EPI is considering all legal measures available to it to protect its interest.

During March 2019, the Purchaser has further paid to EPI INR 9.25 cores (approximately EUR 1.15 million), thereby having paid INR 80 crores (approximately EUR 10.26 million) as against approximately INR 92 crores (EUR 11.8 million) that was supposed to be paid by end of February 2019. The Parties continue to discuss regarding getting further payments. Plaza part from the consideration is 50%

NOTE 6 - EQUITY ACCOUNTED INVESTEES (Cont.)

In April 2019, EPI has reached an understandings with the purchaser according to which: (i) the closing date for the transaction will be extended to November 2019 (instead of August 2019) (the "Closing Date"); and (ii) the consideration will be increased to EUR 45.64 million (INR 356 crores) (instead of INR 350 crores) (Plaza part approximately EUR 17.69 million) (the "Consideration"). The Closing Date can be further extended to August 2020, subject to mutually agreed payment terms. As of the date hereof, the Purchaser paid to EPI approximately EUR 10.26 million (INR 80 crores) (Plaza part approximately EUR 5.13 million) on account of the Consideration, which EPI is entitled to forfeit if the Purchaser does not close the transaction as per the agreement. The remainder of the Consideration (approximately EUR 35.38 million (INR 276 crores)) (Plaza part approximately EUR 17.69 million) is to be paid by the Purchaser as follows: (i) a total of approximately EUR 6.41 million (INR 50 crores) will be paid in unequal monthly installments until the Closing Date; (ii) a total of approximately EUR 28.97 million (INR 226 crores) will be paid upon Closing Date. EPI and the Purchaser have not yet signed a revised agreement and there is no certainty that such a revised agreement will indeed be signed and /or what its final terms be.

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. On March 2019, the Supreme Court has set aside the Order thereby restoring the position as it existed before the Order was passed by NGT.

Net realizable value measurement of Bangalore project

As for December 31, 2018 and 2017 the Group measured the net realizable value of the project. The net realizable value of the project is INR 235 crores (EUR 29.5 million); 2017 - INR 209.1 crores (EUR 27.4).

Net realizable value measurement of Bangalore project

As for December 31, 2017 and 2016 the Group measured the net realizable value of the project.

The plot in Bangalore is still in land stage and therefore the value of the plot has been derived using land comparable method. The valuation of the property reflects the interest that the partner still holds in the plot (10% as described above), the size of the plot and the non-contiguous land parcel. The local authorities have proposed a revised master plan for Bangalore under which it is proposed to change certain regulations pertaining to zoning of the plot which if given effect might adversely affect the development prospects on the plot. The Company being aggrieved by the proposed change was entitled to and has filed the necessary objections with the concerned authorities and believes that the current zoning regulations will be maintained. Management believes that the current discount rate used towards this end is an appropriate estimation in the current circumstances.

The following main parameters have been considered to arrive at the land value of the subject property by land sale comparison method:

Parameter	Premium (Discount)
Applicable land value (INR Mn/acre)	96
Discount on account of Revised Master Plan 2015 Buffer zone norms (%)	-25%
Presence of minority shareholder	-20%
Discount on account of possible change in zoning (open space/parks)	-25%

2. Chennai:

In December 2007, EPI executed agreements for the establishment of a special purpose vehicle ("Chennai Project SPV") together with a local developer in Chennai ("Local Partner"). The Chennai Project SPV acquired 74.73 acres of land situated in the Sipcot Hi-Tech Park in Siruseri District in Chennai ("Property").

On September 16, 2015, EPI has obtained a backstop commitment from the Local Partner for the purchase of its 80% shareholding in the Chennai SPV by January 15, 2016, for a net consideration of approximately INR 161.7 Crores (EUR 21.1 million). Since the Local Partner had breached its commitment, EPI exercised its rights and acquired the Local Partner's 20% holdings in the Chennai Project SPV. Accordingly, as of the balance sheet date EPI has 100% of the equity and voting rights in the Chennai Project SPV.

NOTE 6 - EQUITY ACCOUNTED INVESTEES (Cont.)

During 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.

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 (twelve) months period from the execution date of the JDA. The required approvals have not yet been obtained at the target date. 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.

On July 5, 2018 EPI signed a term sheet (“Term Sheet”) with the Developer for the sale of the Property for a total consideration of approximately Euro 13.2 million (INR 1,060 million). The closing of the transaction was expected in February 2019. As the transaction was not completed the Term Sheet was terminated by EPI.

In February 2019 the Chennai Project SPV issued notice to Developer terminating the JDA due to its failure to obtain the access road. The said termination of JDA has been disputed by the Developer. Therefore, the Chennai Project SPV has initiated arbitration proceeding against the Developer in accordance with the Arbitration Rules of the Singapore International Arbitration Centre, in accordance with the JDA Agreement to protect its rights.

Net realizable value measurement of Chennai project

The valuation of the property is based on the comparable method. As for December 31, 2018 and 2017 the Group measured the net realizable value of the project which was INR 1,351 million (EUR 16.93 million);

The following main parameters have been considered to arrive at the land value of the subject property:

Parameter	Premium (Discount)
Applicable land value (INR Mn/acre)	18.08
Discount for shape and contiguity	-20%
Additional cost to be incurred at the site due to illegal excavation	-5%
Total Discount on account	-58%

NOTE 7 - OTHER LIABILITIES

	December 31, 2018	December 31, 2017
	€’000	€’000
Prepayments (*)	202	325
Government institutions and fees	-	106
Salaries and related expenses	8	62
Accrued expenses	290	359
Tax liability (refer to Note 5(3)(d))	-	1,015
Other	-	11
Total	**500**	**1,878**

(*) Including EUR 107 thousand payable due to refundable deposit received regarding the sale of plot in Lodz, Poland and EUR 95 thousand prepayments in regard to plot sale in Miercurea Ciuc Plaza, Romania (In 2017 - EUR 300 thousand prepayments in regards to plot sale in Greece.

NOTE 8 - BONDS

a. Composition:

	Effective interest rate (*)	Contractual interest rate	Principal final maturity	Adjusted par value	Carrying amounts as at December 31, 2018
Series A Bonds	11.58%	CPI+6%	2020	33,209	31,767
Series B Bonds	13.83%	CPI+6.9%	2020	47,260	44,931
Total				**80,469**	**76,698**

b. Mandatory repayments subsequent to the reporting date (without early repayments):

2019	51,488
2020	28,981
Total	**80,469**

(*) Revised effective interest rate – refer to Note 2(u)(2) regarding the effect of the initial adoption of IFRS 9 on effective interest rate.

(1) Pursuant to the Company's Restructuring Plan, the Company will assign 78% of the net proceeds received from the sale or refinancing of any of its assets as early repayment.

(2) Approved amendment to an early prepayment term under the Restructuring

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 in the amount of approximately EUR 238 thousand (which is equal to 0.25% from the Company's outstanding debt under the bonds at that time) (the "Consent Fee"). 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 191.7 million (EUR 49.2 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.

In addition to the above, the following terms were approved by the bondholders:

(a) Casa radio proceeds - If the Company shall sell the Casa radio project located in Romania (hereinafter: the "Project") to a third party, including by way of selling its holdings in any of the entities through which the Company holds the project (and said sale shall be carried out before the full repayment of the bonds and until no later than December 31, 2019, and for an amount which exceeds EUR 45 million net (i.e. after brokerage fees (if any), taxes, fees, levies or any other obligatory payment due to any authority in respect to the said sale) which shall actually be received by the Company, then the holders of bonds shall be eligible for a one-time payment (which shall come in addition to the principal and interest payments in accordance with the repayment schedule), in certain amounts specified in tranches.

(b) Registering of Polish bonds for trade - the Company has committed to undertake best efforts to admit the Polish bonds for trading on the Warsaw Stock Exchanges and proceeding in this respect are ongoing.

NOTE 8 – BONDS (Cont.)

(c) Deferred debt ratio of Series B bonds - were reduced to 68.24% from 70.44% following the cancellation of the treasury bonds. The ratio has been changed for Series B bonds in order to maintain a distribution ratio between the three series.

(c) Settlement agreement with Bondholders of Israeli Series of Bonds

On September 26, 2017 the Company announced that, further to the resolutions of the Israeli series A bondholders and the series B bondholders 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, 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:

- 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 intended to deposit the reminder of the funds with a third-party trustee for the benefit of both Israeli series of bonds and subsequently approached the competent court in Israel for the receipt of instructions with regard to the allocation of such reminder amount.

On October 4, 2017 the Company has received the consent of the trustees of its Israeli series A bonds and series B bonds for the allocation of certain funds received by the Company between the Company's series A bonds and series B bonds due for repayment of such bonds as detailed above.

During December 2017, the Israeli court has instructed that the mandatory repayment amounts due to the Israeli series A and series B bondholders should be allocated according to the ratios set out in the Company's restructuring plan. The court has also acknowledged that Plaza is not an interested party in this bondholder dispute and has granted the Company a protective order from any claims in this respect. The Israeli Series A bondholders triggered the immediate repayment of the entire outstanding debt under the Series A trust deed.

2018

In January 2018, a settlement agreement was signed by and among the Company and the two Israeli Series of Bonds ("Settlement Agreement"). In the Settlement Agreement it was agreed, inter alia, to approve:

- New repayment ratios between the two Israeli Series of Bonds (new ratio: Bond A- 39% Bond B- 61%);
- An increase in the level of the mandatory early repayments from 75% to 78% of the relevant net income;
- New repayment schedule;
- An increase in the compensation to be paid to the Bondholders in the event of successful disposal of Casa Radio Project;
- A waiver of claims to the Company and its directors and officers; and
- To waive the request for publication of quarterly financial reports by the Company.

As a result of settlement agreement signing, Series A Bondholders withdraw their request for immediate repayment.

It is clarified that the Settlement Agreement is a separate agreement among the parties thereto with respect to the Company's restructuring plan, and as such has no effect on the Polish Bondholders.

On January 31, 2018 the Company paid the bondholders a total amount of principal and interest of EUR 38,487 thousand.

(1) The net cash flow received by the Company following an exit or raising new financial indebtedness (except if taken for the purpose of purchase, investment or development of real estate asset) or refinancing of real estate assets after the full repayment of the asset's related debt that was realized or in respect of a loan paid in case of debt recycling (and in case where the exit occurred in the subsidiary - amounts required to repay liabilities to the creditors of that subsidiary) and direct expenses in respect of the asset (any sale and tax costs, as incurred) , will be used for repayment of the accumulated interest till that date in all of the series (in case of an exit which is not one of the four shopping centers only 50% of the interest) and 78% of the remaining cash (following the interest payment) will be used for an early repayment of the close principal payments for each of the series (A, B, Polish) each in accordance with its relative share in the deferred debt. Such prepayment will be real repayment and not in bond purchase.

NOTE 8 – BONDS (Cont.)

(2) On November 22, 2018 the Company announced based on its current forecasts, the Company expected to pay the accrued interest on Series A and Series B Bonds on December 31, 2018, in accordance with the repayment schedule determined in the Company's Restructuring Plan and Settlement Agreement with Series A and Series B Bondholders from 11 January 2018 (the "Settlement Agreement"). The Company noted that it will not meet its principal repayment due on December 31, 2018 as provided for in the Settlement Agreement. The Company may be able to partially pay the said principal depending, among other things, on the actual sale of assets and taking into consideration the cash needs in accordance with the scope of the forecasted activity.

In January 2019 Plaza announced that based on its current forecasts, the Company expects to repay on February 18, 2019 approximately EUR 400,000 to its Series A and Series B. The Company further intends to act for the postponement of the repayment of the remaining balance of the Bonds, all in coordination with the trustee of the Bonds and subject to the receipt of the Bondholders' approval as required by the relevant deeds of trust. The bondholders approved the deferral of payment to July 1, 2019 and the company paid principal of circa EUR 250,000 and Penalty interest on arrears of EUR 150,000.

d. Covenants:

The bonds' covenants are detailed in Note 16(b).

In respect of the Coverage Ratio Covenant ("CRC"), as defined in the restructuring plan, as at December 31, 2018 the CRC was 98.48%, in comparison with 118% minimum ratio required. As a result of covenants breach, the Company classified its bonds in the total amount of EUR 76,698 thousand as current liabilities in the financial statements as of 31 December 2018.

e. Credit rating:

In January 2018, Standard & Poor's Maalot, the Israeli credit rating agency which is a division of International Standard & Poor's has discontinued tracking Plaza's rating at the Company's request.

f. Redemption at Maturity of Series of Bonds issued in Poland

On May 16, 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. Upon completion of the redemption, the Company has no outstanding bonds issued in Poland.

NOTE 9 – INCOME TAXES

a. Deferred taxes recognized are attributable to the following items:

	December 31, 2017	Recognised in Profit or loss 2018	December 31, 2018
Bonds	(1,561)	618	(943)
Tax value of loss carry-forwards recognized*	1,561	(618)	943
Deferred tax asset (liability), net	**-**	**-**	**-**

Assets/(liabilities) 2017	December 31, 2016 €'000	Recognised in profit or loss 2017 €'000	Out of Consoli-dation	December 31, 2017 €'000
Property, equipment and other assets	(116)	55	61	-
Bonds	(2,024)	463	-	(1,561)
Tax value of loss carry-forwards recognized*	2,024	(463)	-	1,561
Deferred tax asset (liability), net	**(116)**	**55**	**61**	**-**

* Due to tax losses created at the Company level.

b. **Unrecognized deferred tax assets**

Deferred tax assets have not been recognized in respect of tax losses in a total amount of EUR 111,669 thousand (2017: EUR 111,043 thousand).

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits there from. As of December 31, 2018, the expiry date status of tax losses to be carried forward is as follows:

Total tax losses carried forward	2019	2020	2021	2022	2023	After 2023
115,439	5,271	9,339	13,165	25,385	18,568	43,710

Tax losses are mainly generated from operations in the Netherlands. Tax settlements may be subject to inspections by tax authorities. Accordingly, the amounts shown in the financial statements may change at a later date as a result of the final decision of the tax authorities.

c. **Amounts recognized in profit or loss**	Year ended December 31, 2018 €'000	Year ended December 31, 2017 €'000
Adjustment in respect of previous years taxes (refer to note 5(3)(d))	1,013	(1,056)
Origination and reversal of time differences	-	55
Total	**1,013**	**(1,001)**

NOTE 9 – INCOME TAXES (Cont.)

d. **Reconciliation of effective tax rate:**

	Year ended December 31, 2018 €'000	Year ended December 31, 2017 €'000
Dutch statutory income tax rate	25%	25%
Loss from continuing operations before income taxes	(39,378)	(25,562)
Tax benefit at the Dutch statutory income tax rate	(9,844)	(6,390)
Recognition of previously unrecognized tax losses	5	(229)
Effect of tax rates in foreign jurisdictions	3,043	862
Adjustment in respect of previous years taxes	(1,015)	1,056
Current year tax loss and other timing differences for which no deferred taxes are created[1]	5,622	3,070
Non-deductible expenses (exempt income)	1,176	2,632
Tax Expense	**(1,013)**	**1,001**

[1] 2018 and 2017 - Mainly due to write-down of trading property not recognized for tax purposes.

e. **The main tax laws imposed on the Group companies in their countries of residence:**

The Netherlands:

a. Companies resident in the Netherlands are subject to corporate income tax at the general rate of 25%. The first EUR 200,000 of profits is taxed at a rate of 20%. Tax losses may be carried back for one year and carried forward for nine years.

b. The Dutch participation exemption gives a full exemption from corporation tax applies to benefits such as dividends and capital gains derived from a qualifying participation. The participation exemption generally applies if the parent Company holds at least 5 percent of the shares in the participation. The requirements to meet the participation exemption are as follows:

1. The parent Company has an interest of at least 5 percent in the participation; and

2. At least one of the following three tests is met:

a) The parent Company's objective with respect to its participation is to obtain a return that is higher than a return that may be expected from normal active asset management ("Motive Test"); or

b) The participation is subject to a "reasonable taxation" according to Dutch tax standards ("Subject-to-Tax Test"); or

c) The direct and indirect assets of the participation generally consist of less than 50 percent of 'low taxed free passive investments' ("Asset Test").

NOTE 10 - EQUITY

	Remarks	December 31, 2018 Number of shares	December 31, 2017 Number of shares
Authorized ordinary shares of par value EUR 1 each		10,000,000	10,000,000
Issued and fully paid		**6,855,603**	**6,855,603**

Share based payment reserve

Share based payment reserve is in respect of Employee Share Option Plans ("ESOP") in the total amount of EUR 35,376 thousand as of December 31, 2018 (2017 - EUR 35,376 thousand).

Translation reserve

The translation reserve comprises, as of December 31, 2018, all foreign currency differences arising from the translation of the financial statements of foreign operations in India.

NOTE 10 – EQUITY (Cont.)

Restriction of dividend

The Company shall not make any dividend distributions, unless (i) at least 75% of the Unpaid Principal Balance of the Bonds (EUR 199 million) has been repaid and the Coverage Ratio on the last Examination Date prior to such Distribution is not less than 150% following such Distribution, or (ii) a Majority of the Plan Creditors consents to the proposed Distribution.

Notwithstanding the aforesaid, in the event an additional capital injection of at least EUR 20 million occurs, then after one year following the date of the additional capital injection, no restrictions other than those under the applicable law shall apply to dividend distributions in an aggregate amount of up to 50% of such additional capital injection.

NOTE 11 - EARNINGS PER SHARE

The calculation of basic earnings per share ("EPS") at December 31, 2018 was based on the loss attributable to ordinary shareholders of EUR 38,365 thousand (2017: loss of EUR 26,563 thousand) and a weighted average number of ordinary shares outstanding of 6,856 thousand (2017: 6,856 thousand).

Weighted average number of ordinary shares (for both EPS and EPS from continuing operations)

In thousands of shares with a EUR 1 par value	December 31, 2018 €'000	December 31, 2017 €'000
Issued ordinary shares at 1 January	6,856	6,856
Weighted average number of ordinary shares at 31 December	6,856	6,856

The calculation of diluted earnings per share from continuing operations for comparative figures is calculated as follows:

Weighted average number of ordinary shares (diluted):

In thousands of shares with a EUR 1 par value	December 31, 2018 €'000	December 31, 2017 €'000
Weighted average number of ordinary shares (basic)	6,856	6,856
Effect of share options on issue	-	-
Weighted average number of ordinary shares (diluted) at 31 December	**6,856**	**6,856**

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period that the options were outstanding.

NOTE 12 - EMPLOYEE SHARE OPTION PLAN

On October 26, 2006 the Company's Board of Directors approved the grant of up to 338,345 non-negotiable options for the Company's ordinary shares to the Company's board members, employees in the company and other persons who provide services to the Company including employees of the Group (" Offerees").

The options were granted to the Offerees for no consideration. Furthermore, 2nd ESOP plan was adopted on November 22, 2011 which is based on the terms of the 1st ESOP as amended in accordance with the terms as referred to above, with a couple of amendments, the most important of which is the total number of options to be granted under the 2nd ESOP is fourteen million (14) and a cap of GBP 200. Exercise of the options is subject to the following mechanism:

NOTE 12 - EMPLOYEE SHARE OPTION PLAN (Cont.)

Grant date / employees entitled	Number of options	Contractual life of options[1]
ESOP No.1[3]		
Option grant to key management at October 27, 2006	132,180	15 years
Option grant to employees at October 27, 2006	18,585	15 years
Total granted in 2006	150,765	15 years
Total granted in 2007[2]	10,161	15 years
Total granted in 2008[2]	7,638	15 years
Total granted in 2009[2]	3,916	15 years
Total granted in 2011[2]	1,200	15 years
ESOP No.2[3]		
Total granted in 2011[2]	44,790	10 years
Total granted in 2012[2]	8,600	10 years
Total granted in 2013[2]	8,450	10 years
Total share options Granted	**235,520**	

1 Following the 4th amendment of ESOP1, the contractual life for stock options granted changed from 10 years to 15 years

2 Share options granted to key management: 2007 – 1,000 share options; 2008 – 2,600 share options; 2009 – 733 share options; 2011– 32,250 share options (ESOP No. 2); 2012 – 4,500 share options; 2013 – 1,500 share options.

3 Vesting conditions – three years of service.

On the exercise date the Company shall allot, in respect of each option so exercised, shares equal to the difference between (A) the opening price of the Company's shares on the LSE (or WSE under certain conditions) on the exercise date, provided that if the opening price exceeds GBP 324, the opening price shall be set at GBP 324 (Except 2nd ESOP as stated above); less (B) the Exercise Price of the Options; and such difference (A minus B) will be divided by the opening price of the Company's Shares on the LSE (or WSE under certain conditions) on the exercise date:

	Weighted average exercise price* 2018 GBP	Number of options 2018	Weighted average exercise price 2017 GBP	Number of options 2017
Outstanding at the beginning of the year	43	235,520	43	235,520
Forfeited during the period – back to pool**		-		-
Outstanding at the end of the year	**43**	**235,520**	**43**	**235,520**
Exercisable at the end of the year		**235,520**		**235,520**

* The options outstanding at 31 December 2018 have an exercise price in the range of GBP 28 to GBP 54 (app. EUR 31.3 – EUR 60.4), and have weighted average remaining contractual life of tree years.

** The total accumulated share-based payment costs due to options exercise and forfeiture were 13,319 thousand as of December 31, 2018 and December 31, 2017.
The maximum number of shares issuable upon exercise of all outstanding options as of the end of the reporting period is 356,780. The estimated fair value of the services received were measured based on a binomial lattice model.

During 2018 and 2017 there were no employee costs for the share options granted.

NOTE 13 - ADMINISTRATIVE EXPENSES

	Year ended December 31, 2018 €'000	Year ended December 31, 2017 €'000
Salaries and related expenses	1,092	2,870
Professional services	1,258	2,644
Offices and office rent	130	199
Travelling and accommodation	54	160
Depreciation and amortization	1	14
Others	187	259
Total	**2,722**	**6,146**

NOTE 14 - OTHER INCOME AND OTHER EXPENSES

	Year ended December 31, 2018 €'000	Year ended December 31, 2017 Restated* €'000
Other income[1]	254	757
Total other income	**254**	**757**
Other expenses	329	657
Total other expenses	**329**	**657**

2018 – Including EUR 225 thousand due to a settlement agreement with the buyer of Kragujevac shopping centre regarding refund of claim from the city of Kragujevac. 2017 - Including EUR 460 thousand following the sale of an office building in Budapest.

NOTE 15 - FINANCE INCOME AND FINANCE COSTS

Recognised in profit or loss	Year ended December 31, 2018 €'000	Year ended December 31, 2017 €'000
Interest income on bank deposits	-	22
Interest from loans to related parties	24	221
Other finance income	64	334
Foreign currency gain- other	148	-
Foreign currency gain on bonds	3,411	-
Finance income	**3,647**	**577**
Interest expense on Bonds	(9,436)	(8,627)
Interest expense on bank loans	-	(1,339)
Foreign currency losses on Bonds	-	(1,186)
Foreign currency losses other	(1,870)	-
Other finance expenses	-	44
Finance costs	**(11,306)**	**(11,196)**
Net finance costs	**(7,659)**	**(10,619)**

NOTE 16 - FINANCIAL INSTRUMENTS

FINANCIAL RISK MANAGEMENT

Overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Board of Directors has established a continuous process for identifying and managing the risks faced by the Group (on a consolidated basis), and confirms that it is responsible to take appropriate actions to address any weaknesses identified.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Company's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

a. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's financial instruments held in banks and from other receivables.

Management had a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations were performed on all customers requiring credit over a certain amount. The Group required collateral in the form of mainly deposit equal to three months of rent from tenants of shopping centers (collected deposits from tenants totalled EUR 0 million and EUR 0.6 million as at December 31, 2017 and 2016, respectively).

Cash and deposits and other financial assets

The Group limits its exposure to credit risk in respect to cash and deposits, by investing mostly in deposits and other financial instruments with counterparties that have a credit rating of at least investment grade from international rating agencies. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

b. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. For detailed information refer to Note 2(c).

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

December 31, 2018	Carrying amount	Contractual cash flows	6 months or less*	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Bonds issued*	76,698	(84,505)	(51,067)	(3,515)	(29,923)	-	-
Trade and other payables	60	(60)	(60)	-	-	-	-
Related parties	3	(3)	(3)	-	-	-	-
Total	**76,761**	**(84,568)**	**(51,130)**	**(3,515)**	**(29,923)**	**-**	**-**

* Refer to Note 8.

NOTE 16 - FINANCIAL INSTRUMENTS (Cont.)

December 31, 2017	Carrying amount	Contractual cash flows	6 months or less*	6-12 months**	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Bonds issued*	116,914	(133,322)	(37,153)	(25,725)	(70,444)	-	-
Trade and other payables	190	(190)	(190)	-	-	-	-
Related parties	87	(87)	(87)	-	-	-	-
Total	**117,191**	**(133,599)**	**(37,430)**	**(25,725)**	**(70,444)**	**-**	**-**

* Refer to Note 8.

c. Market risk

Currency risk

Currency risk is the risk that the Group will incur significant fluctuations in its profit or loss as a result of utilizing currencies other than the functional currency of the respective Group company.

The Group is exposed to currency risk mainly on borrowings (Bonds issued in Israel) that are denominated in NIS.

The Company ceased the using of currency options effective October 2015 in order to avoid liquidity risk. The Company can carry out hedging transactions occasionally using derivatives subject to limitation set by the Board.

The following exchange rate of EUR/NIS applied during the year:

EUR	Reporting date Average rate 2018	Reporting date Average rate 2017	Reporting date Spot rate 2018	Reporting date Spot rate 2017
NIS 1	**0.235**	**0.246**	**0.233**	**0.241**

NIS denominated bonds - A change of 5 percent in EUR/NIS rates at the reporting date would have increase profit by EUR 3.65 million or increase loss by EUR 3.83 million, as a result of having issued NIS linked Bonds.

This effect assumes that all other variables, in particular CPI index, remain constant.

Interest Rate Risk (including Inflation)

The Group's interest rate risk arises mainly from Bonds issued at fixed interest rate expose the Group to changes in fair value, if the interest is changing. As the Israeli inflation risk is diminishing to a level that management believes is acceptable (Israeli CPI 2018 - 0.8%; 2017 - 0.4%) and due to liquidity constraints, the Company has stopped using hedging of CPI in recent years.

Sensitivity analysis – effect of changes in Israeli CPI on carrying amount of NIS debentures

A change of 3 percent in Israeli Consumer Price Index ("CPI") at the reporting date (and in 2016) would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

For the year ended December 31,	Carrying amount of bonds	Profit or loss effect CPI increase effect	Profit or loss effect CPI decrease effect
2018	76,698	(2,300)	2,300
2017	111,796	(3,354)	3,354

NOTE 16 - FINANCIAL INSTRUMENTS (Cont.)

Profile

As of the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Carrying amount 2018	Carrying amount 2017
Fixed Rate Instruments		
Bonds	(76,798)	(116,914)
Other financial liabilities – Loan from EPI	(315)	-

Shareholders' equity management:

Refer to Note 13 in respect of shareholders equity components in the restructuring plan including dividend policy. The Company's Board of Directors is updated on any possible equity issuance, in order to assure (among other things) that any changes in the shareholders equity (due to issuance of shares, options or any other equity instrument) is to the benefit of both the Company's bondholders and shareholders.

Fair values:

Fair values measurement versus carrying amounts:

The table below is a comparison between the carrying amount and fair value of the Company's financial instruments that are presented in the financial statements not at fair value:

Statement of financial position	Carrying amount 2018	Carrying amount 2017	Fair value 2018	Fair value 2017
Bonds at amortized cost – Polish bonds	-	5,119	-	4,022
Bonds A at amortized cost – Israeli bonds	31,767	45,963	9,388	30,493
Bonds B at amortized cost – Israeli bonds	44,931	65,832	14,365	49,536

* The fair value is based on Level 1 in fair value hierarchy, and measured based on market quote.

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Management believes that the carrying amount of cash, trade receivables and trade payables approximate their fair value to the short-term maturities of these instruments.

NOTE 17 - CONTINGENT LIABILITIES AND COMMITMENTS

a) Contingent liabilities and commitments to related parties:

1. The Company entered into an indemnity agreement with all of the Company's directors and senior management- the maximum indemnification amount to be granted by the Company to the directors shall not exceed 25% of the shareholders' equity of the Company based on the shareholders' equity set forth in the Company's last consolidated financial statements prior to such payment. No consideration was paid by the Company in this respect since the agreement was signed.

2. The Company maintains Directors' and Officers' liability cover, presently at the maximum amount of USD 60 million for a term of 18 months commencing on 1 November 1, 2017. Pursuant to the terms of this policy, all the Directors and senior manager are insured. The new policy does not exclude past public offerings and covers the risk that may be incurred by the Directors through future public offerings of equity up to the amount of USD 50 million.

b) Contingent liabilities and Commitments to others:

1. **As part of the completion of the restructuring plan (refer also to Note 8), the Group has taken the following commitments and collaterals towards the creditors:**

NOTE 17 - CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

a) **Restrictions on issuance of additional bonds** – The Company undertakes not to issue any additional bonds other than as expressly provided for in the Restructuring Plan.

b) **Restrictions on amendments to the terms of the bonds** – The Company shall not be entitled to amend the terms of the bonds, with the exception of purely technical changes, unless such amendment is approved under the terms of the relevant series and the applicable law and the Company also obtains the approval of the holders of all other series of bonds issued by the Company by ordinary majority Refer to Note 11 for recent amendments.

c) **Coverage Ratio Covenant ("CRC")** - the CRC is a fraction calculated based on known Group valuation reports and consolidated financial information available at each reporting period. The CRC to be complied with by the Group is 118% ("Minimum CRC") in each reporting period. For December 31, 2018 the calculated CRC is 98.48% (also refer to Note 8(d) regarding breach of covenant). In the event that the CRC is lower than the Minimum CRC, then as from the first cut-off date on which a breach of the CRC has been established and for as long as the breach is continuing, the Company shall not perform any of the following: (a) a sale, directly or indirectly, of a Real Estate Asset ("REA") owned by the Company or a subsidiary, with the exception that it shall be permitted to transfer REA's in performance of an obligation to do so that was entered into prior to the said cut-off date, (b) investments in new REA's; or (c) an investment that regards an existing project of the Company or of a subsidiary, unless it does not exceed a level of 20% of the construction cost of such project (as approved by the lending bank of these projects) and the certain loan to cost ratio of the projects are met.

If a breach of the Minimum CRC has occurred and continued throughout a period comprising two consecutive quarterly reports following the first quarterly/year-end report on which such breach has been established, then such breach shall constitute an event of default under the trust deeds and Polish bonds terms, and the Bondholders shall be entitled to declare that all or a part of their respective (remaining) claims become immediately due and payable.

d) **Minimum Cash Reserve Covenant ("MCRC")** - cash reserve of the Company has to be greater than the amount estimated by the Company's management required to pay all administrative and general expenses and interest payments to the bondholders falling due in the following six months, minus sums of proceeds from transactions that have already been signed (by the Company or a subsidiary) and closed and to the expectation of the Company's management have a high probability of being received during the following six months. MCRC is not maintained as of December 31, 2018.

e) **Negative Pledge on REA of the Company** - The Company undertakes that until the bonds have been repaid in full, it shall not create any encumbrance on any of the REA, held, directly or indirectly, by the Company except in the event that the encumbrance is created over the Company's interests in a subsidiary as additional security for financial indebtedness ("FI") incurred by such subsidiary which is secured by encumbrances on assets owned by that subsidiary.

f) **Negative Pledge on the REA of Subsidiaries -** The subsidiaries shall undertake that until the bonds have been repaid in full, none of them will create any encumbrance on any of REA except in the event that:

(i) the subsidiary creates an encumbrance over a REA owned by such subsidiary exclusively as security for new FI incurred for the purpose of purchasing, investing in or developing such REA; Notwithstanding the aforesaid, subsidiaries shall be entitled to create an encumbrance on land as security for FI incurred for the purpose of investing in and developing, but not for purchasing, an REA held by a different Group company (hereinafter: a "Cross Pledge"), provided the total value of the lands owned by the Group charged with Cross Pledges after the commencement date of the plan does not exceed EUR 35 million, calculated on the basis of book value (the "Sum of Cross Pledges"). When calculating the Sum of Cross Pledges, lands that were charged with Cross Pledges created prior to the commencement date of the plan or created solely for the purpose of refinancing an existing FI shall be excluded. The Group did not have cross-pledge as of December 31, 2018.

(ii) The encumbrance is created over an asset as security for new FI that replaces existing FI and such asset was already encumbered prior to the refinancing. Any excess net cash flow generated from such refinancing, shall be subject to the mandatory early prepayment of 75%.

(iii) The encumbrance is created over interests in a Subsidiary as additional security for FI incurred by such subsidiary which is secured by encumbrances on assets owned by that subsidiary as permitted by sub-section (i) above.

g) **Limitations on incurring new FI by the Company and the subsidiaries** – The Company undertakes not to incur any new FI (including by way of refinancing an existing FI with new FI) until the outstanding bonds debt (as of November 30, 2014) have been repaid in full, except in any of the following events:

(i) the new FI is incurred for the purpose of investing in the development of a REA, provided that: (a) the Loan To Cost ("LTC") Ratio of the investment is not less than 50% (or 40% in special cases); (b) the new FI is incurred by the subsidiary that owns the REA or, if the FI is incurred by a different subsidiary, any encumbrance created as security for such new FI is permitted under the negative pledge stipulation above; and (c) following such investment the consolidated cash is not less than the MCRC;

NOTE 17 - CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

(ii) The new FI is incurred by a subsidiary for the purpose of purchasing a new REA by such Subsidiary, provided that following such purchase the cash reserve is not less than the MCRC.

(iii) (iii) At least 75% of the net cash flow resulting from the incurrence of new FI is used for a 75% early prepayment of the bonds. Subject to the terms of the plan, the Group may also refinance existing FI if this does not generate net cash flow.

h) **No distribution policy** – The Company's ability to pay dividend is limited unless certain conditions as described in note 18 are met.

i) **75% mandatory early repayment** - Refer to note 11 and to other sections in this note regarding changes in crease of repayment to 78%.

2. General commitments and warranties in respect of trading property disposals:

In the framework of the transactions for the sale of the Group's real estate assets, the Group has provided indemnities which are customary for such transactions to the respective purchasers.

Such indemnifications are limited in time and amount. No indemnifications were exercised against the Group till the date of the statement of financial position. The Company's management estimates that no significant costs will be borne thereby,in respect of these indemnifications.

3. The Company is liable to the buyer of its previously owned shopping center in the Czech Republic ("NOVO") - sold in June 2006 - in respect to one of its tenants ("Tesco"). Tesco leased an area within the shopping center for a period of 30 years, with an option to extend the lease period for an additional 30 years, in consideration for EUR 6.9 million which was paid in advance. According to the lease agreement, the tenant has the right to terminate the lease agreement subject to fulfilment of certain conditions as stipulated in the agreement.

In case Tesco leaves the mall before expiration of lease period the Company will be liable to repay the remaining consideration in amount of EUR 1.77 million as of balance sheet date, unless the buyer finds another tenant that will pay higher annual lease payment than Tesco. The management does not expect to bear a material loss.

4. Contingent liabilities due to legal proceedings:

The Company is involved in litigation arising in the ordinary course of its business. Although the final outcome of each of these cases cannot be estimated at this time, the Company's management believes, that the chances these litigations will result in any material outflow of resources to settle them is remote, and therefore no provision or disclosure is required.

5. Certain issues with respect to an agreement from 2011:

The Company became aware that commission paid to an agent in connection with the disposal of the US portfolio in 2012 may have benefited a former director of the Company, and it is probable therefore that those arrangements should have been classified as a related party transaction under the Listing Rules. At the time of the disposal, it appears that the Company was not aware that there was any potential related party interest with respect to the commission arrangements. The Company was discussing this matter with its Sponsor and the UKLA and were seeking appropriate advice as to whether any retrospective disclosures or other actions may be required under the Listing Rules.

In order to address this matter, Plaza's Board has appointed, on April 25, 2017, the chairman of the audit committee Mr. David Dekel, to investigate and examine the issues raised as part of a joint committee together with a special committee formed for the purpose by EI, and with the joint committee's external legal advisors. The internal committees have concluded their examination of these matters and submitted their recommendations to the Company's board of directors. The Company's board of directors fully adopted the committee's recommendations, and is working to implement them. Please also see Note 5(4)(d) in this respect, with respect to Elbit's settlement with the SEC.
Elbit, the Company's former parent company, announced in March 2016 that it appointed a special committee to examine these matters as they may contain potential violation of the requirements of the U.S. Foreign Corrupt Practices Act (FCPA), including the books and records provisions of the FCPA, and that it has approached and is co-operating fully with the US Securities and Exchange Commission (SEC).

Following discussions with the SEC regarding the potential violation of the requirements of the FCPA, Elbit submitted an Offer of Settlement ("Offer"). Solely for the purpose of the proceedings brought by or on behalf of the SEC and without admitting or denying the findings in the Offer, Elbit consented to the entry of an order containing the SEC's findings.

The SEC has determined to accept the Offer and ordered that: (i) Elbit cease and desist from committing or causing any violations and any future violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act; and (ii) Elbit shall pay a civil money penalty in the amount of $500,000 to the SEC for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3).

NOTE 17 - CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

5. **Certain issues with respect to an agreement from 2011:**

In determining to accept the Offer, the SEC considered remedial acts that Elbit promptly undertook, its self-reporting, and its cooperation afforded to the SEC staff, including having conducted a thorough internal investigation, voluntarily providing detailed reports to the staff, fully responding to the staff's requests for additional information in a timely manner, and providing translations of certain documents.

Since 2012, Plaza has made significant changes to update and strengthen its financial controls and corporate governance in order to address the issues identified by SEC and to prevent any recurrence. In addition, a review was ongoing, as announced on 21 November 2017, with regard to one of the payments referred to by the SEC made in 2012 and which should have been treated as a related party transaction under the Listing Rules.

Following the review concluded in 2018 by the Financial Conduct Authority (FCA), no retrospective disclosures or other actions are required under the FCA's Listing Rules in relation to this matter.

6. **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 5(4)(d)and 17(5) of these annual financial statements. In July 2018, the Company has filed a response to the relevant court. On January 13, 2019, a Court hearing was held following which the judge decided that the board of directors of each of the two companies will examine the relevant facts and the allegations raised by the plaintiff and decide whether or not they should file a law suit against any of its officers. The two companies will submit their conclusion to both the court and the plaintiff (not later than May 12, 2019) and afterwards the plaintiff will notify the court weather or not he wishes to continue with the Motion.

7. **Request to reveal documents:**

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. The company has submitted all relevant documents in respect of the said years.

NOTE 18 - RELATED PARTY TRANSACTIONS

Related party transactions

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

During the year, Group entities had the following trading transactions with related parties that are not members of the Group:

	For the year ended December 31, 2018 €'000	For the year ended December 31, 2017 €'000
Income		
Interest on balances with EI	24	47
Costs and expenses		
Recharges – EI	33.4	23.6
Compensation to key management personnel[1,2]	196	615
Performance linked benefits - management	6	302
Compensation to board members[1, 2]	321	370
Lease agreement for office in Bucharest	-	13

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

(1) 2018 – three board members; 2017 - four board members (out of which one non-executive director resigned in September).

(2) There was no change in the number of Company share options granted to key personnel in 2018. There are no other benefits granted to directors.

NOTE 18 - RELATED PARTY TRANSACTIONS (Cont.)

As of December 31, 2018, the Company identified York Capital Management Global Advisors, LLC ("York") and Davidson Kempner Capital Management LLC ("DK") among the Company's related parties.

DK holds 26.3% of the Company's outstanding shares of the Company as of the reporting date, following the finalization of the Restructuring plan. DK has no outstanding balance as of the reporting date with any of the Group companies. York is the main shareholder in EI, holding 18.94% of the outstanding shares of EI, and also has a direct holding of 3.43% in the Company's shares. There were no transactions with DK or York in the reporting period and there are no outstanding balances with DK or York.

York is holding, as of December 31, 2018, 2.97% out of the total Israeli bonds' series B debt of the Company. Interest paid on Bonds held by York at year-end were circa EUR 0.05 million.

Kochi project advanced payment settlement

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

In June 2015, the Company reached an agreement with EI, based on the mentioned JV Agreement and its ancillary documents (including corporate guarantee issued by EI in favor of the Company), following which EI was obliged to repay the Reimbursement amount in few instalments until mid-2018. As a result of the agreement reached, the Company recorded a gain of EUR 4.6 million in 2015. EI has repaid the reimbursement amount of EUR 1.55 million in 2018 and an amount of circa EUR 0.226 million is recorded as other receivables from tax authorities. The parties are negotiating the expected payment.

NOTE 19 - EVENTS AFTER THE REPORTING PERIOD

A. Pre-Agreement for the sale of a Plot of Land in Brasov, Romania

On February 5, 2019 the Company signed a Pre-Agreement for the sale of a plot in Brasov, Romania for a total gross amount of EUR 620,000. The consummation of the Transaction (which will take place not later than January 15, 2020) is subject to the fulfilment of certain conditions, including, inter alia:

(i) the former financing bank of the Project did not exercise its right to purchase the Property until December 6, 2019; (ii) successful conclusion by the potential purchaser of its due diligence investigations; and (iii) the execution of definitive agreement.
During the period commencing on the date of the execution of the Pre-Agreement and ending on the earlier of: (i) January 15, 2020, or (ii) the date of the termination of the Pre-Agreement, the Company and its representatives have undertaken to refrain from negotiating with any other third party other than the Purchaser (and other than the bank as mentioned above) for the purpose of selling its Plot of land.
As of the date hereof, there can be no certainty that a definitive agreement will be signed and/or that the Transaction will be consummated.

B. Update regarding the transaction for the sale of Plot in Chennai and Bangalore in India

Please refer to Note 6.

C. Non-binding agreement for the sale of the Company's indirect shareholdings in the Dambovita Center Project ("CASA RADIO")

Please refer to Note 5.

NOTE 20 - LIST OF GROUP ENTITIES

As of December 31, 2018, the Company owns the following companies (all are 100% held subsidiaries at the end of the reporting period presented unless otherwise indicated):

HUNGARY	ACTIVITY	REMARKS
Directly wholly owned		
HOM Ingatlanfejlesztesi és Vezetesi Kft.	Management company	
Plaza Centers Establishment B.V.	Holding company	
Szombathely 2002 Ingatlanhasznosito es Vagyonkezelo Kft.	Inactive	
Tatabanya Plaza Ingatlanfejlesztesi Kft.	Inactive	
Plasi Invest 2007 kft.	Inactive	
Indirectly or jointly owned		
Kerepesi 5 Irodaepulet Ingatlanfejleszto Kft.	Holder of land usage rights	100% held by Plaza Centers Establishment B.V. Arena Plaza Extension project – October 2017 agreement on the termination of land use rights

POLAND	ACTIVITY	REMARKS
Directly wholly owned		
Lodz Centrum Plaza Sp. z o.o.	Owns plot of land	Lodz (Residential) project
Wloclawek Plaza Sp. z o.o.	Mixed-use project	Lodz Plaza project
O2 Fitness Club Sp. z o.o.	Fitness	O2 Fitness Club project; Company under liquidation in 2018
Leszno Plaza Sp. z o.o.	Inactive	Leszno Plaza project - Sold July 2017; Company under liquidation in 2018
Kielce Plaza Sp. z o.o	Inactive	Kielce Plaza project- Sold June 2017; Company under liquidation in 2018
EDMC Sp. z o.o.	Inactive	Company under liquidation in 2018
Plaza Centers (Poland) Sp. z o.o	Management company	
Szczecin Plaza Sp. z o.o.	Inactive	
Wloclawek Plaza Sp. z o.o. SKA (previously Legnica Plaza	Inactive	Company under liquidation in 2018
Spolka z ograniczona odpowiedzialnoscia 1 S.K.A.)	Inactive	
Indirectly or jointly owned		
EDP Sp. z o.o.	Inactive	50% held by Plaza Centers N.V. with Israeli-based partner
Lublin Or Sp. z o.o.	Inactive	50% held by Plaza Centers N.V. with Israeli-based partner
Hokus Pokus Rozrywka Sp. z o.o.	Inactive	50% held by Plaza Centers N.V. 50% held by P.L.A.Z.A B.V.
Fantasy Park Sp. z o.o. w likwidacji	Inactive	100% held by Mulan B.V.; Company under liquidation
Fantasy Park Suwalki Sp. z o.o. w likwidacji	Inactive	100% held by Mulan B.V.; Company under liquidation
Fantasy Park Torun Sp. z o.o. w likwidacji	Inactive	100% held by Mulan B.V.; Company under liquidation
Fantasy Park Zgorzelec Sp. z o.o. w likwidacji	Inactive	100% held by Mulan B.V.; Company under liquidation
Fantasy Park Poznań Sp. z o.o. w upadłońci likwidacyjnej	Inactive	100% held by Mulan B.V.; Company under liquidation
Fantasy Park Kraków Sp. z o.o.	Inactive	100% held by Mulan B.V.; Company under liquidation

LATVIA	ACTIVITY	REMARKS
Indirectly or jointly owned		
Diksna SIA	Operating shopping centre – Sold 2016	Equity accounted investee,50% held by Plaza Centers 50% held by JV partner Riga Plaza project.

ROMANIA	ACTIVITY	REMARKS
Directly wholly owned		
S.C. North Gate Plaza S.R.L.	Shopping center project	Csiki Plaza (Miercurea Ciuc) project
Indirectly or jointly owned		
S.C. Dambovita Center S.R.L.	Mixed-use project	75% held by Dambovita Centers Holding B.V. Casa Radio project
Plaza Bas B.V.	Holding company	50.1% held by Plaza Centers N.V.
Adams Invest S.R.L.	Residential project	95% held by Plaza Bas B.V. 5% held by Plaza Centers Management B.V. Valley View project

SERBIA	ACTIVITY	REMARKS
Directly wholly owned		
Plaza Centers (Estates) B.V.	Holding company	
Plaza Centers Management D.O.O.	Management company	Krusevac Plaza project
Plaza Centers Holding B.V.	Inactive	
Plaza Centers (Ventures) B.V.	Inactive	

CZECH REPUBLIC	ACTIVITY	REMARKS
Directly wholly owned		
Plaza Centers Czech Republic S.R.O.	Inactive	

BULGARIA	ACTIVITY	REMARKS
Directly wholly owned		
Shumen Plaza EOOD	Inactive	Shumen Plaza project - Sold 03/2017; Company under liquidations in 2018
Plaza Centers Management Bulgaria EOOD	Management company	Company under liquidations in 2018
Plaza Centers Development EOOD	Inactive	Company under liquidations in 2018

CYPRUS – UKRAINE	ACTIVITY	REMARKS
Directly wholly owned		
Tanoli Enterprises Ltd.	Inactive	
PC Ukraine Holdings Ltd.	Inactive	
Plaza Centers Ukraine Ltd.	Inactive	100% held by PC Ukraine Holdings Ltd.

THE NETHERLANDS	ACTIVITY	REMARKS
Directly wholly owned		
Plaza Dambovita Complex B.V.	Holding company	
Plaza Centers Enterprises B.V.	Finance company	100% held by Plaza Dambovita Complex B.V.
Mulan B.V. (Fantasy Park Enterprises B.V.)	Holding company	Holds Fantasy Park subsidiaries in CEE
P.L.A.Z.A B.V.	Inactive	100% held by Mulan B.V.
Plaza Centers Management B.V.	Holding company	
Dambovita Centers Holding B.V..	Holding company	
Plaza Bas B.V.	Holding company	50.1% held by Plaza Centers N.V.
Plaza Cenetrs Establishment B.V.	Holding company	
Plaza Centers (Estates) B.V.	Holding company	

CYPRUS – INDIA	ACTIVITY	REMARKS
Directly wholly owned		
PC India Holdings Public Company Ltd.	Holding company	
Indirectly or jointly owned		
HOM India Management Services Pvt. Ltd.	Management company	99.99% held by PC India Holdings Public Company Ltd.
Elbit Plaza India Real Estate Holdings Ltd.	Holding company	Equity accounted investee 47.5% held by Plaza Centers N.V.
Polyvendo Ltd.	Holding company	100% held by Elbit Plaza India Real Estate Holdings Ltd.
Elbit Plaza India Management Services Pvt. Ltd.	Management company	99.99% held by Polyvendo Ltd.
Vilmadoro Ltd.	Holding company	100% held by Elbit Plaza India Real Estate Holdings Ltd.
Kadavanthra Builders Pvt. Ltd.	Mixed-use project	100% held by Elbit Plaza India Real Estate Holdings Ltd. Chennai (SipCot) project
Aayas Trade Services Pvt. Ltd.	Mixed-use project	99.9% held by Elbit Plaza India Real Estate Holdings Ltd. Bangalore project

Entities disposed or dissolved in 2017 and 2018

ENTITIES DISPOSED OR DISSOLVED IN 2017 AND 2018		
	ACTIVITY	REMARKS
HUNGARY		
Plaza House Ingatlanfejelsztesi Kft.	Office building	David House - Sold 02/2017
POLAND		
Bytom Plaza Sp. z o.o. w likwidacji	Inactive	Company dissolved in 2018
Gdansk Centrum Plaza Sp. z o.o. w likwidacji	Inactive	Company dissolved in 2018
Gorzow Wielkopolski Plaza Sp. z o.o. w likwidacji	Inactive	Company dissolved in 2018
Jelenia Gora Plaza Sp. z o.o. w likwidacji	Inactive	Company dissolved in 2018
Katowice Plaza Sp. z o.o. w likwidacji	Inactive	Company dissolved in 2018
Płock Plaza Sp. z o.o. w likwidacji	Inactive	Company dissolved in 2018
Olsztyn Plaza Sp. z o.o. w likwidacji	Inactive	Company dissolved in 2018
Radom Plaza Sp.z.o.o.	Inactive	Company dissolved in 2018
Torun Centrum Plaza Sp. z o.o.w likwidacji	Inactive	100% held by Plaza Centers Administrations B.V.; Company under liquidation
Suwalki Plaza Sp. z o.o.	Operating shopping center	100% held by Plaza Centers Polish Operations B.V. Suwalki Plaza project - Sold 01/2017
Legnica Plaza - Sp. z o.o.	General Partner	General Partner of Legnica Plaza Spolka z ograniczona odpowiedzialnoscia S.K.A and Legnica Plaza Spolka z ograniczona odpowiedzialnoscia 1 S.K.A - Sold 10/2017
Legnica Plaza Spolka z ograniczona odpowiedzialnoscia S.K.A.	Operating shopping center	100% held by Bydgoszcz Plaza Sp. z o.o. Torun Plaza project – Sold 10/2017
Bydgoszcz Plaza Sp. z o.o.	Holding company	100% held by Plaza Centers Polish Operations B.V. - Sold 10/2017
Fantasy Park Bytom Sp. z o.o. w likwidacji	Inactive	100% held by Mulan B.V.; Company under liquidation
Fantasy Park Poland Sp. z o.o.	Inactive	Liquidated 01/2017
ROMANIA		
S.C Plaza Centers Management Romania s.r.l	Inactive	Liquidated in 2018
S.C. Elite Plaza S.R.L.	Shopping center project	Timisoara Plaza project - sold August 2017; Company dissolved
S.C. North Eastern Plaza S.R.L.	Shopping center project	Constanta Plaza project - sold August 2017; Company dissolved
S.C. Palazzo Ducale S.R.L.	Inactive	Company dissolved
SERBIA		
Accent D.O.O.	Inactive	Company dissolved
Leisure Group D.O.O.	Shopping center project	100% held by Plaza Centers (Estates) B.V. Belgrade Plaza (Visnjicka) project - Sold 02/2017
UNITED STATES OF AMERICA		
Indirectly or jointly owned		
Elbit Plaza USA II LP (EPUS II)	Holding company	Equity accounted investee: 50% held by Plaza Centers N.V. 50% held by Elbit Imaging Ltd.
EPN REIT II	Inactive	100% held by Elbit Plaza USA II LP (EPUS II)
GREECE		
Helios Plaza S.A.	Shopping center project	Piraes Plaza – Sold 12/2018
CYPRUS-INDIA		
Permindo Ltd.	Holding company	100% held by PC India Holdings Public Company Ltd.
THE NETHERLANDS		
Plaza Centers Polish Operations B.V.	Holding company	Company dissolved in 2018
Plaza Centers administrations b.v.	Inactive	Company dissolved in 2018
Plaza Centers Connections B.V.	Inactive	Company dissolved in 2018
Plaza Centers Engagements B.V.	Inactive	Company dissolved in 2018
Plaza Centers Foundations B.V.	Inactive	Company dissolved in 2018
Plaza Centers Logistic B.V.	Inactive	Company dissolved in 2018
S.S.S. Project Management B.V.	Inactive	Company dissolved in 2018
Obuda B.V	Inactive	Company dissolved in 2018
Plaza Centers Holding B.V.	Inactive	Company dissolved in 2018
Plaza Centers Investments B.V.	Inactive	Company dissolved in 2018
Plaza Centers (Ventures) B.V.	Inactive	Company dissolved in 2018

Company balance sheet

As at December 31, 2018
After appropriation of result

ASSETS	Note	2018 €'000	2017 €'000
Non-current assets			
Financial fixed assets	1	60,698	97,046
Other receivables and prepayments		226	2,011
Total non-current assets		**60,924**	**99,057**
Current assets			
Other receivables and prepayments		75	87
Short-term deposits and cash at bank	2	783	39,379
Total current assets		**858**	**39,466**
Total assets		**61,782**	**138,523**

Equity and liabilities

Shareholders' equity	Note	2018 €'000	2017 €'000
Issued share capital	3	6,856	6,856
Share premium	4	282,596	282,596
Foreign currency translation reserve	5	(29,598)	(28,800)
Other capital reserves	6	19,423	19,423
Retained losses	7	(308,678)	(271,712)
Total		**(29,401)**	**8,363**
Current liabilities and accruals	8	91,183	130,160
Total equity and liabilities		**61,782**	**138,523**

Company profit or loss account

For the year ended December 31, 2018

	Year ended December 31, 2018 €'000	Year ended December 31, 2017 €'000
Revenues and gains		
Other income	435	-
Total revenues and gains	**435**	**-**
Expenses and losses		
Results participations	(30,166)	(10,231)
Administrative expenses	(2,086)	(4,765)
Finance income	3,583	221
Finance costs	(11,146)	(10,773)
Total expenses and losses	**(39,815)**	**(25,548)**
Loss before income tax	**(39,380)**	**(25,548)**
Income tax expense	1,015	(1,015)
Loss for the year	**(38,365)**	**(26,563)**

Notes to the Company financial statements

For the year ended December 31, 2018

GENERAL

ACTIVITIES AND OWNERSHIP

Plaza Centers N.V. (the "Company") is a company domiciled in The Netherlands. The Company was a subsidiary of Elbit Ultrasound (Luxembourg) B.V. / S.à r.l. ("EUL") which held 44.9% of the Company's shares, till December 19, 2018 when EUL informed that it has signed a trust agreement according to which EUL will deposit its shares of the Company with a trustee, thus no longer considers itself to be the controlling shareholder of the Company. The Company is listed on the Main Board of the London Stock Exchange, the Warsaw Stock Exchange and, starting November 2014, on the Tel Aviv Stock Exchange. The Company owns subsidiary companies in Central and Eastern Europe, and in India which hold and sale real estate assets.
The Company is registered in the Chamber of Commerce register under number 33248324.

ACCOUNTING POLICIES IN RESPECT OF THE VALUATION OF ASSETS AND LIABILITIES

The Company financial statements have been prepared in accordance with accounting principles generally accepted in the Netherlands, applying the accounting principles of the consolidated financial statements as set out in Article 362, Sub 8 of Part 9, Book 2, of the Netherlands Civil Code. The valuation of assets and liabilities and the calculation of the net result conform with the accounting principles applied in the consolidated annual accounts, except for participations which are valued at net asset value rather than at cost. This means that Plaza Centers N.V.'s shareholders' equity and net result are the same as in the consolidated accounts.

The Company financial statements are denominated in thousands of Euros.

We refer to the notes of the consolidated financial statements, unless indicated otherwise.

FINANCIAL NON-CURRENT ASSETS

The participating interests in which the Company is able to exert a significant influence on policy are included at the amount of the Group's share in the net asset value of the interests concerned. The net asset value is calculated according to the same policies as have been applied to these annual accounts. The other participating interests are stated at cost.

Provisions have been formed for negative net asset values of the interests concerned.

NON-CURRENT ASSETS

Note 1 - Financial fixed assets

	Year ended December 31, 2018 €'000	Year ended December 31, 2017 €'000
Participations	59,576	91,313
Loans to and receivables from participations	622	2,950
Other	500	2,783
Results after taxation	**60,698**	**97,046**

Movements in participations are broken down as follows:

	2018 €'000	2017 €'000
Balance as at January 1	91,313	206,174
Redemptions and disposal of investments	(4,907)	(110,638)
Reclassified from other assets	4,134	4,311
Translation reserve effect	(798)	1,697
Result for the year	(30,166)	(10,231)
Balance as at December 31	**59,576**	**91,313**

For a list of subsidiaries, joint ventures and associates' reference is made to Note 20 to the consolidated financial statements.

Movements in loans to and receivables from participations:

	2018	2017
	€'000	€'000
Balance as at January 1	2,950	3,018
Exchange rate differences	(2,335)	-
Charges to (Repayments from) participations	7	(68)
Balance as at December 31	**622**	**2,950**

Movements in other:

	2018	2017
	€'000	€'000
Balance as at January 1	2,783	1,840
Expensed following impairment of participation	(2,283)	-
Reclassification to provision participation	-	(4,311)
Additions due to uncharged costs	-	5,254
Balance as at December 31	**500**	**2,783**

Note 2 - Short-term deposits and cash at bank

As at December 31, 2018, there are no cash restrictions on deposits and cash held (December 31, 2017 – nil).

SHAREHOLDERS' EQUITY

Note 3 - Issued share capital

	2018	2017
	€'000	€'000
The issued share capital can be specified as follows:		
Balance as at January 1	6,856	6,856
Balance as at December 31	6,856	6,856

Note 4 - Share premium

	2018	2017
	€'000	€'000
Balance as at January 1	282,596	282,596
Balance as at December 31	282,596	282,596

Note 5 - Foreign currency translation reserve

	2018 €'000	2017 €'000
The table below presents the movements in the translation reserve:		
Balance as at January 1	(28,800)	(27,103)
Movement	(798)	1,697
Balance as at December 31	**(29,598)**	**(28,800)**

The movement concern the translation reserve resulted from the operation in India. The reserve is considered a legal reserve which is not distributable (if more than nil).

Note 6 - Other capital reserves

	2018 €'000	2017 €'000
The table below presents the movements in other capital reserve:		
Balance as at January 1	19,423	19,423
Balance as at December 31	**19,423**	**19,423**

Note 7 – Retained Losses

	2018 €'000	2017 €'000
Balance as at January 1	(271,712)	(245,149)
Adjustments on initial application of IFRS 9	1,399	-
Loss of the year	(38,365)	(26,563)
Balance as at December 31	**(308,678)**	**(271,712)**

CURRENT LIABILITIES AND ACCRUALS

Note 8 - Other liabilities and accruals

	Year ended December 31, 2018 €'000	Year ended December 31, 2017 €'000
C/A Plaza Centers Estates B.V.	2,454	-
C/A Plaza Centers Management D.O.O.	336	-
C/A Elbit Imaging Ltd.	318	86
C/A Plaza Centers Polish Operations N.V.	11,000	11,000
Other small charges participations	112	59
Total related parties	**14,220**	**11,145**
VAT payable	-	48
Provision for salaries	-	87
Current portion of debentures and long term loans[1]	76,698	116,914
Suppliers	264	705
Accruals and other creditors	2	1,259
Total non-related parties	**76,964**	**119,013**
Total	**91,183**	**130,158**

1 Refer to notes 8 in the consolidated report.

Note 9 - Contingent liabilities and guarantees

For contingencies associated with the restructuring plan, refer to note 17b of the consolidated report. For other contingent liabilities and commitments please refer to note 17 of the consolidated financial statements.

In respect of the Company's corporate guarantee for the fulfillment of its subsidiaries and joint ventures obligations under loan agreements, refer to note 18 of the consolidated report.

The Company is part of a tax group for corporate income tax, and is therefore jointly and severally liable for the tax payable by the tax group as a whole

Note 10 - Employees

The number of employees and other persons providing similar services in the consolidated group was 9 (including 3 board members) in December 2018 (2017: 18). The average number of employees in 2018 in the consolidated group was 9.

The number of employees and other persons providing similar services in the parent company only was 2 in December 2018 (2017: 5). The average number of employees in 2017 the parent company only was 2. The below table breaks down the employees per position type:

	2018	2017
	€'000	€'000
Management	4	5
Business and finance	1	7
Marketing	-	1
Administration	4	5
Total employees	**9**	**18**
Parent Company level employees		
Management	1	3
Business and finance	1	1
Administration	-	1
Total employees	**2**	**5**

Note 11 - Remuneration policy

See the Annual Remuneration Report of the Company on page 53.

As the Dutch Corporate Governance Code prescribes the establishment of committees only if more than four non-executive directors are in function, the Remuneration Committee and the Nomination Committee are no longer in place as from August 2016 due to the reduction of the number of members of the Board.

Pursuant to the Articles of Association, the general meeting of shareholders determines the remuneration policy. When the remuneration policy needs changing, approval will be sought from the general meeting of shareholders of the Company. See further details on page 34.

2018	Salary and fees €'000	Share incentive plan €'000	Total non-performance related remuneration €'000	Total performance related remuneration €'000
Executive directors				
Non-performance related remuneration				
Mr. Nadav Livni	68	-	68	-
Total	**68**	**-**	**68**	**-**
Non-executive directors				
Non-performance related remuneration				
Mr. Ron Hadassi	182	–	182	–
Mr. David Dekel	70	–	70	–
Total	**252**	**-**	**252**	**-**
Total – all directors	**320**	**-**	**320**	**-**

2017	Salary and fees €'000	Share incentive plan €'000	Total non-performance related remuneration €'000	Total performance related remuneration €'000
Executive directors				
Non-performance related remuneration				
Mr. Nadav Livni	70	-	70	-
Total	**70**	**-**	**70**	**-**
Non-executive directors				
Non-performance related remuneration				
Mr. Ron Hadassi	191	–	191	–
Mr. David Dekel	67	–	67	–
Mr. Marco Wichers	*39	–	*39	–
Total	**297**	**-**	**297**	**-**
Total – all directors	**367**	**-**	**367**	**-**

* Resigned on 12th September, 2017

Note 12 - Service arrangements

The executive director has a rolling service contracts with the Company, which may be terminated on a three-month notice.

The non-executive directors have specific terms of reference. Their letters of appointment state an initial 12-month period, terminable by either party on three months written notice. Save for payment during respective notice periods, these agreements do not provide for payment on termination.

Note 13 - Share options

The Company adopted its Share Option Scheme on October 26, 2006. At the same time, 26,108,602 non-negotiable options over Ordinary Shares were granted, the terms and conditions of which (except for the exercise price) are regulated by the Share Option Scheme.

In 2018 none of the Board members has share options. Mr. Avi Hakhamov (Acting CEO) has 419,445 options granted and unexercised. The option fully vested with an exercise price of mainly £43.
For the exercise and forfeiture of options refer to the table below.

	Number of options granted and unexercised	Number exercisable as at December 31, 2018	Exercise price of options £
Mr. Mordechay Zisser	39,078	39,078	43
Mr. Ran Shtarkman	70,891	70,891	43
Mr. Shimon Yitzchaki	17,943	17,943	43

	Number of options as at December 31, 2018
Total pool	478,345
Granted	471,951
Exercised	(84,205)
Forfeited	(152,222)
Left for future grant	158,616

	Number of options as at December 31, 2017
Total pool	478,345
Granted	471,951
Exercised	(84,205)
Forfeited	(152,222)
Left for future grant	158,616

Note 14 - Audit fees

The total audit fees charged by the statutory auditor amount to EUR 58,000 (2017: EUR 126,620). These fees relate only to the audit of the statutory financial statements.

Note 15 - Appropriation of result

It is proposed that the 2017 loss of €26.6 million will be added to the other reserves. The annual accounts have been prepared on the assumption that this profit appropriation will be adopted by the Annual General Meeting of shareholders.

	2018	2017
Retained losses	**€'000**	**€'000**
The table below presents the movements in the retained losses:		
Balance as at January 1	(271,712)	(245,149)
Adjustments on initial application of IFRS 9	1,399	
Loss in the Period	(38,365)	(26,563)
Balance as at December 31	**(308,678)**	**(271,712)**

The movement is reflecting the 2018 and 2017 results.

Note 16 - Subsequent events

An overview of the subsequent events of the company is disclosed in Note 19 to the consolidated financial statements.

Amsterdam, April 23, 2019
The Board of Directors

Nadav Livni **Ron Hadassi**

David Dekel

Other information

PROVISION IN THE ARTICLES OF ASSOCIATION CONCERNING THE APPROPRIATION OF PROFITS

In accordance with the Company's Articles of Association the result for the year is at the disposal of the Annual General Meeting of shareholders.

Independent auditor's report

To: The Shareholders and the Board of Directors of Plaza Centers N.V.

A. Report on the Audit of the Financial Statements 2018 included in the annual report

Our opinion

We have audited the financial statements 2018 of Plaza Centers N.V. (the company), based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the financial position of Plaza Centers N.V. as at December 31, 2018 and of its result and its cash flows for 2018 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- the accompanying company financial statements give a true and fair view of the financial position of Plaza Centers N.V. as at December 31, 2018 and of its result for 2018 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. the consolidated statement of financial position as at 31 December 2018;
2. the following statements for 2018:
   the consolidated statement of profit or loss, the consolidated statements of comprehensive income, changes in equity and cash flows; and
3. the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. the company balance sheet as at December 31, 2018;
2. the company profit and loss account for 2018; and
3. notes comprising a summary of the accounting policies and other explanatory information.

Basis for Our Opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Plaza Centers N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw your attention to Note 1(b) in the consolidated financial statements which disclose, amongst others, important information regarding the Company's cash flow projections for a period of fifteen months commencing April 1st 2019.

The board and management estimate that the Company is unable to serve its entire debt according to the current repayment schedule (total payments due to bondholders within 12 months starting 1 April 2019 are 56,354 thousand Euros and within 12-15 months starting 1 April 2019 are 31,118 thousand Euro). Moreover, it is expected that the Company will not be able to meet its entire contractual obligations in the following 12 months. In addition, as a result, there is a risk that the bondholders could argue that there are significant doubts with respect to the Company's ability to repay its obligations, which will trigger the immediate repayment of the bonds.
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.

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 750,000. The materiality is based on 1% of assets. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Board of Directors that misstatements in excess of EUR 38.000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the Group Audit

Plaza Centers N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Plaza Centers N.V.

Our group audit mainly focused on significant group entities. This includes components representing a significant part of group turnover, components with significant risks relating to the valuation of properties and components representing significant amounts with respect to loans and debentures. We have performed audit procedures ourselves on the company financial statements of Plaza Centers N.V. When auditing all other significant entities, we have used the work of other auditors. For the remaining group entities, we have performed review procedures or specific audit procedures.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Our Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Board of Directors. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit on the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in 'Material Uncertainty Related to Going Concern' section of our report we selected the following key audit matters.

Valuation of trading properties

We have identified the measurement of trading properties at net realizable value as a key audit matter due to their size and the complexity and judgement required in determining the net realizable value of trading properties. The valuations of these properties as of December 31, 2018, involved significant judgements and assumptions such as capitalization- and discount rates, forecasts of future rents, occupancy levels, construction costs and developer profits, made by management assisted by external valuators. The estimates with respect to properties which are not yet developed, contain additional risks such as whether the company is successful in obtaining permits, market conditions and political environment. Management has considered all these factors and have reflected these risks in the valuations of the properties. The Company's accounting policies regarding trading properties are disclosed in Notes 2(c), 2(m) and 5(5) to the consolidated financial statements. The significant estimates involved in the valuation are disclosed in Note 5(5) and 6(b).

Our procedures in relation to the management's fair value assessment of trading properties included:

- Evaluation of the objectivity, independence, expertise of the external valuators used by management;
- Reviewed the reports prepared by the external valuators and held discussions with them in order to gain an understanding of their methodology and the key assumptions used in performing the valuations.
- Using our own real estate specialists to assess the methodologies used, the assumptions that were made and the appropriateness of the key estimates used in the calculation of the fair value of the trading properties based on their knowledge of the local economic, legal, political environment, and other specific circumstances, used to analyze the appropriateness of valuations.
- Tested on a sample basis, the appropriateness and consistency of the inputs used by the valuators by reconciling the inputs to other (external) information available. . We also assessed the appropriateness of the disclosures relating to the key assumptions, as we consider them important to users of the financial statements.

Casa radio existence and measurement

As disclosed in Note 5(4) to the consolidated financial statements, the Company entered in 2006 into an agreement to acquire a 75% interest in a company which is under a publicprivate partnership (PPP) agreement with the Government of Romania to develop the Casa radio site in central Bucharest. The Company is currently in breach of the PPP agreement mainly due to delays in the development works timelines. The estimates of potential future claims, penalties or sanctions arising from breach of contract and the possible impact on the existence and measurement of the Casa radio property are complex and involves significant judgment by management and contains uncertainties. Accordingly, the accounting for the Casa radio project is considered a key audit matter. Based on management's analysis as described in Note 5(4)(c) the likelihood of the PPP agreement being terminated is unlikely.

Our procedures in relation to the Casa radio project included:

- We obtained a valuation of the Casa radio project prepared by an external valuator used by management as of December 31, 2018.
- We involved our real estate specialist to review the valuation report including assessing the assumptions used by the external valuator and Company's assessment on the fair value of the project as reflected in the financial statements.
- We read the PPP agreement and Additional Act and considered the provisions therein.
- We consulted with our legal department as to management's assessment of the possible consequences of the breach of the PPP agreement.
- We held meetings with the Company's management and the chairman of the Board of directors, which are involved in the discussion with government representatives.
- We have obtained management assessment with respect to the breach of the PPP agreement and its possible effect on the existence of the property.

Emphasis of Matters

1. We draw your attention to Note 5(4)(d) which discloses potential irregularities regarding Casa Radio project in Romania and their potential implications.
2. We draw your attention to Note 5(4)(c) 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 in the amount of € 25 million which reflects net realizable value based on the LOI signed as described in Note 5(4)(f) and parameters and discounts used as described in Note5(5).

Our opinion is not modified in respect of these matters.

B. Report on the other information included in the annual report

In addition to the financial statements and our auditor’s report, the annual report contains other information that consists of:

- Overview;
- Business review;
- Management and governance, including the Directors’ report and the reporting concerning corporate governance;
- Other Information as required by Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements and
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of other information, including the Directors' report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code

C. Report on other legal and regulatory requirements

We were engaged by the Board of Directors as auditor of Plaza Centers N.V. on 30th of November 2018. The audit for financial year 2018 was our second-year audit.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

D. Description of responsibilities regarding the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Board of Directors is responsible for overseeing the company's financial reporting process

Our Responsibilities for the Audit of the Financial Statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;

- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

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Amsterdam, April 23, 2019
Baker Tilly Berk N.V.
Original has been signed by J.H.J Spiekker RA

Company’s offices

Plaza Centers The Netherlands

Plaza Centers N.V.
Pietersbergweg 283
1105 BM Amsterdam
The Netherlands
Phone: +31 20 344 9560
E-mail: info@plazacenters.nl
www.plazacenters.com

Plaza Centers Romania

63-81 Calea Victoriei
Building I1, Entrance B2, District 1
010065 Bucharest
Romania
Phone: +40 21 315 4646
Fax: +40 21 314 5660
E-mail: office@plazacenters.ro

Plaza Centers Hungary

Bajcsy-Zsilinszky út 48.
1054 Budapest
Hungary
Phone: 36 1 610 4521
E-mail: info@plazacenters.com

Plaza Centers India

Elbit Plaza India Group
No.45 2nd Main, 41st Cross
Jayanagar 8th Block
Bangalore 560070
India
Phone: +91 80 4041 4444
Fax: +91 80 4041 4408

Advisors

UK sponsor

Spark Advisory Partners Limited
5 St John's Lane
London EC1M 4BH
United Kingdom
www.sparkadvisorypartners.com

Corporate solicitors in the UK

Bryan Cave Leighton Paisner LLP
Adelaide House
London Bridge
London EC4R 9HA
United Kingdom
https://www.bclplaw.com/en-GB/

Greg Stonefield
Partner | Corporate & Securities
KWM Europe LLP (King & Wood Mallesons)
Octagon Point, St Martins Court, 5 Cheapside,
London EC2V 6AA
www.kwm.com

Principal auditor

Ernst & Young
144 Menachem Begin Rd.,
Tel-Aviv 6492102,
Israel
www.ey.com

Corporate legal counsels in the Netherlands

Buren N.V.
World Trade Center, Tower C Level 14,
Strawinskylaan 1441
1077 XX Amsterdam
The Netherlands
www.burenlegal.com

Dutch statutory auditor

Baker Tilly (Netherlands) N.V.
Entrada 303 1096 ED Amsterdam
P.O. Box 94124
1090 GC Amsterdam
The Netherlands
www.bakertillyberk.nl

Corporate legal counsel in Poland

Weil, Gotshal & Manges LLP
Warsaw Financial Center
ul. Emillii Plateer 53
Warsaw 00-113
Poland
www.weil.com/warsaw

Tax counsels in the Netherlands

Atlas Tax Lawyers
Weteringschans 24,
1017 SG Amsterdam
The Netherlands
http://atlas.tax/en/

Registrar

Link Market Services (Jersey) Ltd.
12 Castle Street,
St Helier
Jersey JE2 3RT
https://www.linkassetservi
ces.com/

PLAZA CENTERS N.V.

Pietersbergweg 283
1105 BM Amsterdam,
The Netherlands
www.plazacenters.com