

PLAZA CENTERS N.V.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2017

UNAUDITED & NOT REVIEWED

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CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

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

*Reclassified. See note 2 (c)

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

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

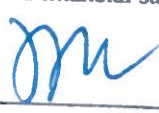
** Restated. See note 2 (b)

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

29 September, 2017

Date of approval of the
financial statements


Dori Keren
Chief Executive Officer


David Dekel
Director and Chairman of the
Audit Committee

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

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

*Reclassified. See note 2 (c)

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

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

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

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

Attributable to the equity owners of the Company

	Capital reserve from acquisition of Non-controlling interests without a change in control					Retained losses	Non-controlling interests	Total
	Euros in thousands							
	Share capital	Share Premium	Other capital reserves	Translation Reserve	Capital reserve from acquisition of Non-controlling interests without a change in control			
Balance at January 1, 2016 (unaudited)	6,856	282,596	35,376	(27,418)	(20,706)	(194,602)	766	82,868
Total comprehensive loss	-	-	-	(849)	-	(6,063)	-	(6,912)
Balance at June 30, 2016 (unaudited)	6,856	282,596	35,376	(28,267)	(20,706)	(200,665)	766	75,956

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

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

*Reclassified. See note 2 (c)

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

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

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: - CORPORATE INFORMATION

Plaza Centers N.V. ("the Company" and together with its subsidiaries, "the Group") was incorporated and is registered in the Netherlands. The Company's registered office is at Prins Hendrikkade 48-S, 1012 AC, Amsterdam, the Netherlands. The Company conducts its activities in the field of establishing, operating and selling of shopping and entertainment centers, as well as other mixed-use projects (retail, office, residential) in Central and Eastern Europe (starting 1996) and India (from 2006). During the six months period ended June 30, 2017, no changes occurred in the Company's holdings, save for the exceptions further described in Notes 9(a) - 9(c) of this report.

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

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

NOTE 2: - BASIS OF PREPARATION

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

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

Selected explanatory notes are, however, included to explain events and transactions that are significant to understanding the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended December 31, 2016.

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

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

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

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

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: - BASIS OF PREPARATION (Cont.)

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

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

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- BASIS OF PREPARATION (Cont.)

b. Restatement of 2016 financial statements:

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

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

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

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

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- BASIS OF PREPARATION (Cont.)

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

Balance sheet as of December 31, 2016:

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

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

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

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

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

NOTE 2:- BASIS OF PREPARATION (Cont.)

e. New standards prior to their adoption:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

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

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

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

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

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

IFRIC 23, Uncertainty over Income Tax Treatments:

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

The standard permits two possible methods of transition:

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

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

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3: - USE OF JUDGEMENT AND ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were principally the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2016, save for the changes highlighted above. Refer also to note 4 below for significant estimations performed.

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

The condensed consolidated interim financial data have been prepared on a going concern basis, which assumes that the Group will be able to meet the mandatory repayment terms of banking facilities and its debentures.

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

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

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

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5: - EQUITY ACCOUNTED INVESTEEES

(1) Bangalore:

New payment structure for sale of Project in Bangalore, India

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

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

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

(2) Chennai:

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6: - FINANCIAL INSTRUMENTS

a. Carrying amounts and fair values

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

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

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

The total contractual liability of the Debentures was EUR 140.2 million as at June 30, 2017. In respect of most of other non-listed borrowings, as most financing facilities are backed by real estate assets, and they bear floating interest rate, the Company has a basis to believe that the fair value of non-listed borrowings approximates the carrying amount.

b. Fair value hierarchy

The table below analyses fair value measurements as at June 30, 2017 for financial assets and financial liabilities. These fair value measurements are categorized into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

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

	Level			Total
	Level 1	Level 2	3	
Euros in thousands				
Short term liabilities				
Derivative	-	-	-	-
Long term liabilities				
Derivative	-	-	243	243

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7:- MATERIAL EVENTS DURING THE REPORTING PERIOD

a. Sale agreement of Suwalki Plaza :

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

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

b. Final agreement for the sale of Belgrade Plaza:

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

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

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

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

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

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

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

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

c. Sale of office building in Hungary:

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

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

d. Sale of Shumen plaza project, Bulgaria:

On February 23, 2017, the Company announced that it had concluded the sale of a 26,057 sqm plot of land in Shumen, Bulgaria for circa EUR 1 million, which is slightly above book value and recorded a gain of 0.2 EUR million included in other income.

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

e. Standard & Poor's credit Rating update:

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

f. Preliminary Sale of Plot in Lodz, Poland:

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

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

g. Final agreement for sale of Kielce Plaza, Poland:

On June 19, 2017, The Company announced that it has signed the final sale agreement for the disposal of its 2.47-hectare plot in the centre of Kielce, Poland, for EUR 2.28 million in line with its book value. The Company received a down payment of EUR 0.465 million when the preliminary sale agreement was signed at 2016, and, the remaining EUR 1.815 million has been paid to the company during June 2017.

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

h. Details on disposal of Torun Plaza:

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

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8: - SUBSEQUENT EVENTS

a. Completed sale of Plot in Poland:

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

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

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

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

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

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

c. Update on disposal of land plot in Greece

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

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

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

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

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

d. Mandatory repayment to the Bondholders

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

- To the Polish bondholders: 8.33% of the Mandatory Repayment Amount – as per the ratio determined in the restructuring plan.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8: - SUBSEQUENT EVENTS (Cont.)

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

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

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

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

RESPONSIBILITY STATEMENT

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

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

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

29 September 2017

The Board of Directors

Nadav Livni, executive director

Ron Hadassi, non-executive director and Chairman

David Dekel, non-executive director