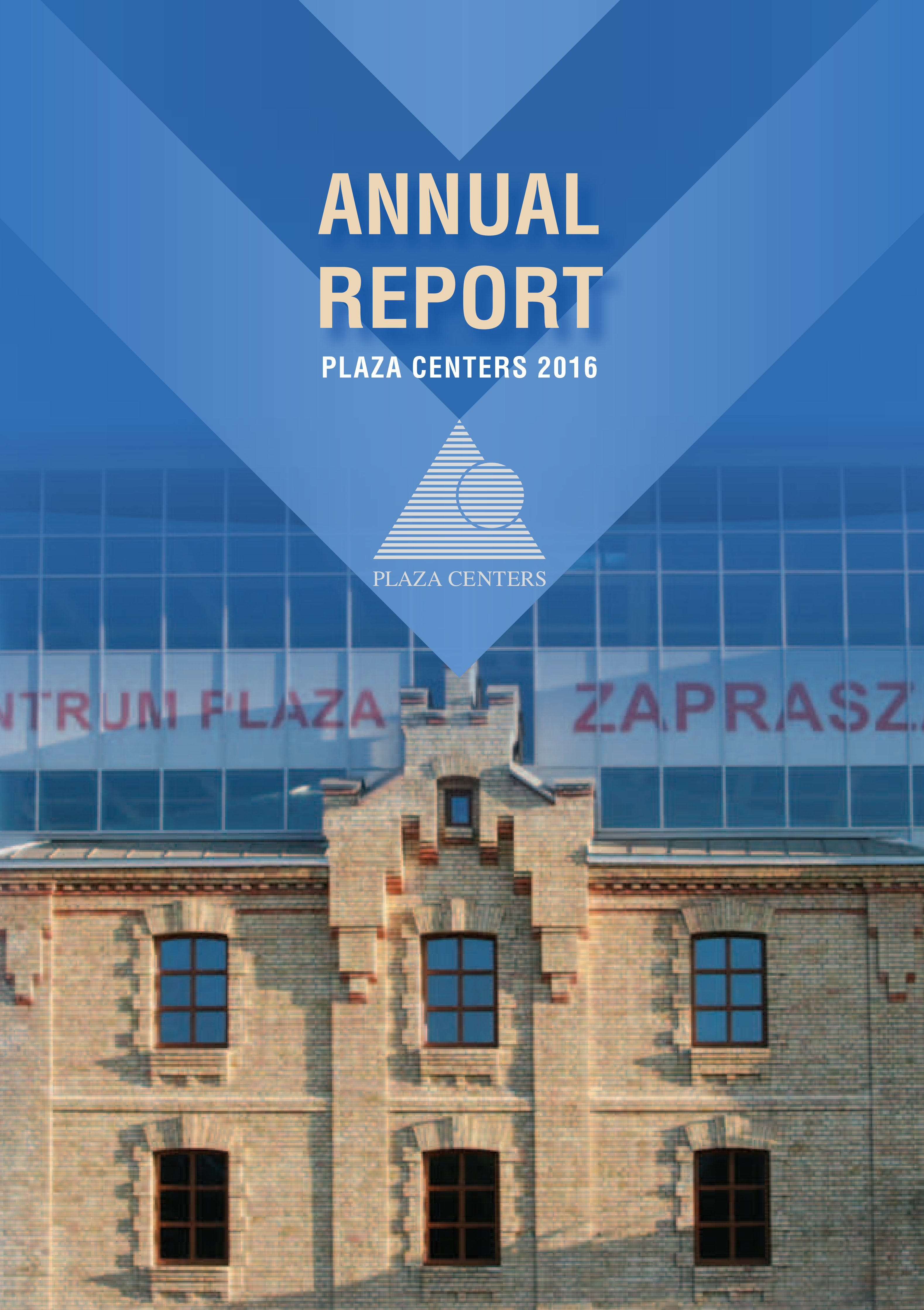
ANNUAL REPORT

PLAZA CENTERS 2016



Contents

Overview

Who we are . . . 1
2016 highlights . . . 2
Our strategy . . . 6
Feature developments . . . 8
Debt restructuring . . . 10
Our portfolio at a glance . . . 15
Development focus . . . 16
Current portfolio . . . 18

Business review

Chief Executive Officer's statement . . . 20
Operational review . . . 23
Financial review . . . 28
Valuation summary . . . 32

Management and governance

Management structure . . . 33
Board of Directors and Senior management . . . 34
Directors' report . . . 36
Corporate governance . . . 40
Risk management . . . 46
Remuneration report . . . 56
Statement of the directors . . . 59

Financial statements

Blank pages . . . 60
Consolidated statement of financial position . . . 62
Consolidated statement of profit or loss . . . 63
Consolidated statement of comprehensive income . . . 64
Consolidated statement of changes in equity . . . 65
Consolidated statement of cash flow . . . 66
Notes to the consolidated financial statements . . . 68

Company financial statements

Company balance sheet . . . 124
Equity and liabilities . . . 125
Company profit and loss account . . . 126
Notes to the Company financial statements . . . 127
Other information . . . 136
Independent auditor's report . . . 137

Additional information

Company's offices . . . 141
Advisors . . . 142

Who we are

We are a Central and Eastern European property developer focusing on western-style shopping and entertainment centers.

The Plaza Centers Group is a property developer and investor with a focus on operations in Central and Eastern Europe ("CEE"). 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. 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 reflects a ROE for the Group of nearly 50% in a period of little over 18 months.

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. An Amended Plan was agreed in November 2016 according to which, the Group agreed with its bondholders to amend the terms of the early repayment requirement under the original debt restructuring plan. On March 15, 2017, the Group repaid the required minimum early repayment Term (early redemption at the total sum of at least NIS 382,000,000 (EUR 49.2 million)) to its bondholders and thus obtained a deferral of one year for the remaining contractual obligations of the debentures.

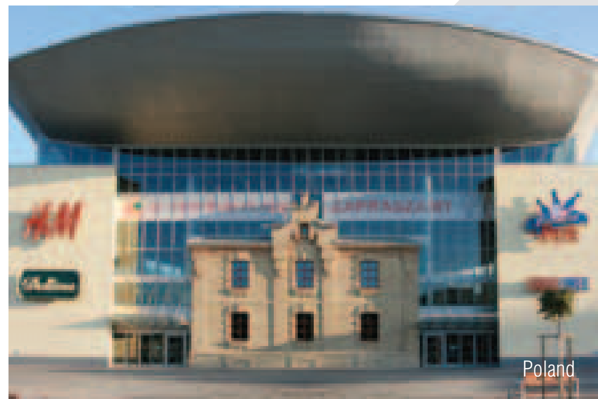
Plaza aim for 2016 was to substantially increase the pace of converting assets to cash in order to fulfill its repayment obligations to bondholders. Undoubtedly, we have delivered on this objective by agreeing or completing 10 separate such transactions during the period and progress continues into 2017.

Focus remains on seeking potential buyers for selected non-core assets which have become less fit for development by us. At a corporate level, we have reduced central and finance costs, and continue to focus on the improving the performance at our operating shopping centre.

The Company is an indirect subsidiary of Elbit Imaging Ltd. ("EI"), an Israeli public company whose shares are registered for trade on the Tel Aviv Stock Exchange in Israel and on the NASDAQ Global Select Market in the United States.

The Group has been present in real estate development in emerging markets for more than 21 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 and let 34 shopping and entertainment centers in the CEE region and India, of which 33 were sold with an aggregate gross value of circa €1.48 billion. 21 of these centers were acquired by Klepierre, a leading player in the continental European shopping center property market, which owns circa 57 shopping centers in 16 countries in continental Europe, with a property portfolio value of €22.8 billion as of the year ending 2016. 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 ("NEPI"), a publicly traded commercial property investor and developer in Eastern Europe. In 2015, Koregaon Plaza mall in India was sold and 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.

In 2017, Plaza will continue delivering on the disposal of non-core assets and its operating shopping centre.



Poland

Since 1 November 2006, Plaza Centers N.V.'s shares have been traded on the main board of the London Stock Exchange under the ticker "PLAZ". From 19 October 2007, Plaza Centers N.V.'s shares are also traded on the main list of the Warsaw Stock Exchange under the ticker "PLZ", making it the first property company to achieve this dual listing, and on the Tel Aviv Stock Exchange.

2016 highlights

Focus remains on seeking potential buyers for selected non-core assets which have become less fit for development by us. At a corporate level, we have reduced central and finance costs, and continue to focus on the improving the performance at our operating shopping centre.

Financial highlights:

- Reduction in total asset value to €322 million (31 December 2015: €392 million) mainly due to the impairment of trading property and repayment of interest and principal of bonds according to the restructuring plan.

- Book value of the Company's trading properties decreased by 17% (€54 million) over the period, primarily due to the sale of Liberec Plaza and Zgorzelec Plaza shopping centres, and MUP plot in Belgrade and a significant impairment of Casa Radio project.

- The Net Operating Income ("NOI") performance of current operational shopping centres (excluding Riga shopping centre) slightly decreased in 2016 to €11.4 million (in 2015: €12.7 million), mainly due to the disposal of the Liberec Plaza shopping centre which became effective on 31 March 2016, as well as discounts granted to new and renewed tenants. The total NOI of Plaza's five malls including Riga Plaza (Latvia) was circa €13.8 million (three shopping centres out this five were sold during the year).

- Loss in 2016 totalled €46.5 million (in 2015: loss of €46.1 million) mainly due to a significant impairment of the Casa Radio project in Romania totalling €32.2 million as well as non-cash finance costs of €13.7 million (as a result of bonds discount amortisation). Basic and diluted loss per share reduced to €6.78 (in 2015: loss per share of €6.73) following the conclusion of a Reverse Share Split with a 1:100 ratio.

- Consolidated cash position as at 31 December 2016 (including restricted bank deposits and short term deposits) of €12.8 million (31 December 2015: €20.4 million) and current cash position of circa €10.3 million (of which €2.3 million is restricted).

- Gearing increased to 89% (31 December 2015: 79%) mainly due to non-cash finance costs mentioned above.

Further progress in portfolio rationalisation:

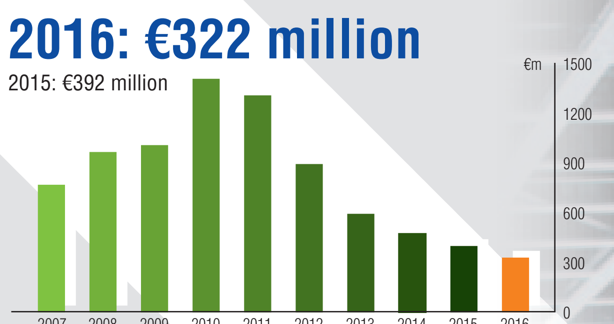
Since the conclusion of the debt restructuring agreement, to date Plaza has completed sales totalling €170 million and has received cash proceeds of €76 million in 2016:

- Disposal of a 23,880 sqm site in Slatina, Romania, in March 2016 for €0.66 million, consistent with the asset's last reported book value.

Total assets

2016: €322 million

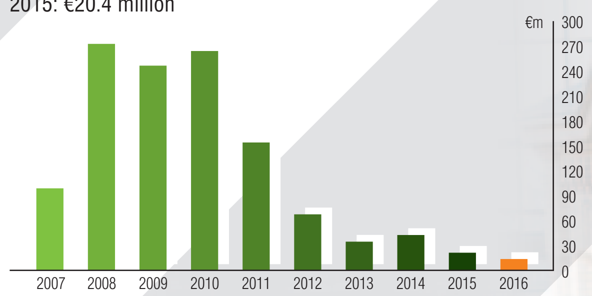
2015: €392 million



Consolidated cash position*

2016: €12.8 million

2015: €20.4 million

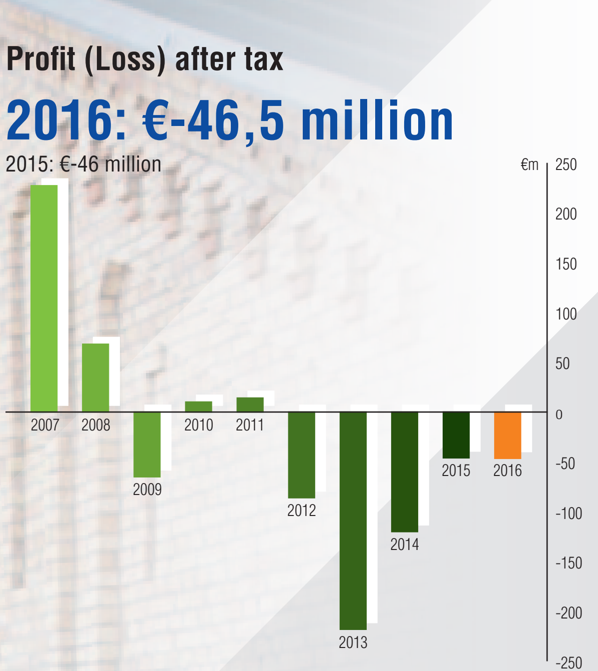


* Including restricted bank deposits, short term deposits

- Sale of a subsidiary holding in Liberec Plaza, in the Czech Republic, on 31 March 2016 for €9.5 million. Following net asset value adjustments related to the subsidiary's balance sheet, the Company received a net amount of €9.37 million. The majority of the proceeds from the sale (€8.5 million, reflecting 100% of the outstanding loan) were repaid to Plaza Centers Enterprises B.V. ("PCE"), a wholly owned subsidiary of Plaza, on account of the bank loan PCE acquired in September 2015 (the bank loan was provided to the SPV, the holding and operating company of Liberec Plaza). Almost €1 million of surplus cash flow was delivered by the disposal.

- A pre-agreement to sell a 15,000 sqm development plot in Piraeus, near Athens, Greece, for €4.7 million was signed in April 2016 and was later on in December 2016 revised to be on €3.5 million with possible upside depending on building rights. Final agreement has not signed yet and the long stop date of this transaction has been recently set at the end of June 2017.

2016 highlights



- On 16 May 2016, a subsidiary of Plaza, in which the Company has a 50% stake, entered into a business sale agreement with respect to the disposal of Riga Plaza shopping and entertainment centre in Riga, Latvia, to a global investment fund. The agreement had reflected a value for the business of circa €93.4 million (reflecting 100% of the asset value), which was in line with the last reported book value. The net cash proceeds from Plaza's 50% share of the sale of the business were €17.8 million after repayment of bank loan, with an additional €0.6 million expected to be received within the next 25 months. The transaction was completed on 15 September 2016.

- Disposal of the Company's wholly owned subsidiary which held the "MUP" plot and related real estate in Belgrade, Serbia, for €15.75 million (to be received in several tranches), above the book value of circa €13.5 million. The sale was completed on 29 June 2016. In addition to the €15.75 million transaction consideration, Plaza will also be entitled to an additional pending payment of €600,000 once the purchaser successfully develops at least 69,000 sqm above ground. In February 2017 the Company agreed with the buyer to bring forward the payment of €4.2 million out of the third scheduled payment amount of €4.6 million in a discount transaction with a present value of circa €4.05 million. The remainder of the purchase price will be paid as originally agreed between the parties at end of September 2017.

- On 28 June 2016 the Company signed a preliminary agreement for the sale of a 20,700 sqm plot which is 62% of the whole owned land in Lodz, Poland, to a residential developer, for €2.4 million. On 28 September 2016 the final agreement was signed with payment due in three instalments of which the last one is in June 2017. 26% of another part of the site was previously sold in two separate transactions completed in 2015 and 2016 for a total value of €1.2 million. Following these transactions Plaza still owns 4,017 sqm which is 12% of the whole land for future value realisation. Plaza received an initial payment of €1.04 million, which was followed by €180,000 in November 2016 and €220,000 in December 2016, and is due to receive a final instalment of €0.96 million in June 2017.

- On 30 June 2016 Plaza signed a Debt Repayment Agreement ("DRA") with the financing bank (the "Bank") of Zgorzelec Plaza in Poland. On 14 September 2016, Plaza completed the sale of its shares in Zgorzelec Plaza. A Share Purchase Agreement was signed with an Appointed Shareholder nominated by the Bank, after which the DRA process was completed and a mortgage over the asset of the Company in Leszno, Poland, (valued at €0.8 million) was settled. Plaza recognised a profit of circa €10 million, stemming from the release of €23.0 million of the outstanding (and partially recourse) loan (including accrued interest thereof), against an outstanding asset value of €12 million as of 30 June 2016.

- Disposal of an 18,400 sqm plot in a suburb of Ploiesti, Romania, to a local investor for €280,000.

- An Indian subsidiary ("SPV") of Elbit Plaza India Real Estate Holdings Limited (in which Plaza holds a 50% stake with its joint venture partner, Elbit Imaging Ltd.) signed a Joint Development Agreement relating to its 74.7-acre plot in Chennai, India, to transfer the property development rights to a reputable local developer. The SPV will receive 73% of the total revenues from the plotted development and 40% of the total revenues from the eventual sale of the fully constructed residential units in instalments subject to development milestones.

- On 13 October 2016 Plaza signed a preliminary sale agreement for the disposal of a 2.47 hectare plot in Kielce, Poland, for €2.3 million. As part of the sale process, Plaza has received a down payment of €465,000, while the outstanding amount will be paid within eight months of the date of the agreement at June 2017.

Operational highlights

- At Torun Plaza, Poland, following a process of extending lease agreements following five years since the mall opened, the occupancy slightly decreased to 95% (2015: 96.8%) while turnover and footfall remained stable.

2016 highlights

- Suwalki Plaza was sold after the end of the period having been 98.7% leased (YE 2015 96.5%), and with a 18% increase in turnover in 2016 and 10% increase in footfall, compared to 2015 year.

- The letting process and construction of Belgrade Plaza has been continued to expectations. On opening 97% of the mall was let and the successful opening occurred in line with the planned schedule on 20 April 2017.

Key highlights since the period end:

- Since the year end, Dori Keren officially became Chief Executive Officer on 1 January 2017, having been Acting CEO since April 2016.

- On 26 January 2017 Plaza announced that one of its subsidiaries signed a binding share purchase agreement with BIG Shopping Centers Ltd., a publicly traded company in Tel Aviv Stock Exchange (the "Purchaser"), for the sale of the Belgrade Plaza shopping and entertainment centre. Belgrade Plaza (Visnjicka) has been the largest development underway in Serbia. Plaza is still responsible for accounting for the final development cost and leasing of the asset until the adjustment date. Upon completion of the transaction, Plaza received an initial advance payment of €28 million (plus €3.7 million customary NAV adjustments) from the Purchaser for the sale of 100% of the SPV, which will be followed by further payments during the first year of operation subject to certain operational targets and milestones being met. The Purchaser provided a guarantee to secure these future payments. The final agreed value of Belgrade Plaza, which will comprise circa 32,300 sqm of GLA, will be calculated based on a general cap rate of 8.25% on the basis of cash collected as well as the sustainable NOI after 12 months of operation, which the Company estimates will be approximately €7.2-7.5 million per annum. The sustainable 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. Plaza has a line of credit from a financing bank for the development of Belgrade Plaza to a maximum amount of €42.5 million. On 20 April 2017 the construction of the centre was completed and the shopping centre was 97% let and is expected to be fully leased in the coming months. Plaza has received €2 million for fulfilling its conditions around the successful leasing milestone at the opening of the centre. Belgrade Plaza is the 34th shopping centre built by Plaza and its second scheme in Serbia.

- On 1 February 2017 Plaza announced that one of its subsidiaries ("SPV") completed the sale of Suwałki Plaza shopping and entertainment centre in Poland to an investment fund for €42.3 million, which is in line with the last reported book value. Having completed the transaction, the Company received circa €16 million net cash, after the repayment of the bank loan (circa €26.6 million) and other working capital adjustments in accordance with the balance sheet of the SPV.

- On 17 February 2017 Plaza announced the sale of David House, a 2,297 sqm office building in Budapest, Hungary, for circa €3.2 million, which is above book value. On 23 February 2017 Plaza concluded the sale of a 26,057 sqm plot of land in Shumen, Bulgaria, for circa €1 million, which is slightly above book value.

- On 23 February 2017 Plaza concluded the sale of a 26,057 sqm plot of land in Shumen, Bulgaria, for circa €1 million, which is slightly above book value.

- Compliance of the Early prepayment term – On March 15, 2017 the company paid its bondholders a total amount of NIS 191.74 million (EUR 49.2 million) as early redemption and accordingly, upon such payment the Company complied with the 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 debentures.

- On 21 April 2017 Plaza Centers regarding its Romania project Casa Radio has received immunity from certain potential criminal charges from the relevant Romanian Authorities and was assured that the mentioned investigation should have no effect on the Company's existing legal rights to the Project and the Public-Private Partnership Agreement signed with respect thereto.
  As the investigation of the Romanian authorities is still on-going Plaza is still co-operating fully with the relevant Romanian Authorities. The Company is unable to elaborate any further in this respect due to restrictions coming from of a self-disclosure process.

- On 4 May 2017, further to its announcement dated 15 September 2016, regarding the preliminary sale agreement to dispose of the Leszno plot in Poland, announced the completion of the final sale agreement has been postponed by 2 months. In line with the signed agreement, the purchaser had the right to withdraw from the transaction within a window of eight months which was due to end on 28 April 2017. The purchaser recently requested that the decision is postponed by two months which extends the agreement to 30 June 2017. Plaza has signed an annex to the sale agreement which has allowed this extension to take place.

Our strategy

Develop

Plaza develops modern, western-style shopping and entertainment centers in capital and regional cities, primarily in Central and Eastern Europe.

Maintain liquidity and debt management

2016 saw a year of increasing focus on the execution of Plaza's strategy to dispose of non-core and matured assets to reallocate capital to its core yielding assets and to reduce debt levels. Total assets now stand at €322 million (31 December 2015: €392 million) having agreed or transacted on 10 separate disposals during the year.

Plaza ended the year with consolidated cash position (including restricted bank deposits) of approximately EUR 12.8 million, of which circa EUR 7.2 million of cash is held as restricted cash on a consolidated basis.

As at 31 December 2016, the negative working capital totaled EUR 83 million, mainly due to trading properties classification as non-current assets.

In November 2016, 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 Plaza's series of two Notes traded on the Tel Aviv Stock Exchange from "ilBBB-" to "ilCCC-" on the local Israeli scale. This rating was reinstated on 1 March 2017.

Pursuant to the restructuring plan, the net cash flow to be received by Plaza 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 the 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 direct expenses in respect of the asset) will be used for the repayment of the accumulated interest until that date for all of the series of Notes 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. Since the restructuring plan approval date (until March 15, 2016), Plaza has paid circa NIS 383 Million (EUR 93.1 Million) and allocated 13.21% of its shares to its bondholders and secured one year deferral.

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

Plaza shall not make any dividend distributions, unless 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.

Plaza continued to focus on deleveraging its balance sheet during the period but, as a result of impairment losses recorded in the period and non cash finance costs incurred, the gearing level increased to 89% in 2016.

Objectives

1. Development:

Continuing construction of Belgrade Plaza ("Visnjicka") in Belgrade until the opening in April (accomplished in April 2017).

Advancing related permits and approvals for the Casa Radio project in Bucharest, Romania and exploring opportunities for financing and/or partnerships for the development; and

The company will consider execution of Timisoara project depending on availability of equity, external finance and sufficient tenant demand.

2. Sale of assets:

Sale of Torun Plaza (yielding asset);

Sale of plots which are not part of the Company's core business or not suitable for development in the short/medium term.

3. Debt:

Continuing to reduce corporate debt by early repayments following sale of assets according to the Company's debt restructuring agreement, following the one year deferral achieved on March 15, 2017.

4. General Expenses:

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

Development criteria

Selection of target countries

Plaza's primary focus is on countries in emerging markets and the Company is currently present in CEE. In order to determine a favourable investment climate, Plaza takes into account country risk, GDP per capita and economic growth, ratio of retail sales per capita, political stability, sophistication of banking systems, land ownership

Our strategy

restrictions, ease of obtaining building and operating permits, business risks, existing competition and market saturation levels.

Site evaluation
Plaza looks to develop its first project in the capital city of a new country, and thereafter in regional cities with a minimum catchment area of 50,000 residents. Site evaluation includes site area, catchment area, local zoning and town planning schemes, proximity to transportation and vehicular routes and legal issues. A carefully structured, internally developed evaluation process is in place involving each of the relevant disciplines (economics, engineering, marketing, etc.).

Emerging markets

Plaza has a strong track record in developing real estate projects such as shopping and entertainment centers in emerging markets. The Group has been present in the CEE region since 1996 and was a pioneer in bringing western-style shopping malls to Hungary. The concept continued throughout the CEE on the fantastic opportunities that emerging markets have offered. Plaza carefully investigates the benefits and challenges inherent in every proposed project, adhering to its development criteria.

In 2017, Plaza will continue delivering on the disposal of non-core assets and its operating shopping centre.

Plaza's focus is in completion of preliminary signed assets' sale agreements, unlocking the value of land through developments where possible, reducing debt levels, continue to handle reducing costs, and delivering on behalf of bondholders and shareholders.

The Company is focusing its development efforts on Romania and Serbia. Plaza will continue to advance remaining projects within its land bank, through obtaining planning consents and construction permits with its main focus on advancing related permits and approvals for the Casa Radio project in Bucharest.

Feature developments

Since its creation, the Group has developed and let 33 shopping and entertainment centers in the CEE region and one in India of which 33 have been sold with an aggregate gross value of €1.48 billion. In 2015 Plaza has commenced the construction of a shopping and entertainment center in Belgrade, Serbia. The construction ended in 2017, and the center opened in April 2017.

Plaza currently owns and manages one shopping and entertainment centers, as the newly opened shopping center in Belgrade was pre-sold prior to its opening in 2017

Torun Plaza

Poland

40,000 sqm GLA

Opened in November 2011 / Plaza share 100%

Torun Plaza, which comprises approximately 40,000 sqm of GLA, is Plaza's tenth completed center in Poland. The center's occupancy was 95% in 2016 (2015: 96.8%). New leases were signed with tenants such as Sizeer, Reserved, Mohito (extension), Resto Design and Pharmaland. In addition most of the tenants whose lease agreement expired after five years have renewed their contracts.

Belgrade Plaza

(Visnjicka) Serbia
32,000 sqm GBA

Opened in April 2017 / Plaza share 100%

Belgrade Plaza was constructed on a 31,000 sqm plot of land in Belgrade, the capital of Serbia. Belgrade Plaza (currently called BIG FASHION following its sale in March 2017) is the most modern and the largest shopping & entertainment center in the old part of Belgrade. The shopping and entertainment center has a GLA of approximately 32,000 sqm on three floors and circa 800 parking spaces. Construction commenced in 2015 and the center was opened to the public on April 20th, 2017 with 97% leased area. The main anchors are Cineplexx, IDEA, H&M, Inditex, LC Waikiki, Terranova, Reserved, Lindex, McDonalds, KFC, Sephora, Calzedonia Group, Cortfiel Group and many other internationally renown retailers. The tenant mix is characterized by many brands who are new to the Serbian market such as Reserved, Tezenis, CCC, Galileo, Funky Buddha and others.

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 488 thousand (which is equal to 0.25% from the Company's outstanding debt under the debentures at that time) (the "Consent Fee"). The consent Fee shall be paid to the Company's bondholders on a pro rata basis.

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.
- **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

Debt restructuring

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.

- **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.
- **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.

* The Company has not complied with its statutory obligation to publish its annual accounts for the year 2016, and consequently has not filed the annual accounts for the year 2016 in time with the AFM. Accordingly, the Company is currently in violation of article 5:25c of the AFS. The AFM is, in these circumstances, entitled to impose an order subject to a penalty (last onder dwangsom) and/or an administrative fine (bestuurlijke boete) on the Company.

In respect of the administrative fine that may be imposed in respect of the violation of article 5:25c of the AFS, the AFM has the discretion to increase or decrease the base amount of the administrative fine by 50% depending upon the seriousness or the duration of the offence or insofar the degree to which blame can be attributed to the Company justifies such decrease or increase. Therewith, the AFM will link the amount of a penalty to

Debt restructuring

a company's the ability to pay (i.e. taking into account the financial situation of a company).
Any fine imposed by the AFM on the Company will have adverse consequences on the financial position of the Company.
In addition to the above, such delay in the submission of the financial report may trigger an event of default under the Restructuring Plan.

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. 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.

c. 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. As of the date of approval of these financial statements the Company repaid the bondholder the entire NIS 382 million.

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

	Series A Israeli Bonds, NIS	Series B Israeli Bonds, NIS	Polish Bonds EURO
Bond raising	401,850,451	1,483,126,346	15,085,058*
Interest accrued and capitalised 31/12/2013	6,652,927	16,055,759	665,575
Directly purchased by Plaza - Removed from the cycle	**(8,253,378)**	**(108,993,111)**	**-**
Bond raising, net	400,249,999	1,390,188,994	15,750,633
Principal payments over the years (until 15/03/2017)	(241,188,429)	(1,204,282,765)	(7,815,425)
Interest payments over the years (until 15/03/2017)	**(148,142,322)**	**(447,555,877)**	**(6,194,302)**
Total payments	(389,330,751)	(1,651,838,642)	(14,009,727)
Total payments over the years as percentage of total raising, net (%)	**97.27%**	**118.82%**	**88.9%**

* 60,000,000 PLN

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.
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.
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 is paid in a few instalments.
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. Plaza received an initial payment of €1.04 million, followed by €180,000 in November 2016, €220,000 in December 2016 and a final instalment of €0.96 million expected in June 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. The sale is conditional on the purchaser securing a permit for the development of the site and, on that basis, the purchaser has the right to withdraw from the transaction within a window of ten months. As per the agreement, after eight months Plaza will receive a payment of €230,000 and the remaining €580,000 will be due within the following 12 months.
October 2016:	Signed a preliminary sale agreement for the disposal of a 2.47 hectare plot in the centre of Kielce, Poland,for €2.28 million. As part of the sale process, Plaza has received a down payment of €465,000, while the remaining €1.815 million will be paid within eight months of this agreement.
February 2017:	Completed the sale of Suwałki Plaza shopping and entertainment center for € 42.3 million. The Company has received circa €16.5 million net cash, after the repayment of the bank loan (circa €26.6 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. Belgrade Plaza (Visnjicka) has been the largest development underway in Serbia. Plaza is still responsible for accounting for the final development cost and leasing of the asset until the adjustment date. Upon completion of the transaction, Plaza received an initial advance payment of €28 million (plus €3.7 million customary NAV adjustments) from the Purchaser for the sale of 100% of the SPV, which will be followed by further payments during the first year of operation subject to certain operational targets and milestones being met. On 20 April 2017 the construction of the centre was completed and the shopping centre was 97% let and is expected to be fully leased in the coming months. Plaza has received €2 million for fulfilling its conditions around the successful leasing milestone at the opening of the centre. Belgrade Plaza is the 34th shopping centre built by Plaza and its second scheme in Serbia.

Debt restructuring

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.

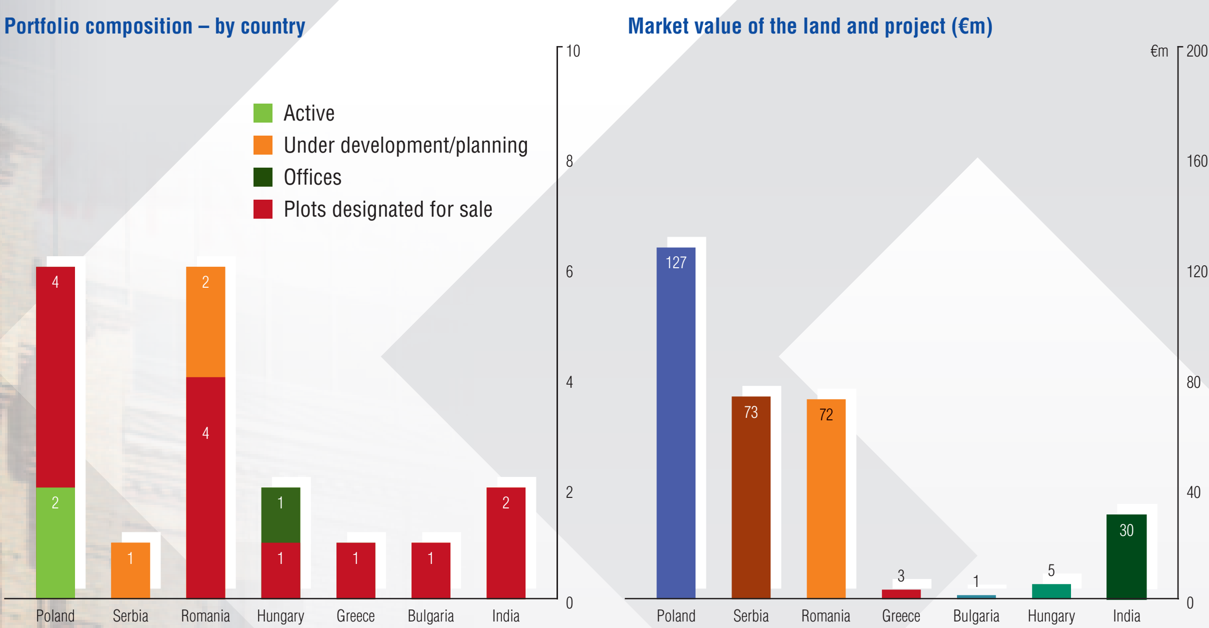
September 2015: A subsidiary of the Company has won a tender to buy the loan of the wholly owned holding and operating company for Liberec Plaza shopping and entertainment centre in the Czech Republic. Plaza has agreed to buy the €20.4 million bank loan (which was provided by two commercial banks) for €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 19 assets located across CEE region and in India as of balance sheet date.



Project	Market value on completion (€m)[1]	Market value of the land and the project (€m)[1]
Complete and active projects	119	119
Current developments	724	140
Pipeline projects	103	52
Total as at 31 December 2016	**946**	**311**

1 External valuations by Jones Lang LaSalle were conducted for: Arena extension, Torun Plaza, Lodz, Casa Radio, Timisoara, Ciuc, Constanta and Belgrade Plaza. External valuations by Cushman & Wakefield were conducted for: Varthur and Chennai. The rest of the assets were valued by the Company's management. Value on completion was calculated only for the assets which were valued externally using the residual valuation method: Belgrade Plaza, Casa Radio, Constanta, Ciuc, Timisoara, Arena Extension, Torun Plaza and Chennai.

Group NAV at 31 December 2016

Net Financial Debt	EUR Million (256)
Asset values	
Operating assets	119
Development Assets*	140
Pipeline assets	49
Office Building	3
Total	**311**
Other assets and liabilites	1.4
NAV	**56**

* Including 100% of Casa Radio due to the material shareholders' loans.

Development focus

In 2017 the Group considers to progress the execution of Timisoara Plaza in Romania, depending on availability of equity, external finance and tenant demand. In addition Plaza continues to advance permits and approvals for the Casa Radio project in Bucharest, Romania and explore opportunities for the development of the project.

Timisoara Plaza

Romania

26,000 sqm GLA

Plaza owns a plot of land with an area of 32,000 sqm in Timisoara, Romania, on which it is intending to develop a shopping and entertainment center. The planned center will have a GLA of approximately 26,000 sqm and includes a hypermarket, fashion retailers, and restaurants.

Casa Radio

Romania

467,000 sqm GBA

Casa Radio will include a 90,000 sqm GLA shopping mall and indoor 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*
Operating Shopping and Entertainment Centres					
Suwalki Plaza	Suwalki, Poland	Retail & entertainment scheme	20,000	100	Sold in Q1/2017
Torun Plaza	Torun, Poland	Retail & entertainment scheme	40,000	100	Operating, opened in November 2011
Development Assets					
Casa Radio	Bucharest, Romania	Mixed-use retail and leisure plus office scheme	467,000 (GBA including parking spaces)	75	In planning and permitting phase
Timisoara Plaza	Timisoara, Romania	Retail & entertainment scheme	26,000	100	Under planning and feasibility examination
Belgrade Plaza (Visnjicka)	Belgrade, Serbia	Retail & entertainment scheme	32,000	100	Sold in Q1/2017
Pipeline Projects			**Plot Size (sqm)**		
Kielce Plaza	Kielce, Poland	Retail & entertainment scheme	25,000	100	Preliminary sale agreement signed
Lodz Plaza	Lodz, Poland	Retail & entertainment scheme	61,500	100	Designated for sale
Leszno Plaza	Leszno, Poland	Retail & entertainment scheme	18,000	100	Preliminary sale agreement signed
Lodz (Residential)	Lodz, Poland	Residential scheme	4,017 (remaining following three transactions)	100	Designated for sale
Arena Plaza Extension	Budapest, Hungary	Office scheme	22,000 (land use right)	100	Designated for sale
Csiki Plaza	Miercurea Ciuc, Romania	Retail & entertainment scheme	36,500	100	Designated for sale
Constanta Plaza	Constanta, Romania	Retail & entertainment scheme	26,500	100	Preliminary sale agreement signed
Brasov	Brasov, Romania	Retail & entertainment scheme	67,000	100	Designated for sale
Krusevac	Krusevac, Serbia	Retail & entertainment scheme	19,930	100	Designated for sale
Shumen Plaza	Shumen, Bulgaria	Retail & entertainment scheme	26,000	100	Sold in Q1/2017
Piraeus Plaza	Athens, Greece	Retail/Offices	15,000	100	Preliminary sale agreement signed
Bangalore	Bangalore, India	Residential Scheme	218,500	25	Designated for sale
Chennai	Chennai, India	Residential Scheme	302,400	50	JDA signed

Chief Executive Officer's statement

2016 saw a year of increasing focus on the execution of Plaza's strategy to dispose of non-core and matured assets to reallocate capital to its core yielding assets and to reduce debt levels. Total assets now stand at €322 million (31 December 2015: €392 million) having agreed or transacted on 10 separate disposals during the year.

Rental income fell during the year to €15.6 million compared with €18.7 million at the end of December 2015, a further reduction which reflects the fewer properties managed by Plaza (reduction of €2.1 million).

Our total loss for the year slightly increased to €46.5 million from €46.1 million at the end of December 2015.

Over the course of 2016, in line with the restructuring plan agreed in 2014, we repaid 75% of proceeds from disposals to bondholders, totalling €24.6 million. Since the restructuring plan was approved, and since the Amended Plan came into effect, Plaza has now returned principal amount of NIS 383 Million. On 8 November 2016, 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 Plaza's series of two Notes traded on the Tel Aviv Stock Exchange from „ilBBB-" to „ilCCC-" on the local Israeli scale. This rating was reinstated on 1 March 2017.

Overall, we made significant progress during 2016 and look forward to further actions during the year ahead. 2016 saw significant progress in the delivery of our obligations towards our bondholders.

Results

As stated, Plaza's total loss for the year stayed at €46.5 million compared with €46.1 million at the end of December 2015, much of which was due to an impairment at Casa Radio in Romania as well as non-cash finance costs. Meanwhile income from operating shopping centres and the disposal of trading properties totalled €25.2 million, mostly due to the strategic sale of Liberec Plaza at the first quarter of the year. Eliminating the effects of the disposed shopping centres, NOI was stabilised at €10.5 million.

The most significant factor in this was a large reduction in property was the net write-down costs of €40.8 million compared to €20.3 million in 2015. These write-down costs are ascribed mainly to the impairment of Casa Radio and Timisoara in Romania.

Plaza further reduced net finance costs, shopping centre operating costs and central administration costs during the period.

Debt restructuring plan

In line with the debt restructuring plan agreed in 2014, Plaza repays 75% of proceeds from disposals to bondholders. An Amended Plan was agreed in November 2016, details of which are outlined further below. Since the Plan became effective, until up to March 15, 2017, the Company has repaid circa NIS 383 Million (€93.1 Million) out of the debentures and allocated 13.21% of its shares to the bondholders.

Following the closing of the Company's restructuring plan, the Company's consolidated financial statements include liabilities to bondholder's in the aggregate principal amount of EUR 186.4 million.

According to the original Plan, if until December 1, 2016 the Company manages to repay its principal of debentures in the amount of NIS 434 million (EUR 107.3 million), then the remaining principal payments shall be deferred for an additional year ("the Deferral").

During 2016, the Group undertook actions to dispose certain assets in the aggregate amount of EUR 77.7 million

In addition, 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 Term (early redemption at the total sum of at least NIS 382,000,000 (EUR 49.2 million)) 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 and vendors agreements in the next 18 months is aggregated in the following tables.

Contractual Obligations	Total Payment Due by period (in MEUR)	
	Within 1 year	1-1.5 years
Debentures including current portion and interest	56,500*	21.375
Secured bank loans	48,129	440
Total contractual obligations (excluding working capital)	**104,629**	**21,815**

* Out of which EUR 51.8 million repaid by the date of approval of these consolidated financial statements.

Dori Keren
CEO

The Company expects to increase the amount of its liquid balances during the Forecast Period, by means of the following actions:

- Sale of shopping centres in amount of EUR 146 million
- Sale of plots of lands in amount of EUR 49.5 million
- NOI and other income EUR 6.7 million

Management expects that the Group will be able to meet the remaining contractual obligations during the 13 months' period following the approval of the consolidated financial statements by a combination of its assets disposal program shown above and cash generated from operating shopping centre.

Coverage Ratio According to the Restructuring Plan

The CRC (Coverage Ratio Covenant) is a fraction calculated 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. The December 31, 2016 calculated CRC 126.5%.

NAV

The Company's NAV was calculated as follows:

Net Financial Debt	-256
	Asset values*
Operating assets	119
Development Assets**	140
Plots Pipeline	49
Office Building	3
Total	**311**
Other assets and liabilities, net	1.4
NAV	**56**

* Valuations by Jones Lang LaSalle as at 31 December 2016 for the assets: Belgrade Plaza, Casa Radio, Constanta, Ciuc, Timisoara, Arena Extension, Torun, Lodz Plaza. Valuations by Cushman and Wakefield as at 31 December 2016 for Varthur and Chennai. The rest of the assets were valuated internally.

** Including Casa Radio (100% due to material owner's loans), Timisoara and Belgrade Plaza (Visnjicka).

Events post period end

At the Company's request, pending the publication of its financial results for the year ended 31 December 2016, Plaza's ordinary shares were suspended, with effect from 7.30 a.m. (London time) on 2 May 2017, from trading on the London Stock Exchange's main market for listed securities and being listed on the Official List of the Financial Conduct Authority, and also its ordinary shares were suspended from trading on the Warsaw Stock Exchange as of 2 May 2017, as well as its Series A Notes and Series B Notes from trading on the Tel Aviv Stock Exchange. The delay to the publication of the 2016 Accounts followed discussions between the Company and its auditors with respect to the auditor's opinion regarding certain issues relating to historical agreements entered into prior to the Company's debt restructuring.

Under the bond trust deeds the Company is required to publish its annual consolidated financial statements by 31 March. If the Company has not published the annual consolidated financial statements by 30 April the Bondholders are entitled to declare that all or a part of their respective (remaining) claims become immediately due and payable.

The Company did not publish its financial statements within the deadline set out in the bond trust deeds and did not remedy the situation within the allowed time.

Both these matters entitle the Bondholders to declare that all or a part of their respective (remaining) claims become immediately due and payable. As at the date of approval of these financial statements the Bondholders have not taken steps to assert their rights.

The Company recently stated that these financial results would include a note regarding "going concern". This information can be found in Note 2 of the separate financial statement announcement. While Note 2 must be read in full, the Company wishes to summarise that, as of the date of the approval of these consolidated financial statements, the Company is near the minimum ratio required in respect to the Coverage Ratio Covenant. A combination of the abovementioned conditions indicate the existence of a material uncertainty that casts significant doubt about the Company's ability to continue as a going concern.

Chief Executive Officers' statetement

Auditor comments

The Company wishes to highlight the Independent Auditors' Report contained within the seperate statement announcement, including the Auditor's view that it was not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

Portfolio progress

The Company currently has a land bank of 14 plots, and owns one operational shopping and entertainment centre assets across the CEE and in India. The location of the projects, as at 14 May 2017, is summarised as follows:

	Number of assets (CEE and India)	
Location	Active	Under development/ planning/land bank
Romania	-	5
India	-	2
Poland	1	4
Hungary	-	1
Serbia	-	1
Greece	-	1
Total	**1**	**14**

Liquidity & Financing

For a detailed liquidity analysis refer to the debt restructuring section above. Plaza's consolidated cash position as at 31 December 2016 (including restricted bank deposits and, short term deposits) was €12.8 million (31 December 2015: €20.4 million). The current cash position is circa €10.3 million (of which €2.3 million is restricted).

Plaza continued to focus on deleveraging its balance sheet during the period. However, as a result of impairment losses recorded in the period and finance costs incurred, the gearing level increased to 88% in 2016.

Strategy & Outlook

In 2017, Plaza will continue delivering on the disposal of non-core assets and its operating shopping centre.

Plaza's focus is in completion of preliminary signed assets' sale agreements, unlocking the value of land through developments where possible, reducing debt levels, continue to handle reducing costs, and delivering on behalf of bondholders and shareholders.

Dori Keren
CEO
12 June 2017

Operational review

During 2016 Plaza took actions to improve the performance of its portfolio. As outlined already, the main focus was on disposals.

- **Operations**: Improving performance of its operating shopping and entertainment centres focused on Central and Eastern Europe, and achieving key development milestones.
- **Disposals**: Focus remained on disposing of non-core assets to reduce leverage and provide payments to bondholders in line with the restructuring plan.
- **Financial position:** As at 31 December 2016, Plaza's consolidated cash position (including restricted bank deposits and, short term deposits) was €12.8 million (31 December 2015: €20.4 million) and a current cash position of circa €10.3 million (of which €2.3 million is restricted).

As of the balance sheet date, Plaza had 19 assets in seven countries, of which two operating centres, 12 are designated for sale across the CEE region as well as two developments in India. Of these five are located in Romania, two in India, four in Poland, and single assets in Serbia, Greece and Hungary. In addition to these developments, Plaza retains the ownership of and operates one shopping and entertainment centre in Poland.

The development projects are at various stages of the development cycle, from landholdings through to those with planning and permits.

The Company's assets and pipeline projects are summarised in the table below:

Asset/Project	Location	Nature of asset	Size sqm (GLA)	Plaza's effective ownership %	Status
Operating Shopping and Entertainment Centers					
Suwalki Plaza	Suwalki, Poland	Retail & entertainment scheme	20,000	100	Sold in Q1/2017
Torun Plaza	Torun, Poland	Retail & entertainment scheme	40,000	100	Operating, opened in November 2011
Development Assets					
Casa Radio	Bucharest, Romania	Mixed-use retail and leisure plus office scheme	467,000 (GBA including parking spaces)	75	In planning and permitting phase
Timisoara Plaza	Timisoara, Romania	Retail & entertainment scheme	26,000	100	Under planning and feasibility examination
Belgrade Plaza (Visnjicka)	Belgrade, Serbia	Retail & entertainment scheme	32,000	100	Sold in Q1/2017
Operational Office Buildings					
David House	Budapest, Hungary	Office	2,000	100	Sold in Q1/2017

Operational review

Asset/Project	Location	Nature of asset	Size sqm (GLA)	Plaza's effective ownership %	Status
Pipeline Projects			**Plot size (sqm)**		
Kielce Plaza	Kielce, Poland	Retail & entertainment scheme	25,000	100	Preliminary sale agreement signed
Lodz Plaza	Lodz, Poland	Retail & entertainment scheme	61,500	100	Designated for sale
Leszno Plaza	Leszno, Poland	Retail & entertainment scheme	18,000	100	Preliminary sale agreement signed
Lodz (Residential)	Lodz, Poland	Residential scheme	4,017 (remaining following three transactions)	100	Designated for sale
Arena Plaza Extension	Budapest, Hungary	Office scheme	22,000 (land use right)	100	Designated for sale
Csíki Plaza	Miercurea Ciuc, Romania	Retail & entertainment scheme	36,500	100	Designated for sale
Constanta Plaza	Constanta, Romania	Retail & entertainment scheme	26,500	100	Preliminary sale agreement signed
Brasov	Brasov, Romania	Retail & entertainment scheme	67,000	100	Designated for sale
Krusevac	Krusevac, Serbia	Retail & entertainment scheme	19,930	100	Designated for sale
Shumen Plaza	Shumen, Bulgaria	Retail & entertainment scheme	26,000	100	Sold in Q1/2017
Piraeus Plaza	Athens, Greece	Retail/Offices	15,000	100	Preliminary sale agreement signed
Bangalore	Bangalore, India	Residential scheme	218,500	25	Designated for sale
Chennai	Chennai, India	Residential scheme	302,400	50	JDA signed

Details of these activities by country are as follows:

Poland

Plaza owns and operates **Torun Plaza**, which was completed and opened in late 2011, comprising approximately 40,000 sqm of GLA and is Plaza's tenth completed centre in Poland. Occupancy level slightly decreased to 95% at year end. The centre reported a stable footfall and turnover.

Romania

Plaza holds a 75% interest in a joint venture with the Government of Romania to develop **Casa Radio** (Dambovita), the largest development plot in central Bucharest. The 467,000 sqm complex, including a 90,000 sqm GLA shopping mall and leisure centre, offices, a hotel and a convention and conference hall, is planned for the site. The Company has obtained the PUD (Detailed Urban Permit) and the PUZ (Zonal Urban Plan) for the Dambovita Centre Multifunctional Complex.

In light of the financial crisis, and in order to ensure a construction process that is aligned to current market conditions, the Company initiated preliminary discussions with the Authorities (which are shareholders in the SPV and a party to the Public Private Partnership) regarding the future of the project. The Company has also officially notified the Authorities that it will be seeking to redefine some of the terms in the existing PPP contract, including the timetable, structure and project milestones. Please see note 8 (5) of the Financial Statements for further information on the project.

During 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. Management believes that partnering with reputable investors with considerable financial strength can enhance the Group's 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.

In July 2015, the Company received a building permit to develop **Timisoara Plaza**, a circa 40,000 sqm GLA shopping and entertainment centre in Timisoara, western Romania. The execution of the project depends on the availability of equity, external financing and sufficient tenant demand.

India

In 2008, Plaza formed a 50:50 joint venture with Elbit Imaging (the "JV") to develop large mixed-use projects in Bangalore, Chennai and Kochi. Under the terms of the agreement, Plaza acquired a 47.5% stake in Elbit Plaza India Real Estate Holdings Limited ("EPI"), which had existing stakes in mixed-use projects in India, in conjunction with local Indian partners.

The JV projects are as follows:

Bangalore – This residential project, owned by the JV, is located on the eastern side of Bangalore, India's fifth largest city with a population of more than eight million inhabitants.

In March 2008 the JV entered into an amended and reinstated share subscription and framework agreement, with a third party, and a wholly owned Indian subsidiary of the JV which was designated for this purpose ("SPV"), to acquire, through the SPV, up to 440 acres of the plot in certain phases as set forth in the Amended Framework Agreement.

On 2 December 2015 EPI 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 3,210 million (approximately EUR 45.4 million) which should have been paid no later than 30 September 2016 ("Long Stop Date"). On 30 September 2016 the Company announced that the transaction had not been completed and the parties reached a preliminary understanding with the partner that the Long Stop Date will be extended subject to payments of advances by the Partner. Accordingly, on the same day the Partner provided an advance of INR 5 Crores (approximately EUR 0.65 million) to the Company. On 15 November 2016, the Partner informed EPI that it would not be able to execute the next advance payments that were due the fourth quarter of 2016.

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.

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.

The Group financial statements for the year ended December 31, 2016, include increase in the Company's shareholding in the SPV (as described above) and a decrease in the net realizable value of the Plot mainly due to the new NGT order described above, the interest that the partner still hold in the Plot (10% as described above), the size of the plot and the non-contiguous land parcel.

Chennai – A residential development, which is 100% owned by the JV and 20% by a prominent local developer. The Chennai Project was designated at the end of 2014 as a project for development. During 2015, due to changes in the Group's activities and objectives, the Company decided not to develop the Chennai project but rather to dispose it in its current situation.

On 16 September 2015, EPI obtained a backstop commitment from the Local Partner for the purchase of its 80% shareholding in the Chennai SPV by 15 January 2016, for a net consideration of approximately INR 161.7 Crores (€ 21.6 million).

Since the Local Partner had breached its commitment, EPI exercised its rights and forfeited 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.

On 2 August 2016, the Chennai Project SPV signed a Joint Development Agreement with a local developer ("Developer" and "JDA", respectively) with respect to the Property.

Under the terms of the JDA, the Chennai Project SPV granted the property development rights to the Developer who shall bear full responsibility for all of the project costs and liabilities, as well as for the marketing of the scheme. The JDA also stipulates specific project milestones, timelines and minimum sale prices.

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

The Chennai Project SPV will receive 73% of the total revenues from the plotted development and 40% of the total revenues from the sale of the fully constructed residential units.

In order to secure its obligation, the Developer will pay a total refundable deposit of INR 35.5 Crores (approximately €4.8 million), with INR 10 Crores (approximately €1.35 million) paid following the signing and registration of the JDA, INR 17 Crores (approximately €2.3 million) payable when planning permission for the first phase of the development project is obtained (the "Project Commencement Date"), and the remaining INR 8.5 Crores (approximately €1.15 million) payable six months after the Project Commencement Date ("Refundable Deposit").

The JDA may be terminated in the event that the required governmental approvals for establishment of an access road to the Property has not been achieved within 12 months from the execution date of the JDA. Upon such termination, the Developer shall be entitled to the refund of the relevant amounts paid as Refundable Deposit and any other cost related to such access road or the title over the Property. The JDA may also be terminated by the Chennai Project SPV, inter alia, if the Developer has not obtained certain development milestone and/or breached the terms of the JDA.

Operational review

Financial review

Results

During 2016, Plaza remained focused on the execution of its strategy to dispose of the non-core and matured assets in its portfolio to reallocate capital to its core yielding assets and to reduce debt levels.

The Company has designated its properties into three types:

- Completed trading properties projects;
- Projects scheduled for development; and
- Plots in the planning phase.

With respect to its completed trading property projects, the Company still faces material uncertainties in respect of the time required to sell the properties. However, the Company has not changed its business model and it is actively seeking buyers at the right pricing levels. Therefore, it is clear from the Company's perspective that these completed properties are trading properties, rather than investment properties.

With respect to plots held at the planning stage, which are not intended to be constructed in the near future, the Company is actively looking for buyers and does not hold the plots passively with the intention to gain from a potential value increase. Plots scheduled for construction are intended to be developed and sold as a completed project in the normal course of business once circumstances allow. Therefore management also believes that these are appropriately classified as trading properties.

Income comprised rental income from operating shopping centres and income from disposal of trading properties. In 2016, Plaza generated €15.6 million of income compared to €18.7 million in 2015. This includes rental income and service charges collected from the tenants. The rental income in 2016 was €11.6 million while in 2015 it was €13.2 million. The decrease is a result of the strategic sale of Liberec Plaza at the end of Q1 2016 and Zgorzelec Plaza in mid-2016 (c. €2.1 million of rental income recorded in 2015 was from these assets) and also by the sale of other undeveloped projects. Eliminating the effects of the disposed shopping centres the NOI was stabilised at €10.5 million in both years. No income from the Group's Fantasy Park operation, which provided gaming and entertainment services in Plaza's active shopping centres, was recorded (from €0.7million in 2015) following the operational closure and sale of the units in the Group's shopping centres.

The disposal of the above assets also led to a reduction in operating costs from €6.5 million in 2015 to €4.9 million in 2016, while the elimination of Fantasy Park operating cost improved the operating result by €1 million.

A write down of trading properties amounted to €40.8 million in 2016 (€20.3 million in 2015) mainly affecting projects in Romania (Casa Radio €32.2 million Timisoara €2.6 million, Mercuera Ciuc and Constanza app €1 million each).

Share in results of equity accounted investees increase to EUR 4.3 million from EUR 2 million mainly as a result of increase in Company's indirect shareholdings in two SPV's in Bangalore and Chennai, been held by the JV with Elbit Imaging, and a decrease in the net realizable value to these two projects, while the 2015 share in results was combined with the uplift in the value attributable to Riga Plaza (Latvia).

The Company's active efforts to further reduce costs resulted in administrative costs decreasing by 8% to €6.5 million (2015: €7 million), comprising a lower scale expense for professional service providers and a lower head count.

Other net income (including gain from sale of plots reclassified in 2016) saw a net decrease to €2.3 million from €8 in 2015. In 2015 the result was chiefly from a one-time gain recognised due to the Kochi project in India (€4.7 million) and a settlement with the potential buyer of Koregaon Park (€0.7 million), while in 2016 the income is mostly attributable to income from the sale of trading property plots and to the expenses incurred in relation to the settlement of the Klepierre lawsuit (for further information please refer to Note 28 to the Financial Statements).

Finance income increased to €18.6 million from €14.2 in 2015 – in 2016 a gain of €17.7 million from the settlement of bank debt of a Romanian subsidiary and Zgorzelec Plaza (Poland) was recorded, while in 2015 there were settlements with banks in Romania and the Czech Republic, generating an income resulting from a discount in the bank loans of €13.5 million.

Finance costs decreased from €45.1 million in 2015 to €34 million in 2016. The main components of the costs were:

- NIS strengthening vs. EUR during 2016 – the effect on the debentures totalled €7.5 million of expense (2015: €14.7 million).
- Interest expenses booked on debentures totalled €13.7 million (2015: €13.9 million expenses recorded).
- In 2016, an additional €13.7 million recorded as an expense (non-cash), associated with amortization of discount on debentures (2015: €9.7 million).
- In 2016 Interest expenses on borrowings totalled €3.6 million (2015: €5.1 million of expenses).

Financial review

- In 2016 €5 million of debenture finance costs were capitalised due to construction works resuming in Belgrade (2015: nil).

As a result of the above, the loss for the year amounted to c. €46.5 million in 2016, compared to €46 million in 2015. Basic and diluted loss per share changed to €6.78 (in 2015: loss per share of €6.73) following the conclusion of a Reverse Share Split in 1:100 ratio.

Balance sheet

The balance sheet as at 31 December 2016 showed total assets of €322 million, compared to total assets of €392 million at the end of 2015. The decrease was mainly driven by the write-down of trading properties, as well as the disposal of assets and cash used for repayment of debt.

The Company's consolidated cash position (including restricted bank deposits, short term deposits and held for trading financial assets) decreased to €12.8 million (31 December 2015: €20.4 million) after the repayment of bond principal and interest. Gearing increased to 89% (31 December 2015: 79%) as a result of write-down of trading properties and finance costs incurred during the year.

Trading property values decreased from €318 million in 2015 to €264 million in 2016 as result of selling assets, mainly Liberec Plaza (Czech Republic), MUP plot (Belgrade, Serbia) and Zgorzelec Plaza (Poland) the write-downs booked in the period (mainly related to assets in Romania) and the increase in the value of Belgrade Plaza (Serbia) as a result of the continuing construction. At the end of the year, trading properties were classified as non-current assets due to uncertainties around the development and commencement dates.

Plaza has on its balance sheet a €30 million investment in equity accounted investees which includes projects under joint venture agreement with its parent company. These are the two development sites in India (Bangalore and Chennai). Riga Plaza was also classified as equity accounted investee at year end 2015, but was sold during the year. Disregarding the effect of the sale the value has increased by €2.6 million since, comprising a mainly increase of the shareholdings and decrease as a result of write-down.

Total bank borrowings (long and short term) amounted to €82 million (31 December 2015: €102.5 million). This decrease is the result of disposal of Zgorzelec Plaza (€23 million), discount achieved on the repaid investment loan in Romania (€8.5 million), operating loans repaid during the year, offset by the increase of the development loan for Belgrade Plaza (€11.5 million).

Apart from bank financing, Plaza has a balance sheet liability of €178 million (with an adjusted par value of circa €186.5 million) from issuing debentures on the Tel Aviv Stock Exchange and to Polish institutional investors. These debentures are presented at amortised cost.

Provisions are booked in connection with the Company's Casa Radio project in Bucharest Romania.

Other current liabilities have decreased from €7 million to €2.9 million in 2016. It comprises mainly tenants' deposits and advances, fees connected to sale of plots.

The total equity decreased from €83 million in 2015 to €36.6 million in 2016 due to a €46 million loss suffered mainly from write-downs, NIS strengthening against the EUR and amortisation of bonds discount.

Cash flow (including cash flow disclosures as required by Israeli Securities Regulations)

Cash flow provided from (used in) operational activities in 2016 was positive at €9.4 million (2014: negative cash flow of €2.6 million) mainly due to a decrease in the trading property and equity accounted investees.

Cash flow provided from investment activities in 2016 was negligible while in 2015 totalled €2.6 million owing to the disposal of the office building in Romania and net sale of held for trading marketable debt securities.

Cash flow used in financing activities in 2016 totalled €19.4 million (2015: €17.9 million) owing mainly to the repayment debentures and bank loan interest.

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

One of the warning signs emphasised is a matter included in the auditors' report – Disclaimer of opinion issued by the auditor. The Material uncertainty related to going concern was included 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 2(c), 29(u) and 8 (5) of the Financial Statements in this press release.

Upon having 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.

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 488 thousand (which is equal to 0.25% from the Company's outstanding debt under the debentures at that time). The consent Fee shall be paid to the Company's bondholders on a pro rata basis.

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.

In € millions		2017	2018
Cash - Opening Balance		**2.5**	**15.9**
Proceeds from selling trading and investment properties	1	115.3	40.8
Cash flows from operating Activities	2	6.7	-
Total sources:		**122.0**	**40.8**
Debentures - principal	3	88.8	40.8
Debentures - interest	3	10.0	6.0
Compensation to Bondholders		-	0.5
Bank loans - principal		1.4	-
Bank loans - interest		1.7	-
Operational expenses		5.0	2.3
Total uses:		**106.8**	**49.6**
Cash - Closing Balance		17.7	7.1
Income / Financing costs from Shopping Centres		-3.2	-
Release from Shopping Centres		1.5	-
Cash - Closing Balance		**15.9**	**7.1**

1 Comprised from the exercise of operating shopping malls: Torun Plaza and Suwalki Plaza (Poland), Belgrade Plaza (Serbia) and plots Timisoara, Miercuera Ciuc, Constanta and part of Casa Radio in Romania; Piraeus in Greece; Lodz residential, Kielce, Leszno and Lodz in Poland; Krusevac and additional instalment for MUP in Serbia; David House office building and Arena Extension in Hungary.

2. Based on expected Net Operating Income ("NOI") from subsidiaries.

3. Assuming EUR/NIS rate of 3.90 and EUR/PLN rate of 4.30. The repayment schedule takes into consideration that in the case of a disposal of an asset, 75% of the proceeds are used for the early prepayment of the Unsecured Debt in accordance with the terms of the Amended Restructuring Plan.

3. Projected solo cash flow

In its prospectus dated 27 May 2014, the Company published its expected cash flow for the following 24 months. Below is a summary table of the comparison between forecasted and actual cash flow, with explanations on the differences published for the 12-month period ending December 31, 2016.

In € millions		Forecast 2016	Actual 2016
Cash - Opening Balance		**12.1**	**12.1**
Proceeds from selling trading properties	1	152.4	43.1
Distributions from operating subsidiaries	2	7.6	4.8
Release of restricted cash due to disposal of subsidiaries		7.2	-
Total sources:		**179.3**	**60.0**
Cash outflow from operating activity			
Administrative expenses		5.8	6.5
Cash outflow from investment activity			
Investment in equity in projects	3	16.9	9.5
Cash outflow from financing activity			
Principal repayment to bondholders	4	107.5	24.7
Interest repayment to bondholders		12.5	13.2
Other expenses		-	3.6
Total uses:		**142.7**	**57.5**
Cash - Closing Balance		**36.6**	**2.5**

1 Forecast included sale of Torun Plaza (€53 m) and Suwalki Plaza(€16.5 m), land plot in Piraeus (€4.5 m), full payment for Lodz residential plot (€2.6 m vs. €1 m), also sale of Krusevac (land plot in Serbia), Miecurea Ciuc and Constanta (land plots in Romania), and receipt of money on account of Vartur and Kochi (land plots in India) in total of €28.8 m

2 Difference caused by the delay in the sale of shopping malls, and thus the delayed released of restricted deposits

3 Investment in Belgrade Plaza was higher than anticipated, as securing financing was delayed

4 Lower amount was repaid as the expected sales had not materialized in 2016, so no repayment of 75% of the proceeds took place.

Valuation Summary

as at 31 December 2016 (in EUR)

Country	Project name	Company's share	Market value of land and project 31 December 2015 (EUR M)	Market value of land and project 31 December 2016 (EUR M)	Market value upon completion 31 December 2015 (EUR M)	Market value upon completion 31 December 2016 (EUR M)
Hungary	Arena Plaza Extension	100%	3.4	2.5	87.7	74.2
	David House	100%	2.6	3.2***	2.6	3.2***
Poland	Torun	100%	97.7	76.3	97.7	76.3
	Suwalki	100%	43.2	42.3***	43.2	42.3***
	Lodz	100%	7.4	5.1	70.9	comparable*
	Kielce	100%	3.3	2.2**	60.5	N/A
Romania	Casa Radio	75%	108.6	60.1	771.6	633.9
	Timisoara	100%	9.4	7.6	70.3	comparable*
	Ciuc	100%	2.4	1.6	14.8	12.1
	Constanta	100%	2.1	2.0	2.1	6.4
	Brasov	100%	1.9	1.1**	147.0	N/A
Greece	Helios	100%	4.0	3.3**	60.0	N/A
India	Varthur	50%****	15.0	19.1	116.4	comparable*
	Chennai	50%*****	10.7	10.4	comparable*	10.4
Bulgaria	Shumen	100%	1.0	1.0***	37.0	1.0***
Serbia	Belgrade	100%	29.6	72.1	91.3	90.4
TOTAL			**342.3**	**310.0**	**1673.1**	**950.2**

All values represent the Company's share, except of Casa Radio project, which represents 100% due to material shareholders loan. All external valuation for 2016 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.

*** Asset was sold in 2017 – value represents sale price.

**** In 2015 the Company held 25% of the project.

***** In 2015 the Company held 40% of the project.

Management structure

Plaza Centers' Board

Ron Hadassi
Chairman
Non-executive Director

Nadav Livni
Executive Director

David Dekel
Independent
Non-executive Director

Marco Wichers
Independent
Non-executive Director

- 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

Dori Keren
CEO*

Eitan Farkas
Finance Director**

Guy Lavan
Chief Engineer

Uzi Eli
General Counsel

Monika Alicka
CEE Leasing Director

- 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

Dori Keren
Country Director
Poland and Latvia

Rabia Shihab
Country Director
Serbia

Luc Ronsmans
Country Director
The Netherlands, Romania, Bulgaria and Greece

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

* Effective on 1 April, 2016 while Dori Keren became CEO on 1 January, 2017.
** Effective 1 June 2016 til 31 December, 2016.

Board of Directors and Senior management

Chairman

Mr. Ron Hadassi, Non-executive director (male, 52, 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, 43, 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 (honours 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. Marco Habib Wichers (male, 58, Dutch)
Mr. Marco Habib Wichers is currently the chief executive officer of Branco Europe B.V. Between 1994 and 2013 he acted as the CEO of AMGEA Holding B.V. Between 1988 and 1995, he acted as the CEO of Branco International Inc. New York (a manufacturing company) and between 1983 and 1995 he acted as the CEO and owner of Cravat Club, Inc. New York (a manufacturing company). Mr. Wichers holds a degree in economics and marketing from the International University of Hospitality Management. Mr. Wichers was appointed as non-executive director on 1 November 2006. In November 2011, he was appointed as chairman of the Board. The General Meeting appointed Mr. Wichers as non-executive director, in accordance with the Dutch Act on Management and Supervision (Wet bestuur en toezicht) on 20 November 2012. Mr. Wichers has been re-elected in accordance with article 23.6 of the Articles, by the General Meeting on 8 July 2014. Mr. Wichers may periodically be re-elected by the Annual General Meeting pursuant to article 23.6 of the Articles, provided that Mr. Wichers has expressed his availability for a subsequent term of office.

Mr. Sarig Shalhav (male, 43, Dutch)*
Mr. Sarig Shalhav is a lawyer and tax counsel and has extensive experience on commercial real estate and real estate finance transactions and advises multinational businesses, government agencies, private equity houses and banks on a wide range of real estate and real estate finance related matters. In addition he acts as a counsel in restructuring and enforcement scenarios, buyout and venture capital transactions. Mr. Shalhav holds an LLB degree in law from Manchester University, an LLM degree in international business law and a PhD in international taxation from Amsterdam University. He has been working with leading law firms and major audit & tax corporations. Mr. Shalhav was appointed as a non-executive director by the General Meeting on 19 December 2013. Mr. Shalhav may periodically be re-elected by the Annual General Meeting pursuant to article 23.6 of the Articles, provided that Mr. Shalhav has expressed his availability for a subsequent term of office.

Mr. David Dekel (male, 52, 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.

* Mr. Shalhav resigned his position as a non-executive director on 8 March, 2016 becoming effective on 8 June, 2016.

Board of Directors and Senior management

Senior management

Mr. Dori Keren (47) BA, MBA, BB in Accounting
Acting Chief Executive Officer
Mr. Dori Keren joined Plaza Centers in 2006 as financial director of Poland and Latvia and was appointed Poland country director in 2013. From April 2016 Mr. Keren serves as Acting CEO of the Company. Prior joining to Plaza Centers Mr. Keren worked in Israel for 10 years in variety of financial jobs in positions which accompany business activity as economist, financial controller and CFO.
Mr. Keren holds BA in Economics and Political Sciences from the Tel Aviv University, an MBA degree from the Ben-Gurion University, and BB Post Degree in Accounting from College of Management Academic Studies.

Mr. Uzi Eli (41) LLB, Attorney at Law (Isr), MBA
General Counsel and Compliance Officer
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. Guy Lavan (39) BSc, Chief Engineer
Mr. Guy Lavan joined the Company in 2007, he acted as Dambovita Center Deputy Execution Manager. Since 2013 he was acting as Deputy Chief Engineer and as of April 2015 he was appointed as the Group Chief Engineer and head of construction. Prior to joining the Company Mr. Lavan was advising to major multinational developers and contractors in construction of shopping centers in Romania, the Israeli international airport and Intel Factory in Israel. Mr. Lavan holds BSc Degree from the Technical University of Budapest.

Mr. Luc Ronsmans (66) MBA, The Netherlands and Romania
Country Director
Mr. Luc Ronsmans joined the Europe Israel Group in 1999. Located in Amsterdam and Bucharest, he acts as manager for European operations for both the company and its group affiliates. Prior to joining the Europe Israel Group, Mr. Ronsmans was active in the banking sector, holding managerial positions with Manufacturers Hanover Bank, Continental Bank (Chigaco), AnHyp Bank and Bank Naggelmachers in Belgium.

Mr. Rabia Shihab (38) 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.

Ms. Monika Alicka (32) MA, CEE Leasing Director
Ms. Alicka joined the company in 2013 as Leasing Manager of Plaza Centers Poland.
Since 2015 she was additionally acting as Leasing Director Serbia responsible for the leasing process of Belgrade Plaza Shopping Center. In September 2016 she was appointed CEE Leasing Director for the Plaza Centers Group. Ms. Alicka holds a Master's Degree in Law & Administration from the University of Gdansk.

Directors' report

Principal activities and review of business

Plaza Centers N.V. is 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 21 years. To date, the Group has developed, let and opened 34 shopping and entertainment centers of which 33 were sold with an aggregate gross value of circa €1.48 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, and 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.

For a more detailed status of Plaza's main focus in 2017 and current activities and projects, the directors refer to the Executive Officer's statement on pages 20 to 22 as well as to the following chapters: Overview, Business Review and Management and Governance.

For an overview of subsequent events refer to note 32 to the consolidated financial statements.

Portfolio progress

The Company currently has a land bank of 14 plots, and owns one operational shopping and entertainment centre assets across the CEE and in India.

In 2017, Plaza will continue delivering on the disposal of non-core assets and its operating shopping centre (Torun Plaza). Plaza's focus is in completion of preliminary signed assets' sale agreements and unlocking the value of land through developments where possible.

Going Concern & Auditor Comments

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 terms of the banking facilities and debentures, and other working capital requirements, as disclosed in notes 2c and 16 of the consolidated financial statements.

The Board of Directors has analysed 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 2016, which is the base for important disclosures included in the Company's 2016 financial reports.

2. Extensive review and assessment of the features of the debt restructuring plan as amended in November 2016 regarding early prepayment requirements, including prospective cash outflow, covenants and comply with these elements, and especially the planned repayment of minimum early repayment to its bondholders in order to obtain a deferral of one year for the remaining contractual obligations of the debentures.

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.

4. The deadline set out in the bond trust deeds for the publication of its financial statements has passed and the company 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. In addition, the trading of the Company's ordinary shares, Series A Notes and Series B Notes have been 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.

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.

Based on and considering the above assessments, done for the period of 13 months following the signature of these reports, the Board of Directors expects that the Group will be able to meet the remaining contractual obligations during the 13 months period following the approval of the consolidated financial statements by a combination of its assets disposal program and cash generated from operating shopping centers.

The Board wishes to highlight the Independent Auditors' Report including the Auditor's view that it was not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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 58 of this report.

Directors and appointments

The following served as directors of the Company at 31 December 2016:

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

Substantial shareholdings

As of the balance sheet date, Davidson Kempner Capital LLC** held approximately 26.3% and York Capital Management Global Advisors held approximately 3.64% 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 that of its parent company Elbit Imaging Ltd.

Employee involvement

The Company has employees and other persons providing similar services. In 2016 the Group had 62 employees and other persons providing similar services. 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 Park Plaza Victoria Hotel Amsterdam, Damrak 1-5, 1012 LG Amsterdam, the Netherlands on 30 June 2016 at 10.30 am (CET).

** 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.

In this AGM, inter alia, the following resolutions were proposed to the shareholders: (i) to adopt and approve the Company's Dutch statutory annual accounts and annual report for the 2015 financial year being drawn up in the English language; (ii) not to distribute any dividend to the holders of ordinary shares in respect of the year ended 31 December 2015; (iii) to discharge the directors of the Company from their liability for the conduct of business for the year ended 31 December 2015; (iv) to appoint Grant Thornton Accountants en Adviseurs B.V. as the external auditor for the 2016 financial year; (v) to amend the Articles of Association to inter alia effectuate a reverse split (consolidation) of the Company's ordinary shares whereby 100 (one hundred) ordinary shares with a nominal value of EUR 0.01 (one eurocent) will be consolidated to 1 (one) ordinary share with a nominal value of EUR 1 (one euro) ("Share Capital Consolidation"); (vi) to grant power of attorney to have the notarial deed of amendment of the Articles of Association executed; (vii) to designate the Board, generally and unconditionally as the competent body to issue ordinary shares (including rights to acquire ordinary shares) in the context of the Share Capital Consolidation; (viii) to designate the Board, generally and unconditionally, as the competent body to restrict or exclude pre-emptive rights upon issuing ordinary shares in the context of the Share Capital Consolidation (ix) to authorise the Company, generally and unconditionally, for the purpose of Article 8 of the Articles of Association, to make market purchases of ordinary shares in the capital of the Company in the context of the Share Capital Consolidation; to reappoint as a non-executive director; (x) Mr. Ron Hadassi, who is retiring by rotation and may be reappointed under Article 23 paragraphs 6 and 9 of the Articles of Association to reappoint as an executive director; (xi) Mr. Nadav Livni, 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 18 – Equity).

Forecast

Focus remains on seeking potential buyers for selected non-core assets which have become less fit for development by us. At a corporate level, we have reduced central and finance costs, and continue to focus on the improving the performance at our operating shopping centre.

Overall, we are making good progress and have already shown accelerated sales and still have a pipeline of disposal opportunities going forward, all with a focus on delivering for our stakeholders.

Plaza's focus is in completion of preliminary signed assets' sale agreements, unlocking the value of land through developments where possible, reducing debt levels, continue to handle reducing costs, and delivering on behalf of bondholders and shareholders.

On the development side Plaza continued to construct Belgrade Plaza ("Visnjicka") in Belgrade until the opening that too place in April 2017. In addition, advancing related permits and approvals for the Casa Radio project in Bucharest, Romania and exploring opportunities for financing and/or partnerships for the development, and the execution of Timisoara project will be considered depending on availability of equity, external finance and sufficient tenant demand.

The Sale of Torun Plaza (yielding asset) where value potential is or is close to being established and where sale price is appealing. Also, the sale of plots which are not part of the Company's core business or not suitable for development in the short/medium term.

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, following the one year deferral achieved on March 15, 2017. For important information in regards to Plaza's cash flow projections please refer to Note 2(c) in the consolidated financial statements.

Plaza will Continue with efficiency measures and cost reduction where possible. At the end of 2017, G&A expenses phase shall be reduced to be below €5.5 million per annum 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 changed significantly over recent years, and following the approval of the restructuring plan as amended on November 2016, material change is expected for 2017 following the nomination of Dori Keren to the role of Chief Executive Officer and implementing the company's strategic Plan.

Corporate governance

The Company was incorporated in The Netherlands on May 17, 1993 as a private limited liability company (besloten vennootschap 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

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) whereas the Dutch Corporate Governance Code is based on a separate management Board and supervisory Board. Where possible, taking the aforesaid into consideration, the Company complies with the Dutch Corporate Governance Code and the UK Corporate Governance Code, with the exception of a limited number of best practice provisions which it does not consider to be in the interests of the Company and its stakeholders or which are not practically feasible to implement.

The Deviations from the Dutch Corporate Governance Code in 2016

- Best Practice Provision II.1.3 stipulates inter alia that the Company should have an internal risk management and control system which should in any event employ as instruments of the internal risk management and control system a code of conduct which should be published on the Company’s website. Such code of conduct has not been available during 2016. As part of risk management and control, the Board adopted in 2016 the “Plaza Centers Group Global Compliance Policy, which addresses inter alia integrity in business dealings, antitrust, transparent financial reporting and insider trading. (The Global Compliance Policy is available at the following link on the Company’s website http://www.plazacenters.com/downloads/Plaza_Centers_Global_Policy_2016.pdf).

- Best Practice Provision II.1.4 (b) stipulates that the management board shall provide a description of the design and effectiveness of the internal risk management and control system for the main risks. Since the Company has no such code, it cannot refer its design and effectiveness.

- Best Practice Provision II.1.6 stipulates that the management board shall describe the sensitivity of the results of the Company to external factors and variables. Since the Company has no streaming/fix annual revenue from operation of properties, it does not perform such analysis.

- Best Practice Provision II.2.4 stipulates that granted options shall not be exercised in the first three years after the date of granting. 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 2016, no options were granted or exercised.

- Best Practice Provision II.2.12 and Best Practice Provision II.2.13 stipulate inter alia that the remuneration report of the supervisory board shall include account of the manner in which the remuneration policy has been implemented in the past financial year as well as an overview of the remuneration policy planned by the supervisory board for the next financial year and subsequent years and should contain the information specified in these provisions. The current remuneration policy of the Company has remained unchanged from 2006 at the moment the Company’s shares were admitted to listing and is fairly straight forward, as such that „implementation” is not an issue. Furthermore, pursuant to the Articles of Association, the general meeting of shareholders determines the remuneration policy, and not the non-executive directors. When the remuneration policy needs changing, approval will be sought from the general meeting of shareholders of the Company.

- Best Practice Provision II.3.3 and Best Practice Provision III.6.2 stipulate that both executive directors and non-executive directors shall not take part in any discussion or decision-making that involves a subject or transaction in relation to which they have a conflict of interest with the Company. Section 25.1 of the Articles of Association provides for this. Section 25.2 of the Articles of Association further stipulates that if as a consequence of the provision of Section 25.1of the Articles of Association, no board resolution can be passed, then despite the conflict of interest, such resolution can be resolved by the Board provided that the resolution is adopted unanimously and in a meeting where all Board members are present or represented.

- Best Practice Provision II.3.4 and Best Practice Provision III.6.3 stipulate, inter alias, that decisions to enter into transactions in which there are conflicts of interest with management board members that are of material significance to the Company and/

or to the relevant board members require the approval of the non-executive directors. Pursuant to the Articles of Association, each board member is obliged to notify all direct and indirect conflicts of interest and may not join the discussion and decision-making. Therefore, the Articles of Association do not contain a specific approval clause.

- Best Practice Provision III.1.7 stipulates that the supervisory board shall discuss at least once a year on its own, both its own functioning and that of its individual members, and the conclusions that must be drawn on the basis thereof. The desired profile, composition and competence of the supervisory board shall also be discussed. Moreover, the supervisory board shall discuss at least once a year without the management board being present, the functioning of the management board as an organ of the company and the performance of its individual members, and the conclusions that must be drawn on the basis thereof. In 2015 the non-executive directors have not specifically discussed the items that appear in this Best Practice Provision on separate occasions. The Board, however, feels it important to notify the shareholders that as a rule, every Board meeting includes an assessment by all Board members of their own functioning and that of their fellow Board members. The Board is of the view that, given the fact that the Company has a one-tier board rather than a separate management board and supervisory board, this course of action appropriately meets the requirements as laid down in this Best Practice Provision.

- Best Practice Provision III.1.8 stipulates that the supervisory board shall discuss at least once a year the corporate strategy and the risks of business and the results of assessment by the management board of the structure and operation of the internal risks management and control systems, as well as any significant changes thereto. In 2016, there have not been separate meetings of the non-executive directors to discuss the items mentioned in this Best Practice Provision. The reason therefore is that risk management at the Company is, pursuant to the internally applicable corporate governance regulations, a matter specifically reserved for decision by the full Board. Board meetings in 2016 have included discussions in respect of corporate strategy and risk management and periodically throughout the year, the internal system of risk management has been assessed by the full Board.

* Best Practice Provisions III.2.1 and III.8.4 stipulate that the majority of the members of the Board shall be independent non-executives within the meaning of Best Practice Provision III.2.2. From 1 January 2016 until 8 June 2016he Company had one executive director, Mr Nadav Livni and four non-executive directors out of whom three non-executive directors were considered to be independent, applying the criteria of Best Practice Provision III.2.2. The Chairman of the Board in function in 2016, Mr. Ron Hadassi, is considered to be non-independent. The independent non-executive directors in 2016 were Messrs. Marco Wichers David Dekel and Sarig Shalhav. Mr. Sarig Shalhav stepped down from his function on 8 June 2016*. See also page 33-34 – "Additional Information for an overview of the directors' former and current functions".

- Best Practice Provision III.3.3 and Best Practice Provision III.4.1 (a) stipulate that all supervisory board members shall follow an induction program. The Company has no formal induction program in place. New directors typically follow an ad hoc introduction to the Company which makes them familiar with the Company and its business and which enables them to perform their tasks.

- Best Practice Provision III.3.5 stipulates that a non-executive director (in terms of the Dutch Corporate Governance Code a supervisory director (commissaris)) may be appointed to the board for a maximum of three four-year terms. Section 23 of the Articles of Association provides for a retirement schedule whereby directors who have been in office for not less than three consecutive annual general meetings shall retire from office. Pursuant to section 23.9 of the Articles, such a director may be reappointed, which could result in a term of office which is longer than three four-year terms.

- Best Practice Provision V.3 stipulates inter alia that the Company should have an internal auditor. Though in fact the Company does not have an internal auditor itself, as part of the Elbit Imaging Group the Company has a Quality Control Regulator, who, in practice, functions as an internal auditor.

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 2016:

- 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.

- 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.

- 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 2015, the Chairman and the nonexecutive directors did not meet separately. However, at every Board meeting, an assessment is made by each Board member of his/her 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, should 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. Although the Company does not have an internal auditor, the Company has access to a quality control regulator who, in practice, functions as an internal auditor.

- Code Provision E.2.3 states that the Chairman should arrange for the Chairmen 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 the year under review only Mr. Dekel 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 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 company intends to take to mitigate the risk of non-compliance with such rule in the future. The Company complies, to the extent practicable, to comply 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 2016 until 8 June 2016, the Company had five directors – one executive director and four non-executive directors, of whom three were independent. With the effect of 8 June, 2016 Mr. Sarig Shalhav resigned. Since the resignation of the above director the Company has four directors – one executive director and four non-executive directors, of whom two are 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. Until August 2016, the Company had three committees in function, in line with the UK Combined Code and the Dutch Corporate Governance Code. These were the Audit Committee, the Remuneration Committee and the Nomination 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. The Audit Committee, which has a statutory basis, 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. Wichers and 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.

Due to the Market Abuse Regulation (regulation (EU) No 596/2014 of the European Parliament and of the Council) of 16 April 2014 entering into force, on 23 November 2016 the Company published its new Group-Wide Dealing Policy implementing the provisions of the Market Abuse Regulation (The Dealing Codie is available at the following link on the Company's website http://www.plazacenters.com/downloads/Dealing_Code_23_November_2016.pdf)

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:

* Until 8 June, 2016 Mr. Sarig Shalhav was a member of the Audit Committee and the Remuneration Committee.

Corporate governance

	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%
The SC Fundamental Value Fund LP	141,533	4.76%
Nationale-Nederlanden Otwarty Fundusz Emerytalny	135,095	4.55%
York Capital Management Global Advisors LLC	249,364	3.64%

The Board is satisfied that the Company is capable of carrying on its business independently of Elbit Imaging Limited, with whom it has 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.

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 2016 can be found on pages 37 and 38.

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 senior 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, 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, it 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 40, 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 Policy ((http://www.plazacenters.com/downloads/Plaza_Centers_Global_Policy_2016.pdf) which also addresses sound working conditions.

Corporate governance declaration

This declaration is included pursuant to Article 2a of the Decree further stipulations regarding the content of annual reports (Vaststellingsbesluit nadere voorschriften inhoud jaarverslag) 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 40 to 42);
- The functioning of the general meeting of shareholders, its primary authorities, the rights of shareholders and how they can be exercised (page 37);
- The composition and functioning of the Board and its Committees (starting on pages 33-34 and 37);
- The regulations regarding the appointment and replacement of members of the Board (page 37);

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 operates its business 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 projects and geographical allocation, and to the timing of development, sales and the corresponding financing arrangements. Operational risks include, amongst other things, the selection of properties and lessees, 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 as well as secure finance or refinancing risks 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 monthly, quarterly and annual figures based on the Company's accounting principles. Monthly meetings or conference calls are held between the Management Board, Headquarter and local managers to discuss the results per country versus budgets and the long term financial planning. The internal management reporting system is designed to follow developments in rental income, the value of investments, rent arrears, vacancies, the progress of development projects and disposal of further non-core assets and assets not suitable for development in the short-medium term, and 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 businesses 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.

In 2017, Plaza will continue delivering on the disposal of non-core assets and its operating shopping centre. Plaza's focus is in completion of preliminary signed assets' sale agreements, unlocking the value of land through developments where possible, reducing debt levels, continue to handle reducing costs, and delivering on behalf of bondholders and shareholders.

Asset sales will be considered for yielding assets where value potential is or is close to being established and where prices are appealing or the sale of plots which are not part of the company's core business nor suitable for development in the short-medium term. Furthermore, continuing to reduce corporate debt by early repayments following sale of assets according to the Company's debt restructuring agreement, and achieving a one year deferral period on bond principal repayments (meaning early redemption at the total amount of at least NIS 382 million) as per the amended restructuring plan, will remain a priority.

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, 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.

In addition, to ensure knowledge and understanding of its business environments, Plaza employs local employees and consultants; and in some cases has entered into local partnerships.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investors, creditors and market confidence and to sustain future development of the business.

Pursuant to the approved restructuring plan, 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 2015, G&A expenses were reduced to below €5 million per annum following stringent cost control initiatives, e.g. reduction of manpower, cutting cost of suppliers, advisors 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. 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 coverage ratio covenant (as defined in the restructuring plan) is not met, namely below the threshold of 118%.

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.

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 in place to minimize the risk of material misstatements and errors in our financial statements.

Financing risk management

Liquidity risk

In line with the debt restructuring plan agreed in 2014, Plaza repays 75% of proceeds from disposals to bondholders. In 2016, Plaza paid €24.7 million to bondholders and, since the restructuring plan was approved in 2014, a total of €93.1 million has been distributed as well as 13.21% of shares in the Company. For background on this restructuring, please refer to pages 10-14.

Following the closing of the Company's restructuring plan, the consolidated financial statements include liabilities to bondholders for the aggregate principal amount of €186.4 million. The company published cash flow forecast (as described on page 30) until 2018 in order to demonstrate the abovementioned repayments, as they fall due and to achieve 1 year deferral of the bonds principal repayments (NIS 382 million). The Company regards this scenario as the most probable, although these repayments are not falling due, unless the mentioned assets in this scenario are disposed of.

As Plaza depends on external financing and has a high exposure to CEE and India, Plaza bears the risks due to fluctuations in selling yield, interest rates, exchange rates, and other indices, its financial assets and debt value, cash flows, covenants and cost of capital will be impacted, thereby affecting its ability to raise capital.

Risk management

On 8 November 2016, 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 Plaza's series of two Notes traded on the Tel Aviv Stock Exchange from "ilBBB-" to "ilCCC-" on the local Israeli scale. This rating was reinstated on 1 March 2017.

Plaza continued to focus on deleveraging its balance sheet during the period but, as a result of material impairment losses recorded in the period and finance costs incurred, the gearing level increased to 89% in 2016.

As part of the Company's plan to reduce leverage, the following action took place in respect of bank loans – refinancing and discount during 2016:

- On September 2016 plaza has completed the sale of the shares in Zgorzelec Plaza mall and recognized 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.
- Plaza's subsidiary 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 a basis for and contribution to effective risk management and to ensure that Plaza will be able to pursue its strategy even during periods of economic downturn, Plaza limits its financial risks by hedging these risks if and when expedient.

Interest rate risks
In view of Plaza's policy to hold investments for the long term while exit yields are high, the loans used to fund this are also taken with long maturities. Plaza uses interest-rate swaps to manage its interest-rate risk. This policy regarding the hedging of interest-rate risk is defensive in nature, with the objective of protecting itself against rising interest rates. The Group incurs certain floating rate indebtedness and changes in interest rates may increase its cost of borrowing, impacting on its profitability. On a project by project basis, the Group considers hedging against interest rate fluctuations or as sometimes required to hedge by the lending bank.

Currently the Group undertake hedging agreement - interest rate swap but it doesn't fully hedge against interest rate fluctuations (including CPI on Its Debentures). In case of IRS arrangements, a reduction of the relevant market interest rates would cause the market value of the swap agreement to become negative, with corresponding negative effect of the Group's net value.

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 and construction agreements are conducted in local currencies, or are affected by them. Its rental revenues may also be denominated in local currencies. The Group seeks to minimise these risks by ensuring that its principal liabilities (financing and construction) and its principal sources of revenue (sale proceeds and rentals) are all denominated in the same currency (namely Euro), or are linked to the rate of exchange of the local currency and the Euro. In order to limit the foreign currency exchange risk in connection with the Notes, may enter into similar hedging arrangements (as necessary) in respect of each of the series of Notes, subject to market conditions, although the Company ceased the using of currency options effective October 2015 in order to avoid liquidity risk. The Company carries out hedging transactions occasionally using derivatives subject to limitation set by the Board.

If the Company is not successful in fully hedging 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 profitability.

Furthermore, Plaza is monitoring its currency exposure on a continuous basis and acts accordingly by investing in foreign currencies in certain cases when cash flows denominated in foreign currency are needed according to project construction budget. 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 developing, owning, managing and using 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 the Poland where we have shopping mall may affect sale price and occupancy and rental rates of the Group's property.

The Group carries out continual high 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 the local teams 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), and focus on commitments to reposition the business by disposals of non-core sites or not suitable for development in the short term/medium term such as in Romania and Poland and restrict its commencement of construction projects to only the very best opportunities focusing on projects with tenant demand and availability of external bank financing which require minimal equity investments focusing on Serbia and Romania. These measures have been and will be pursued with vigor. Market developments 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 to make the amounts outstanding become immediately due and payable as the Company has not published its consolidated financial statements by 30 April and (2) may be entitled to make the amounts outstanding become immediately due and payable as a result of the suspension of the trading of the Company's ordinary shares and bonds with effect from 2 May 2017. 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.

Disposal of subsidiaries, in which facility agreement is in place. In addition bank loans discounts or waivers have been discussed as evidence in the case of Zgorzelc Plaza DRA settlement and in bank loan settlement regarding Company's plot in Romania which bought in 86.5% discount. In addition, 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 realestate 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, such as some of the current market yields, the Group will not be able to achieve substantial capital gains by selling the commercial centers.

  Risk mitigation: Sale of yielding assets 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, 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 business, result of operations, financial condition and/or prospects. The Company may from time to time publish such valuations. 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 are closely reviewed on an ongoing basis by the Board members.

- **The Group's borrowing costs and access to capital markets depend significantly on the Company's credit ratings and market perception of the Company's and the controlling shareholder's financial resilience**
  Risk description: Reduction in the credit ratings of the Group or 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 and other secured funding arrangements. Therefore, any further reduction in credit ratings or deterioration of market perception could materially adversely affect the Group's access to liquidity and competitive position 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.

  On 8 November 2016, 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 Plaza's series of two Notes traded on the Tel Aviv Stock Exchange from "ilBBB-" to "ilCCC-" on the local Israeli scale. This rating was reinstated on 1 March 2017.

  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 loans is detailed in the restructuring plan on page 10-12. In addition, the Group maintains good relations with the financing banks who remain supportive of companies with strong track records and debt facility signed for the Belgrade Plaza project for circa 55% of the construction cost.

- **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 8.3 acres which had been provided to us as guarantees under the agreement. Although the separation mechanism has been initiated, we have still not been able to achieve full separation due to a lack of cooperation by the local investor. In order to complete the separation process, the local investor is required to execute documents transferring and duly registering its 10% undivided interest in the plot in EPI's favor. Even if we are able to properly execute the separation mechanism (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.

- **Our ability to generate short term cash flow from our Chennai project in the short term is limited**
  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, India. 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.

  As of the date this current report, our estimations are that sales in the Chennai, India project will commence in approximately 18-24 months, and the completion of the full-scale project (including obtaining all permits, construction works, marketing and collections of sales proceeds) will occur within a period of approximately 6 years.

  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 are fully dependent on the local developer's skills and efforts to complete the Chennai, India project in the most efficient way. If the local developer will not duly perform its obligations we may experience a delay in our expected cash flow, and may need to terminated the JDA and seek alternative exist strategies from the Chennai, India project which may not be on optimal terms.

- **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 project in Chennai, India is subject to a JDA with a local partner.The Chennai, India project is to be developed by the local partner who is responsible for the construction of the Chennai, India project at its own costs, as well as marketing the Chennai, India project to third parties buyers. Any significant decline in the financial capabilities of the local partner might cause delays in the construction and marketing of the Chennai, India project by the local partner in the expected timeline. 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, India 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.

- **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. Recent 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. 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 in 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.

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 and critical delays in construction schedules. The presence of such substances, or the failure to remediate such substances properly, may also adversely affect the Group's ability to sell or lease the development or to borrow using the real estate as security. 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. The Group generally insists upon receiving an environmental report as a condition for purchase, or alternatively, conducts environmental tests during its due diligence investigations.

Also, some countries such as Poland, Hungary, Romania and the Czech Republic 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 acquires 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, and may cause the Group to suffer expenses incurred in cleaning up the polluted site which may be significant.

While the Group makes 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. The participation exemption also applies to qualifying hybrid loans. Should the Company not be in compliance with all participation exemption requirements or should the partici-pation exemption rules be amended, this will affect its tax relief which could have an adverse effect on its cash flow position and net profits.

The Company has provided substantial amounts of loans to its subsidiaries which are treated as hybrid loans and exempt under the participation exemption. Most of these loans are not covered by a tax ruling confirming the treatment for Dutch tax purposes. Therefore, there is a risk that a discussion arises with the Dutch tax authorities on the treatment thereof.

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 develops shopping and entertainment centers or in which its centers are managed, 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 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 see references to Note 8 (5) and 28 (e).

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 quarterly figures are reviewed by the external auditor prior to their publication by means of a press release. The financial statements are audited by the external auditor, and the quarterly 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. All trading properties are being appraised at least once a year (mainly by external appraisers).

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 optimisation 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 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;
- 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.
It is linked directly to the functions and subsidiaries.

Country directors, 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 transmit this reporting to their superiors and indicate problems and incoherences 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 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.

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 year (in 2016 the audit committee met four times), 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.

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 Company's Financial & Accounting Department that submit information to the Group, and which certify its compliance with the internal certification procedure. The corporate and consolidated financial statements are prepared by the Financial & Accounting Department, which reports directly to the Management Board. The department is 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 Financial & Accounting Department, 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, as well as interest rate and exchange rate hedges. 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, together with interest rate and exchange rate hedging, are the responsibility of the Financial & Accounting Department, which keeps 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 country departments are responsible for collecting information from the local bookkeepers and applying a series of appropriate controls to their job functions, as defined in the corresponding procedures. The Accounting Department 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 Audit Committee.

Remuneration report

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.

2016	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	67	-	67	-
Total	67	-	67	-
Non-executive directors				
Non-performance related remuneration				
Mr. Sarig Shalhav	30*	-	30*	-
Mr. Ron Hadassi	202	-	202	-
Mr. David Dekel	67	-	67	-
Mr. Marco Wichers	67	-	67	-
Total	366	-	366	-
Total – all directors	**433**	**-**	**433**	**-**

* Resigned on 8th June, 2016

Remuneration report

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 2016*

* Source: Bloomberg, as of 31 December 2016. Past performance is not an indication of future returns.

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. Regarding the modification of Share Option Scheme and reverse split 1:100 refer to note 20 of the consolidated financial statements.

In 2016 none of the Board members has share options. Mr. Dori Keren (CEO) has 118,889 options granted and unexercised. The option fully vested with an exercise price of £43.

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

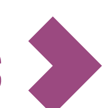
	Number of options as at 31 December 2016
Total pool	478,345
Granted	471,951
Exercised	(84,205)
Forfeited	(152,222)
Left for future grant	158,616

Amsterdam, 12 June 2017

The Board of Directors:

Ron Hadassi　　Marco Wichers　　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.

On the basis of the above and in accordance with Best Practice Provision II.1.4. of the Netherlands Corporate Governance Code, the directors confirm that internal controls over financial reporting within the Company provide a reasonable level of assurance that the financial reporting does not contain any material inaccuracies, and confirm that these controls functioned properly in the year under review and that there are no indications that they will not continue to do so.

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

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 2016, 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

Marco Habib Wichers
Independent Non-executive
Director, Chairman

12 June 2017

This page was left intentionally blank

This page was left intentionally blank

Consolidated statement of financial position

	Note	December 31, 2016 €'000	December 31, 2015 €'000
ASSETS			
Cash and cash equivalents	4	5,646	15,659
Restricted bank deposits	5	7,174	4,774
Trade receivables	6	6,645	1,654
Other receivables	7a	1,614	1,350
Prepayments	7b	2,371	196
Total current assets		**23,450**	**23,633**
Trading properties	8	263,695	317,758
Equity – accounted investees	10	30,160	40,608
Loan to equity accounted investee	10	-	4,298
Property and equipment	9	2,400	2,480
Related parties receivables	30	1,720	2,828
Long term receivables	10	699	-
Deferred taxes	17	-	406
Total non-current assets		**298,674**	**368,378**
Total assets		**322,124**	**392,011**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Interest bearing loans from banks	12	48,099	31,891
Debentures at amortized cost	16	47,168	79,564
Trade payables	13	7,443	2,223
Related parties liabilities	14	206	109
Derivatives	11	453	436
Other liabilities	15	2,906	7,045
Total current liabilities		**106,275**	**121,268**
Interest bearing loans from banks	12	34,176	70,621
Debentures at amortized cost	16	131,202	102,025
Provisions	8	13,244	14,911
Derivatives	11	-	318
Deferred taxes	17	116	-
Long term payables	16(b)	488	-
Total non-current liabilities		**179,226**	**187,875**
Share capital	18	6,856	6,856
Translation reserve	18	(27,103)	(27,418)
Other reserves		(19,983)	(20,706)
Share based payment reserve	18	35,376	35,376
Share premium	18	282,596	282,596
Retained losses		(241,119)	(194,602)
Equity attributable to equity holders of the Company		**36,623**	**82,102**
Non-controlling interests		-	766
Total equity		**36,623**	**82,868**
Total equity and liabilities		**322,124**	**392,011**

12 June 2017
Date of approval of the
financial statements

Dori Keren
Chief Executive
Officer

David Dekel
Director and Chairman of the
Audit Committee

The notes on pages 68-123 are an integral part of these consolidated financial statements.

Consolidated statement of profit or loss

	Note	Year ended December 31, 2016 €'000	Year ended December 31, 2015 €'000
Revenues and gains			
Revenues			
Revenue from disposal of trading properties	29(a)	9,632	34,684
Rental income	21(a)	15,611	18,676
Revenues from entertainment centres	21(b)	-	728
Total revenues		**25,243**	**54,088**
Gains and other			
Gain from sale of plots	24	3,989	2,589
Share in results of equity-accounted investees, net of tax	10	4,274	1,982
Other income	24	253	7,307
Total gains		**8,516**	**11,878**
Total revenues and gains		**33,759**	**65,966**
Expenses and losses			
Cost of Trading properties disposed	29(a)	(9,987)	(43,486)*
Cost of operations	22(a)	(4,886)	(6,481)
Cost of operations – entertainment centres	22(b)	-	(1,019)
Write-down of Trading Properties	8	(40,810)	(20,322)
Administrative expenses	23	(6,506)	(6,999)
Other expenses	24	(1,922)	(1,851)
Finance income	25	18,642	14,292
Finance costs	25	(34,096)	(45,195)
Total		(79,565)	(111,061)
Loss before income tax		**(45,806)**	**(45,095)**
Tax benefit (income tax expense)	26	(711)	(1,021)
Loss for the year		**(46,517)**	**(46,116)**
Loss attributable to:			
Equity holders of the Company		(46,517)	(46,116)
Earnings per share			
Basic and diluted loss per share (in EURO)	19	(6.78)	(6.73)

* Reclassified.

The notes on pages 68-123 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

	Year ended December 31, 2016 €'000	Year ended December 31, 2015 €'000
Loss for the year	**(46,517)**	**(46,116)**
Other comprehensive income		
Items that are or may be reclassified to profit or loss:		
Foreign currency translation differences – foreign operations (Trading properties) – reclassified to profit or loss	-	6,516
Foreign currency translation differences – foreign operations (Equity accounted investees)	272	1,738
Foreign currency translation differences – foreign operations (Trading properties)	-	1,121
Other comprehensive loss for the year, net of income tax	272	9,375
Total comprehensive loss for the year	(46,245)	(36,741)
Total comprehensive loss attributable to:		
Equity holders of the Company:	(46,202)	(36,835)
Non-controlling interests	(43)	94
Total comprehensive loss for the year	**(46,245)**	**(36,741)**

The notes on pages 68-123 are an integral part of these 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**	**Other reserves* €'000**	**Retained losses €'000**	**Total €'000**	**Non-controlling interests €'000**	**Total €'000**
Balance at December 31, 2014	**6,856**	**282,596**	**35,340**	**(36,699)**	**(20,706)**	**(148,486)**	**118,901**	**672**	**119,573**
Share based payment (refer to note 20)	-	-	36	-	-	-	36	-	36
Comprehensive income for the year									
Net loss for the year	-	-	-	-	-	(46,116)	(46,116)	-	(46,116)
Foreign currency translation differences	-	-	-	9,281	-	-	9,281	94	9,375
Total comprehensive loss for the year	**-**	**-**	**-**	**9,281**	**-**	**(46,116)**	**(36,835)**	**94**	**(36,741)**
Balance at December 31, 2015	**6,856**	**282,596**	**35,376**	**(27,418)**	**(20,706)**	**(194,602)**	**82,102**	**766**	**82,868**
Comprehensive income for the year									
Net loss for the year	-	-	-	-	-	(46,517)	(46,517)	-	(46,517)
Other comprehensive income	-	-	-	-	723	-	723	(723)	-
Foreign currency translation differences	-	-	-	315	-	-	315	(43)	272
Total comprehensive loss for the year	**-**	**-**	**-**	**315**	**723**	**(46,517)**	**(45,479)**	**(766)**	**(46,245)**
Balance at December 31, 2016	**6,856**	**282,596**	**35,376**	**(27,103)**	**(19,983)**	**(241,119)**	**36,623**	**-**	**36,623**

* Including Capital reserve from acquisition of non-controlling interests without a change in control in amount of TEUR 20,706.

The notes on pages 68-123 are an integral part of these consolidated financial statements.

Consolidated statement of cash flow

	Note	Year ended December 31, 2016 €'000	Year ended December 31, 2015 Restated* €'000
Cash flows from operating activities			
Loss for the year		(46,517)	(46,116)
Adjustments necessary to reflect cash flows used in operating activities:			
Depreciation and impairment of property and equipment	9	67	200
Net finance costs	25	15,454	30,903
Equity-settled share-based payment transaction		-	36
Share of gain of equity-accounted investees, net of tax	10	(4,274)	(1,043)
Income tax expense (tax benefit)	26	711	1,021
Subtotal		**(34,559)**	**(14,999)**
Changes in:			
Trade receivables		(4,991)	644
Other receivables		(1,332)	(2,810)
Trading properties	8	47,453	36,640
Loans from Equity Accounted Investees		18,638	105
Trade payables		5,220	346
Other liabilities, related parties liabilities and provisions		(5,221)	(5,680)
Subtotal		**59,767**	**29,245**
Interest received		34	290
Interest paid		(15,670)	(17,053)
Taxes paid		(189)	(118)
Net cash provided by (used in) operating activities		**9,383**	**(2,635)**
Cash from investing activities			
Proceeds from sale of property and equipment		16	1,190
Sale of held for trading marketable debt securities		-	2,227
Purchase of held for trading marketable debt securities		-	(825)
Net cash provided by investing activities		**16**	**2,592**

The notes on pages 68-123 are an integral part of these consolidated financial statements.

Consolidated statement of cash flow

	Note	Year ended December 31, 2016 €'000	Year ended December 31, 2015 €'000
Cash from financing activities			
Proceeds (payments) from hedging activities through sale of options and forwards	11	630	(373)
Changes in restricted cash		(2,588)	1,945
Proceeds from loans from banks and financial institutions	12	11,530	-
Repayment of debentures	16	(24,656)	(6,585)
Repayment of interest bearing loans from banks	12	(4,322)	(12,921)
Net cash used in financing activities		**(19,406)**	**(17,934)**
Decrease in cash and cash equivalents during the year		**(10,007)**	**(17,977)**
Effect of movement in exchange rate fluctuations on cash held		**(6)**	**273**
Cash and cash equivalents as at January 1st		**15,659**	**33,363**
Cash and cash equivalents as at December 31st		**5,646**	**15,659**

The notes on pages 68-123 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

NOTE 1 - PRINCIPAL ACTIVITIES AND OWNERSHIP

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

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

The Company is listed on the Main Board 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 (December 31, 2015 – 44.9%). The Company regards Elbit Imaging Limited ("EI") as the ultimate parent company (refer to note 30 for more details). For the list of the Group entities, refer to note 35.

NOTE 2 - BASIS OF PREPARATION

a. Statement of compliance

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 authorised for issue by the Board of Directors on 09 June 2017.

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. 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 banking facilities and debentures, and other working capital requirements.

The Group's primary need for liquidity is to repay its debt, fund working capital requirements of the operating shopping centres, develop new shopping centres 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, 2016 the Group's outstanding obligations to bondholders and banks are EUR 186.4 million and EUR 82.3 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 next 18 months is aggregated in the following tables.

Contractual Obligations	Total Payment Due by period (in TEUR)	
	Within 1 year	1-1.5 years
Debentures including current portion and interest	56,500*	21,375
Secured bank loans	48,129	440
Total contractual obligations (excluding working capital)	**104,629**	**21,815**

* Out of which EUR 51.8 million was repaid by the date of approval of these consolidated financial statements.

The Company expects to increase the amount of its liquid balances during the next 18 months, by means of the following actions:
- Sale of shopping centres in amount of EUR 146 million
- Sale of plots of lands in amount of EUR 49.5 million
- NOI and other income EUR 6.7 million

Management expects that the Group will be able to meet the remaining contractual obligations during the 13 months period following the approval of these consolidated financial statements by a combination of its assets disposal program and cash generated from operating shopping centres. Management further expects that these actions are probable and will be executed in alignment with the anticipated timing of the Group's liquidity needs.

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 are 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.

As discussed in Note 16, at the end of the reporting period the Company is in compliance with all financial covenants required under the Restructuring Plan. However, as of the date of the approval of these consolidated financial statements, the Company is near the minimum ratio required in respect to the Coverage Ratio Covenant.

As disclosed in note 32i. 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. As disclosed in Note 32j the trading of the Company's ordinary shares, Series A Notes and Series B Notes have been suspended from trading on the relevant exchanges. On May 18, 2017 the company announced about restoring the listing of ordinary shares to trading on the London Stock Exchange and listing on the Official List, trading on the Warsaw Stock Exchange and the Tel Aviv Stock Exchange and restoring trading of Series A and Series B Notes on Tel Aviv Stock Exchange.

This may entitle the Bondholders to declare that all or a part of their respective (remaining) claims become immediately due and payable.

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.

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

d. Investment property vs. trading property classification

The Group has designated its properties into three types (completed shopping centres, plots designated for development and plots designated for sale).
In respect of its completed shopping centres the Group is actively seeking buyers. Therefore, management believes these are appropriately classified as trading properties rather than investment properties.

In respect of plots designated for sale, (which are not intended to be constructed in the near future), the Company is actively seeking buyers and does not hold the plots with the intention to gain from capital appreciation. Plots designated for construction are intended to be developed and sold as a completed project in the normal course of business once circumstances allow. Therefore, management also believes that these are appropriately classified as trading properties.

e. 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 8 – Judgements used in determining the net realisable value of trading properties
- Note 2(d) – Trading property vs. Investment property

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 8 – key assumptions used in determining the net realisable value of trading properties
- Note 8, 28 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources;
- Note 26 – recognition of deferred tax assets and availability of future taxable profits against which tax losses carried-forward can be used.

Functional 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 tenants, potential buyers and suppliers, determine its financing activities and budgets and assesses its currency exposures.

Operating cycle determination

The Normal Operating Cycle (“NOC”) of the Group is driven by its business model to buy, develop and sell, primarily shopping centres, and comprises the estimated amount of time required to complete the process from the acquisition of undeveloped land through its development, preparation for sale and ultimate disposal. Based on the Group’s experience, mainly from the period from 1996-2008, this period of time was three to five years (and in respect of large scale, multi-phase/mixed-use projects, up to eight years). For example, for completed shopping centres, these steps include achieving a stabilized tenants list, improving the tenant mix, increasing occupancy rates, completion of certain tenant improvements and finding the qualified buyers. For plots, this includes obtaining permits, finance and construction.

The Company maintains its existing business model; however following the financial crisis, the level of uncertainty of the actual amount of time needed to complete all steps in the process has become much longer than what the Company believes is a normal level. Over the period 2009 – 2012, the Company has had difficulty selling completed properties at prices reflecting management’s view of reasonable estimated values, as well as experienced a lack of available finance for development of plots. The return to what management considers more normal conditions, primarily in the CEE markets where it has properties, have been longer than expected.

In view of the above uncertainties and abnormalities, the Company has taken since 2013 a position of reclassifying its entire trading properties to long term. 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.

NOTE 3 - MEASUREMENT OF FAIR VALUES

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 categorised 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 11 – Derivatives
- Note 27 – Financial instruments

NOTE 4 - CASH AND CASH EQUIVALENTS

Bank deposits and cash denominated in	Interest rate as of December 31, 2016	December 31, 2016 €'000	December 31, 2015 €'000
EUR – bank balances		2,309	6,595
Romanian Lei (RON)	Mainly 0.4%	93	2,739
United States Dollar (USD) - bank balances		143	2,069
New Israeli Shekel (NIS)	0%	45	2,017
Polish Zlotys (PLN)		2,293	1,576
Other currencies		763	663
Cash and cash equivalents in the statement of financial position		**5,646**	**15,659**

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 27.

NOTE 5 - RESTRICTED BANK DEPOSITS

	Interest rate as of December 31, 2016	December 31, 2016 €'000	December 31, 2015 €'000
Short-term restricted bank deposits			
In EUR	See below[1]	6,547	3,972
In USD		-	298
In PLN	See below[2]	627	504
Total short-term		**7,174**	**4,774**

1 As of December 31, 2016, EUR 4 million and EUR 2.52 million is restricted mainly in respect of bank facilities agreements signed to finance Projects in Poland and Serbia, respectively. These amounts carry an annual interest rate of mainly Overnight rates.

2 Secured tenants deposit in respect of Suwalki and Torun malls.

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 27.

NOTE 6 - TRADE RECEIVABLES

	December 31, 2016 €'000	December 31, 2015 €'000
Trade receivables[1]	7,429	3,064
Less - Allowance for doubtful debts	(784)	(1,410)
Total	**6,645**	**1,654**

1 Includes EUR 5.6 million from sale of plots (2015- nil).

NOTE 7 - OTHER ACCOUNTS RECEIVABLE, PREPAYMENTS AND ADVANCES

a. Other receivables	December 31, 2016 €'000	December 31, 2015 €'000
VAT and tax receivables	1,392	1,061
Others	222	289
Total	**1,614**	**1,350**

b. Prepayments and advances	December 31, 2016 €'000	December 31, 2015 €'000
Advanced payments to suppliers	98	137
Prepaid expenses	2,273	59
Total	**2,371**	**196**

NOTE 8 - TRADING PROPERTIES

	December 31, 2016 €'000	December 31, 2015 €'000
Balance as at 1 January	317,758	370,761
Acquisition, construction costs and other[1, 2]	25,793	6,649
Write-down of trading properties, net[3]	(40,810)	(20,322)
Effect of movements in exchange rates	-	4,756
Trading properties disposed (refer to note 29(a)- 29(d))	(39,046)	(44,086)
Balance as at 31 December	**263,695**	**317,758**
Operating shopping centres	108,869	129,483
Plots designated for development[4, 5]	129,197	161,183
Plots designated for sale	25,629	27,092
Total	**263,695**	**317,758**

1 2016 and 2015 – mainly due to construction activities in Serbia.

2 Includes EUR 5.1 million of non-specific borrowing costs capitalized, using a capitalization rate of 13% (2015: nil).

3 Breakdown of write -downs (write-up) of trading properties is presented in the table below.

Project name (location)	The year ended December 31, 2016 €'000	The year ended December 31, 2015 €'000
Koregaon Park (Pune, India) – sold	-	1,540
Helios Plaza (Athens, Greece)	740	450
Liberec (Liberec, Czech Republic) – sold	-	6,225
Belgrade Plaza Visnjicka (Belgrade, Serbia)	-	(5,601)
Krusevac (Krusevac, Serbia)	200	800
Lodz Plaza (Lodz, Poland)	400	2,225
Lodz residential (Lodz, Poland) – sold	-	2,133
Kielce (Kielce, Poland)	1,100	170
Zgorzelec (Zgorzelec, Poland) – sold	-	1,466
Casa radio (Bucharest, Romania), net	32,241	8,500
Constanta (Constanta, Romania)	852	400
Ciuc (Ciuc, Romania)	950	-
Timisoara (Timisoara, Romania)	2,600	261
Arena Plaza extension (Budapest, Hungary)	927	1,111
Other, aggregated	800	642
Total	**40,810**	**20,322**

The 2016 write- downs were caused mainly by the following factors:

- There were significant decreases in Net Realizable Value of certain projects due to factors listed below.

Delays in the commencement of the construction of certain projects designated for development and increase in certain properties' specific risks:

- In the case of Casa radio project in Romania write-down was recognized primarily due to increased uncertainty over the timing of the project's development as well as discount rate and exit rate assumptions resulting from the bureaucratic deadlock of the Public-Private Partnership agreement ("PPP"). Finally, the fair value of Casa radio has been determined assuming a sale of the project in a limited marketing period taking into account the conditions and liquidity needs of the Company in order to meet its future repayment schedule. Due to this, an additional discount has been applied to the market value of the project.
- EUR 2.6 million of write-down on Timisoara project, Romania, which reflects change in the concept of the project to a smaller scheme due to growing competition and a shopping mall saturated market.
- EUR 1.8 million of write-down on two plots held in Romania (Ciuc and Constanta) due to difficulties in realizing these plots of lands for a long period of time (more than two years) and due to the political environment in Romania.
- EUR 1.1 million write down recorded on Kielce project due to preliminary sale agreement.
- EUR 0.9 million of write-down on Arena Extension project, in Budapest, Hungary which reflects changes in management's assessment of the existing legal issues relating to the project.
- EUR 0.8 million write-down on a plot in Brasov which reflects the option of the financing bank to purchase the plot for EUR 1.1 million (refer to Note 29(g)).
- EUR 0.7 million write-down recorded on Helios Plaza project, in Pireaus, Greece, due to uncertainty in respect of estimated value of the planned sale transaction.
- EUR 0.4 million write down recorded on Lodz Plaza project which reflects the City Council's decision to reject proposals for a shopping centre development. Consequently, management has taken strategic decision not to develop Lodz Plaza shopping centre in Lodz and will instead realize the value of the asset through a disposal.

4. Including Casa radio in Romania and Belgrade Plaza (Visnjicka) in Serbia.

5. Casa Radio note

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 central 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 (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 (38 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 Group 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 Contract 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.

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 the 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 several notifications sent to the Romanian Authorities expressing a wish to renegotiate the existing PPP agreement no major breakthrough could be achieved. The Company could 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.

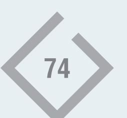
Because of the refusal of the public authorities to cooperate, negotiate and adjust the PPP agreement, the Project SPV was not able to meet its obligations under the PPP. This resulted in a situation where the Project SPV could not "de facto" continue the execution of the Project and created a risk that the public authorities could attempt to terminate the PPP agreement. 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 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.

During 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. Management believes that partnering with reputable investors with considerable financial strength can enhance the Group's 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.



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. The increased risk arising from the above matters has been reflected in the valuation of the project.

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 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 in 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, consequently no provision has been recorded in connection with these matters.

Elbit, the Company's 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 relevant authorities regarding the 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 13.2 million in respect of the construction of the PAB (December 31, 2015: EUR 14.9 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.

6. Security over trading properties

As at December 31, 2016, a total carrying amount of EUR 109 million (December 31, 2015 – EUR 123 million) which represents two operating shopping centres is pledged against secured bank loans of approximately EUR 71 million and one shopping centre under construction with carrying amount of EUR 56 million and a pledged against secured bank loans of approximately EUR 11.5 million.

7. Writedown 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, 2016, amounted to EUR 187 million or 41% percent of outstanding trading properties original cost (December 31, 2015 – EUR 230 million or 42% 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, 2016, 81.2% of the value of trading properties was based on valuations done by the independent third party valuation service (2015 - 98%). In certain cases management adjusted the values provided by the external valuator to reflect the Group's specific risks.

The majority of the trading properties were valued using the Residual technique (or the Discounted Cash Flows technique for operating shopping centres) except two projects in a value of EUR 12.1 million which were valued using the comparable method. A description of each approach is discussed below. The remaining properties were valued by reference to existing or preliminary sale agreements.

All the trading properties carrying amounts equals their net realizable values with the exception of Torun and Suwalki in Poland and Belgrade in Serbia. (2015: Torun and Suwalki in Poland), where the carrying amount reflects the cost.

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. The main features included in each valuation are:

a) Completed trading properties (operating shopping centers)

The Net Realizable Value of operating shopping centres reflects rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The Net Realizable Value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. The Group uses professional appraisers for determining the Net Realizable Value of the operating shopping centres.

Independent valuation reports are prepared by Jones Lang LaSalle by using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at the reporting date.

The principal assumptions underlying management's estimation of Net Realizable Values are those related to the receipt of contractual rentals, expected future market rentals, void periods, maintenance requirements and appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions made by the Group and those reported by the market, if available. Expected future rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

b) Incomplete trading properties (undeveloped plots of lands)

The net realizable value in case of an undeveloped project is determined by either:

- comparison with the sale price of land for comparable development; or
- Assessment of the value of the project as completed and deduction of the costs of development (including developer's profit and financing costs), and applying an estimated discount rate, to arrive at the underlying land value. This is known as the residual method.

b1 – Comparative 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.

b2 – Residual method

The residual method, in contrast, relies on an approach that is a combination of comparison and cost and it requires making a number of assumptions – any of which can affect the outcome in varying degrees. Having established the development potential a residual valuation can be expressed as a simple equation: (value of completed development) – (development costs + developers profit+ financing cost) = land value. Each element of this equation is discussed in the following paragraphs.

- Value of completed development: The value of the completed development is the market value of the proposed development assessed on the special assumption that the development is complete as at the date of valuation in the market conditions prevailing at that date.

- Development costs: The development costs include planning and design costs, construction costs, site related costs, holding costs, finance costs and contingencies.

- Some larger schemes such as Casa radio in Romania and Chennai in India are phased over time. Is such case the phasing is reflected in the cash flows as deferral of some of costs to a date when it might be reasonable to expect them to be incurred. Similarly, not all proceeds occur simultaneously.

- Developer's profit: The nature of the development determines the selection of the profit margin, or rate of return and the percentage to be adopted varies for each case. The developers profit is expressed as a percentage of the Gross Development Value (GDV).

- Exit Yield represents the capital value of the property at the end of the period of analysis (exit value) expressed in percentage terms. The exit value is the net amount which an entity expects to obtain for an asset at the end of the period of analysis after deducting the expected costs of disposal. Usually the estimation is done through analyzing market evidence and then adjustments are made with regards to the individual property.

8. Significant estimates

The following table shows the valuation techniques used in measuring the net realizable value of trading properties, including those held by joint ventures in India which are recorded as equity accounted investees:

Group of assets	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Torun shopping centre – Poland	Discounted cash flows: The valuation model considers the present value of the net cash flows expected to be generated by the shopping centre. The cash flow projections include specific estimates for 10 years. The expected net cash flows are discounted using a risk-adjusted discount rate.	• Estimated rental prices per SQM are EUR 8–41.0, weighted average EUR 13.1 (2015: EUR 6.5-47.0, weighted average EUR 14.9); • Estimated exit yield is 8.5% (2015: 7.15%); • Discount rate is 9% (2015: 8.85%); • Based on 93.2% occupancy rate (2015: 94.5%).	The estimated fair value would increase (decrease) if: • the estimated rental prices per sqm were higher (lower); • the Estimated exit yield rates were lower (higher); • the Estimated discount rates were lower (higher); • the occupancy of the mall was higher (lower).
Plots in CEE (except Casaradio)	Residual method: The valuation model considers the net present value (based on an NPV factor) based on the estimated value of the project upon completion less the estimated development cost including a provision for the profit for the potential development.	• Estimated weighted average rental prices per SQM is between EUR 3.50 to EUR 13.50 (2015: EUR 3.0 to 12.25); • The Estimated Exit Yield for the projects are between 8% and 10.5% (2015: 8.5%-12.5%); • The construction cost of the projects are between 130 EUR/sqm to 1,000 EUR /sqm (2015: 275 EUR/sqm to 858 EUR/sqm); • The development finance rate is 5% (2015: 7.5%-10%); • Developers profit – 10%-18% (2015: 20%).	The estimated fair value would increase (decrease) if: • the estimated rental prices per sqm were higher (lower); • the Estimated exit yield rates were lower (higher); • the Estimated discount rates were lower (higher); • the construction cost of the project were lower (higher); • the developer's profit provision for the project were lower (higher); • the development finance provision for the project were lower (higher); • the estimated completion of the project were shorter (longer); • the occupancy of the planned mall were higher (lower); • the land prices for comparable transactions on the market would be higher (lower) • The characteristics of the project would be changed.

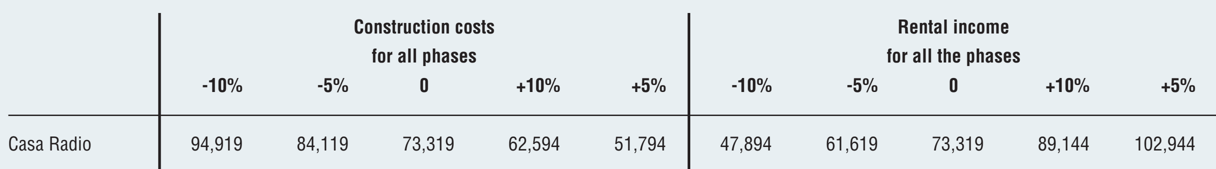
ts NOTE 8

Group of assets	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Casa Radio	Residual method: The valuation model considers the net present value (based on an NPV factor) based on the estimated value of the project upon completion less the estimated development cost including a provision for the profit for the potential development.	• Estimated weighted average monthly rental prices per SQM is EUR 26.3 for the mall, EUR 15.80 for offices and 14.2 for Hotel (2015: EUR 27.0 for the mall, EUR 16.5 for offices). • The Estimated Exit Yield is 8.75% for the mall , 9.25 % for the office component and 10.25% for Hotel (2015: 7.5% for the mall , 8% for the office). • The construction hard costs of the project is 780 EUR/sqm for the mall; 1,010 EUR/sqm for Hotel; 740 EUR/sqm for the offices; 370 EUR/sqm for the parking(2015: 850 EUR/sqm for the mall; 1,000 EUR/sqm for the offices; 500 EUR/sqm for the parking). • The development finance rate is 5.50% (2015: 7.5%). • The scheme would compose the following components: (i) retail; (ii) offices; (iii) hotel & conference centre (2015: retail and offices). • Developers profit -15% (2015: 20%); • Discount to Market Value – 25% (2015: nil). • Start of construction in 3 years (2015: 2 years).	The estimated fair value would increase (decrease) if: • the estimated rental prices per sqm were higher (lower); • the estimated yield rates were lower (higher); • the construction cost of the project were lower (higher); • the developer's profit provision for the project were lower (higher); • the development finance provision for the project were lower (higher); • the estimated completion of the project were shorter (longer); • the occupancy of the mall were higher (lower); • the characteristics of the project would be changed.
Bangalore and Chennai (Joint Ventures)	Chennai – Discounted cash flows to owner (SPV) (2015: comparable method): The valuation model considers the present value of the net cash flows expected to be generated by the sale of villa and plots. The cash flow projections include specific estimates for 11.5 years. The expected net cash flows are discounted using a risk-adjusted discount rate. Bangalore – Comparable (2015: DCF)	• The sales price per sqm for the development is between INR 24,757 and INR 46,823 subject to the size, location type, and the quality of the asset class. • The construction cost per sqm for the development is INR 1,184 to INR 27,986 subject to location, type and the quality of the asset class. • Escalation of 5% p.a for sale price and 3% for cost of construction. • Interest rate for construction financing 14%; • Discount rate - 25%.	The estimated residual fair value would increase (decrease) if: • the estimated sales prices per sqm were higher (lower); • the estimated construction cost were lower (higher); • the development finance provision for the project were lower (higher); • the estimated completion time of the project were shorter (longer); • the characteristics of the project would be changed.

The following table provides sensitivity analysis on value of certain projects (in thousands of EUR), assuming the following changes in key inputs used in valuations:

Operating Property	**Exit Yield**				
	-50bps	**-25bps**	**0**	**+25bps**	**+50bps**
Torun shopping centers	78,400	77,400	76,300	75,400	74,500

	Increase in exit yields (base points)					**Delay in construction commencement day (months)**				
	0	**+15bps**	**+25bps**	**+40bps**	**+50bps**	**0**	**+6**	**+12**	**+18**	**+24**
Casa Radio	73,319	68,819	65,819	61,544	58,769	73,319	71,744	70,244	68,669	67,244



	Construction costs for all phases					**Rental income for all the phases**				
	-10%	**-5%**	**0**	**+10%**	**+5%**	**-10%**	**-5%**	**0**	**+10%**	**+5%**
Casa Radio	94,919	84,119	73,319	62,594	51,794	47,894	61,619	73,319	89,144	102,944

ts NOTE 8

9. Summary table for main projects status:

Project	Location	Purchase year	Holding Rate (%)	Nature of rights	Permit status	Plot Size (sqm)	Carrying amount December 31, 2016 (MEUR)	Carrying amount December 31, 2015 (MEUR)
Suwalki Plaza****	Poland	2006	100	Ownership	Operating shopping centre (starting Q2 2010)	20,000 GLA*	39.9	39.7
Zgorzelec Plaza	Poland	2006	100	Ownership	Operating shopping centre (starting Q1 2010)	13,000 GLA*	SOLD	12.1
Torun Plaza	Poland	2007	100	Ownership	Operating shopping centre (starting Q4 2011)	40,000 GLA*	68.9	68.1
Lodz residential	Poland	2001	100	Ownership/ Perpetual usufruct	Planning permit valid	4,000	0.5	2.1
Lodz plaza	Poland	2009	100	Perpetual usufruct	Planning permit pending	61,500	5.1	5.5
Kielce Plaza***	Poland	2008	100	Perpetual usufruct	Planning permit valid	25,000	2.2	3.3
Leszno Plaza***	Poland	2008	100	Perpetual usufruct	Planning permit valid	18,000	0.8	0.8
Liberec Plaza	Czech Republic	2006	100	Ownership	Operating shopping centre (starting Q1 2009)	17,000 GLA*	SOLD	9.6
Casa radio	Romania	2007	75	Leased for 49 years	Detailed Zoning Plan (“PUD”) valid	467,000 GBA**	73.2	108.6
Slatina Plaza	Romania	2007	100	Ownership	N/A	23,880	SOLD	0.6
Timisoara Plaza	Romania	2007	100	Ownership	Building permit valid	31,860	7.0	9.4
Constanta Plaza	Romania	2009	100	Ownership	Existing building	24,300	1.3	2.2
Miercurea Ciuc Plaza	Romania	2007	100	Ownership	No valid permit (Building Permit expired)	36,500	1.0	2.0
Belgrade Plaza Visnjicka****	Serbia	2007	100	Ownership	Building Permit obtained – Under construction	32,000 GLA*	55.9	29.6
Belgrade Plaza	Serbia	2007	100	Ownership	N/A	9,100	SOLD	13.5
Shumen Plaza****	Bulgaria	2007	100	Ownership	Planning permit valid	26,000	0.8	0.8
Arena Plaza Extension	Hungary	2005	100	Perpetual Land use rights	-	22,000	1.5	2.5
Piraeus Plaza	Greece	2002	100	Ownership	-	15,000	3.3	4.0
Other plots, grouped							2.2	3.4
Total							**263.6**	**317.8**

* Gross Lettable area (sqm).

** Gross Building area (sqm).

*** Preliminary sale agreement signed.

**** Signed sale agreement after balance sheet date.

NOTE 9 - PROPERTY AND EQUIPMENT

	Land and buildings €'000	Equipment €'000	Fixtures and fittings €'000	Total €'000
Cost				
Balance at January 1, 2015	**7,181**	**3,400**	**1,397**	**11,978**
Additions	-	31	-	31
Reclassification	-	202	(202)	-
Disposals*	(3,079)	(306)	-	(3,385)
Balance at December 31, 2015	**4,102**	**3,327**	**1,195**	**8,624**
Additions	-	19	-	19
Disposals	-	(293)	-	(293)
Balance at December 31, 2016	**4,102**	**3,053**	**1,195**	**8,350**
Accumulated depreciation and impairment				
Balance at January 1, 2015	**3,561**	**3,317**	**1,071**	**7,949**
Depreciation	170	30	-	200
Disposals*	(1,881)	(124)	-	(2,005)
Balance at December 31, 2015	**1,850**	**3,223**	**1,071**	**6,144**
Depreciation	-	72	-	72
Disposals	-	(266)	-	(266)
Balance at December 31, 2016	**1,850**	**3,029**	**1,071**	**5,950**
Net carrying amounts				
At December 31, 2016	2,252	24	124	2,400
At December 31, 2015	2,252	104	124	2,480
At January 1, 2015	3,620	83	326	4,029

* 2015 – Disposal of Palazzo duCale building in Romania.

NOTE 10 - EQUITY ACCOUNTED INVESTEES

The Group has the following interest (directly and indirectly) in the below joint ventures (the Group has no investment in associates), as at December 31, 2016 and 2015:

Company name	Country	Activity	Interest of holding (percentage) as at December 31, 2016	Interest of holding (percentage) as at December 31, 2015
Elbit Plaza USA II LP	USA	Inactive	50%	50%
Elbit Plaza India Real Estate Holdings Ltd. ("EPI")*	Cyprus	Mixed-use large scale projects	47.5%	47.5%
Elbit Cochin Ltd.	Cyprus	Strike off	-	40%
SIA Diksna ("Diksna")**	Latvia	Operating shopping center	50%	50%

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.

** Riga Plaza shopping centre sold.

The movement in equity accounted investees (in aggregation) was as follows:

	2016 €'000	2015 €'000
Balance as at 1 January	44,906	42,229
Loans from equity-accounted investees, net	(18,638)	(1,043)
Share in results of equity-accounted investees, net of tax[1]	4,274	1,982
Effect of movements in exchange rates	317	1,738
Classification to Long term receivables (Diksna)	(699)	-
Balance as at 31 December[2]	30,160	44,906

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

Project name (holding company name)	The year ended December 31, 2016 €'000	The year ended December 31, 2015 €'000
Bangalore (held by EPI)	(5,466)	-
Chennai (held by EPI)	(6,114)	-
Riga Plaza (held by Diksna)	-	939
Total	**(11,580)**	**939**

2 As of December 31, 2016, no loan to equity accounted investee Diksna (December 31, 2015 – EUR 4.3 million). 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.

Material joint ventures

Within the joint ventures, two joint ventures were deemed as material, and these are EPI (due to holding of major schemes in Bangalore and Chennai) and Diksna (being the only active shopping centre held through a joint venture which was sold in 2016). The summarized financial information of the material joint ventures is as follows:

	December 31, 2016 EPI €'0000	December 31, 2016 Diksna (sold) €'000	December 31, 2015 EPI €'000	December 31, 2015 Diksna €'000
Current assets*	1,602	-	338	2,408
Diksna loan to shareholders	-	-	-	-
Trading properties-non current	59,120	-	51,661	93,400
Other current liabilities	(1,036)	-	(187)	(1,930)
Interest bearing loans from banks	-	-	-	(55,990)
Group loan	-	-	-	(8,596)
Net assets (100%)	59,686	-	51,812	29,292
Group share of net asset (50%)**	29,843	-	25,906	14,646
Carrying amount of interest in joint venture	**29,843**	**-**	**25,906**	**14,646**

* In 2016 – including cash and cash equivalents in EPI in the amount of EUR 1.4 million; In 2015 – Including cash and cash equivalents in Diksna in the amount of EUR 0.4 million. In 2016 the Company's share in the cash balance of Diksna was reclassified to long term receivables (EUR 699 Thousands).

** Refer to remark on EPI holding rate.

	The year ended December 31, 2016 EPI €'000	The year ended December 31, 2016 Diksna €'0000	The year ended December 31, 2015 EPI €'000	The year ended December 31, 2015 Diksna €'000
Revenue	-	8,144	-	11,762
Cost of operations	-	(3,514)	-	(4,142)
Interest expenses	-	(944)	-	(1,908)
Increase in ownership rights	30,134	-	-	-
Uplift (write-downs)	(23,160)	-	-	1,878
Loss on disposal of undertaking	-	(2,112)	-	-
Total net profit (loss) and comprehensive income (100%)	6,974	1,574	(3,510)	7,320
Group share of Profit (loss) and comprehensive income (50%)	3,487	787	(1,755)	3,660
Interest income on Diksna loan	-	-	-	77
Total results from investees	**3,487**	**787**	**(1,755)**	**3,737**

Immaterial joint ventures information

As of December 31, 2016 and 2015, with the exception of EPI and Diksna, all other outstanding joint ventures were considered immaterial.
The aggregation of the information in respect of these immaterial joint ventures was as follows (the Group's part):

	December 31, 2016 €'000	December 31, 2015 €'000
Current assets	317	56
Carrying amount of interest in joint venture	317	56

Sale of a shopping centre in Latvia

On September 15, 2016, one of the Company's JVs, in which it has a 50% stake, has completed a business sale agreement with respect to the sale of Riga Plaza shopping and entertainment centre in Riga, Latvia (Riga Plaza), to a global investment fund for EUR 17.8 million in cash after repayment of banks loan (representing Plaza's share of the sale of the business), with an additional circa EUR 0.7 million (Plaza's share) expected to be received within the next 24 months after balance sheet date. In line with the Company's stated restructuring plan, 75% of the net cash proceeds from the Company's share of the sale of the business have been distributed to the Company's bondholders in the fourth quarter of 2016.

Business update on Bangalore project – India

2008 Agreement
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, 2016, 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.

2015 Agreement
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 3,210 million (approximately EUR 45.4 million) which should have been paid no later than September 30, 2016 ("Long Stop Date"). On September 30, 2016 the Company announced that the transaction has not been completed and the parties has reached to preliminary understanding with the partner that the Long Stop Date will be extended subject to payments of advances by the Partner. Accordingly, on the same day the Partner has advanced an amount of INR 5 Crores (approximately EUR 0.65 million) to the Company. On November 15, 2016, the Partner informed EPI that it will not be able to execute the next advance payments, which were due in the fourth quarter of 2016.

As a result of the foregoing, the Company has received from the escrow agent the sale deeds in respect of additional 8.3 acres (the "Additional Property") which has been mortgaged by the Partner in favour 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 favour of the SPV. In addition, as per the Sale Agreement, the Company is acting 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.

Through the end of the third quarter of 2016 EPI has included the investment in the SPV as investment in joint venture (50%) under the equity method since under the Agreement the partner was entitled to receive 50% shareholding in the SPV had he complied with all of his obligations under the Agreement and specially with respect to the purchase of all the acres included in the 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.

Environmental update on Bangalore project – India

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

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

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

As for December 31, 2016 and 2015 the Group measured the net realizable value of the project. The Group financial statements for the year ended December 31, 2016, include increase in the Company's shareholding in the SPV (as described above) and a decrease in the net realizable value of the Plot. The decrease in the value of the Plot in 2016 was made according to the comparable method and attributable mainly to the new NGT order described above, the interest that the partner still hold in the Plot (10% as described above), the size of the plot and the non-contiguous land parcel.

Joint development agreement signed in respect of plot in Chennai, India

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 74.7 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 21.6 million).

Since the Local Partner had breached its commitment, EPI exercised its rights and forfeited 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.

On August 2, 2016, Chennai Project SPV has signed a Joint Development Agreement with a local developer ("Developer" and "JDA", respectively) with respect to the Property.

Under the terms of the JDA, the Chennai Project SPV granted the property development rights to the Developer who shall bear full responsibility for all of the project costs and liabilities, as well as for the marketing of the scheme. The JDA also stipulates specific project milestones, timelines and minimum sale prices.

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

The Chennai Project SPV will receive 73% of the total revenues from the plotted development and 40% of the total revenues from the sale of the fully constructed residential units.

In order to secure its obligation, the Developer will pay a total refundable deposit of INR 35.5 Crores (approximately EUR 4.8 million), with INR 10 Crores (approximately EUR 1.35 million) paid following the signing and registration of the JDA, INR 17 Crores (approximately EUR 2.3 million) payable when planning permission for the first phase of the development project is obtained (the "Project Commencement Date"), and the remaining INR 8.5 Crores (approximately EUR 1.15 million) payable six months after the Project Commencement Date ("Refundable Deposit").

The JDA may be terminated in the event that the required governmental approvals for establishment of access road to the Property have not been achieved within 12 months period from the execution date of the JDA. Upon such termination, the Developer shall be entitled to the refund of the relevant amounts paid as Refundable Deposit and any other cost related to such access road or the title over the Property. The JDA may also be terminated by the Chennai Project SPV, inter alia, if the Developer has not obtained certain development milestone and/or breached the terms of the JDA.

NOTE 11 - DERIVATIVES

The table below summarizes the results of the 2016 and 2015 derivatives activity (none of the abovementioned activities qualified for hedge accounting), as well as the outstanding derivatives as of December 31, 2016 and 2015:

Derivative type	Nominal amount as of December 31, 2016	Fair value of derivatives at December 31, 2016	Gain in 2016	Fair value of derivatives at December 31, 2015	Loss in 2015	Maturity date of derivative
Currency options[1]	N/A	N/A	N/A	N/A	(586)	N/A
Forward contracts		-	630	-	-	-
IRS[2]	EUR 31.8 million	(453)	301	(754)	140	December 2017
Total		**(453)**	**931**	**(754)**	**(446)**	

1 Selling options strategy (by writing call and put currency option) in order to manage its foreign currency risk (EUR-NIS) inherent in its long term debentures series A and series B issued in NIS. The Company ceased using this strategy effective October 2015.

2 In respect of Torun project loan the project company pays fixed interest rate of 1% and receives three months Euribor on a quarterly basis, until December 31, 2017. In respect of Torun IRS the project company also established a bail mortgage up to EUR 5 million encumbering the real estate project.

NOTE 12 - INTEREST BEARING LOANS FROM BANKS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, refer to note 27. All interest bearing loans from banks are secured.

Breakdown, terms and conditions of outstanding loans were as follows:

	Nominal interest rate	Currency	Year of maturity	December 31, 2016 €'000	December 31, 2015 Carrying amoung €'000
Torun project secured bank loan[1,4]	3M Euribor+3%	EUR	2017	44,249	45,516
Suwalki project secured bank loan[4]	3M Euribor+1.65%	EUR	2020	26,497	27,571
Zgorzelec project secured bank loan[2]	3M Euribor+2.75%	EUR	n/a	-	21,225
Valley view (bas) project secured bank loan[3]	3M EURIBOR+5.5%	EUR	n/a	-	8,200
Belgrade Plaza Bank Loan[6]	3M EURIBOR+5%	EUR	2032	11,529	-
Total interest bearing liabilities[5]				**82,275**	**102,512**

1 IRS on bank loan – refer to note 11.

2 Zgorzelec loan – during September 2016, debt repayment agreement was completed with the financing bank (refer to Note 29(c) followed by release from outstanding (and partially recourse) loan (including accrued interest thereof) of circa EUR 23 million,

3 In December 2016, a wholly owned subsidiary of the Company, PC Enterprises BV, has acquired the bank loan of circa EUR 10 million (including accrued interest), which is held against the Company's plot in Romania from the financing bank.

4 2016 – Including EUR 48.1 million of current maturities of long term loans.

5 A default in any of the three bank loans would trigger a cross default. No event of default occurred in 2016.

6 EUR 42.5 million credit facility to finance the development of Belgrade Plaza (Visnjicka). The amount in the table represents the utilized facility.

Covenants on loan

The below table summarises the main covenants (Loan to Value (“LTV”) and Debt Service Coverage Ratio (“DSCR”)) on bank loans:

Bank facility	Actual LTV	Contractual LTV	Actual DSCR	Contractual DSCR
Torun project – secured bank loan	50%	70%	1.94	1.25
Suwalki project – secured bank loan	58%	70%	1.47	1.20
Belgrade project (Visnjicka) – secured bank loan	N/A	60%	N/A	1.2

As at the end of the reporting period, all of the group’s companies are in compliance with the entire loan covenants.

NOTE 13 - TRADE PAYABLES

	Currency	December 31, 2016 €’000	December 31, 2015 €’000
Construction related payables		6,352	776
Other trade payables	Mainly in PLN, EUR	1,091	1,447
Total		**7,443**	**2,223**

NOTE 14 - RELATED PARTIES PAYABLES

	Currency	December 31, 2016 €’000	December 31, 2015 €’000
EI Group – ultimate parent company – expenses recharged	EUR, USD	155	76
Other related parties in EI group	EUR	51	33
Total		**206**	**109**

For payments (including share based payments) to related parties and related party receivables refer to note 30.

NOTE 15 - OTHER LIABILITIES

Short term	Currency	December 31, 2016 €'000	December 31, 2015 €'000
Obligations to tenants	EUR	1,095	1,385
Accrued bank interest[1]	Mainly EUR	-	2,807
Obligation in respect of plot purchase	Mainly EUR	-	1,380
Government institutions and fees		480	974
Salaries and related expenses		243	264
Accrued expenses and commissions		82	44
Other[2]		1,006	191
Total		**2,906**	**7,045**

1 2015 – Mainly due to bank facilities in Zgorzelec (EUR 1.5 million) and valley view BAS (EUR 1.2 million) which were in default (refer also to note 12).

2 2016 – Including payable due to refundable deposit received regarding the sale of Kielce in an amount of EUR 453 thousand and due to Belgrade (MUP) in an amount of EUR 250 thousand.

NOTE 16 - DEBENTURES

A. Composition:

	Effective interest rate	Contractual interest rate	Principal final maturity	Adjusted par value	Carrying amounts as at December 31, 2016
Series A Debentures	8.43%	CPI+6%	2020	63,745	61,506
Series B Debentures	12.19%	CPI+6.9%	2019	112,089	106,303
Polish Debentures	10.46%	6M WIBOR+6%	2018	10,631	10,561
Total				**186,465**	**178,370**

B. Mandatory repayments subsequent to the reporting date (with deferral, without early repayments):

2017*	47,168
2018	35,241
2019	89,295
2020	14,761
Total	**186,465**

* Repayment paid on March 15, 2017 to get the deferral.

1 Pursuant to the Company's Restructuring Plan, the Company will assign 75% 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 488 thousand (which is equal to 0.25% from the Company's outstanding debt under the debentures at that time) (the „Consent Fee"). The consent Fee shall be paid to the Company's bondholders on a pro rata basis.

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. 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.
c. 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.

As of the date of approval of these financial statements the Company repaid the bondholder the entire NIS 382 million.

3 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 centres only 50% of the interest) and 75% 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.

C. Revised effective interest rate:

As a result of the non-substantial modifications of terms regarding the approved amendment described above, the Company calculated a new effective interest rate as follows:

	Effective interest rate before the amendment	Effective interest rate after the amendmen
Series A Debentures	11.58%	8.43%
Series B Debentures	13.83%	12.19%
Polish Debentures	10.83%	10.46%

D. Covenants

The debentures' covenants are detailed in note 28 (b).

In respect of the Coverage Ratio Covenant ("CRC"), as defined in the restructuring plan, as at December 31, 2016 the CRC was 126.5%, in comparison with 118% minimum ratio required.

E. Credit rating

Both NIS series of debentures have credit rating by S&P Maalot of "ilCCC" on a local Israeli scale with negative outlook as of the date of approval of these financial statements.

F. Debentures held in treasury

The Company held through its wholly owned subsidiary NIS 13.6 million par value of series B debentures (adjusted par value of NIS 15.8 million (EUR 3.8 million).

In November 2016, all debentures held in treasury were paid as dividend "in kind" to the Company and deleted from trading.

NOTE 17 - RECOGNIZED DEFERRED TAX ASSETS (LIABILITIES)

Deferred taxes recognized are attributable to the following items:

Assets/(liabilities) 2016	December 31, 2015 €'000	Recognised in profit or loss 2016 €'000	December 31, 2016 €'000
Property, equipment and other assets	406	(522)	(116)
Debentures	(3,794)	1,770	(2,024)
Tax value of loss carry-forwards recognized*	3,794	(1,770)	2,024
Deferred tax asset (liability), net	**406**	**(522)**	**(116)**

Assets/(liabilities) 2015	December 31, 2014 €'000	Recognised in Profit or loss 2015 €'000	December 31, 2015 €'000
Property, equipment and other assets	921	(515)	406
Debentures	(7,334)	3,540	(3,794)
Tax value of loss carry-forwards recognized*	7,334	(3,540)	3,794
Deferred tax asset (liability), net	**921**	**(515)**	**406**

* Due to tax losses created on the Company level.

Unrecognised deferred tax assets

Deferred tax assets have not been recognized in respect of tax losses in a total amount of EUR 119,346 thousand (2015: EUR 151,845 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, 2016 the expiry date status of tax losses to be carried forward is as follows:

Total tax losses carried forward	2017	2018	2019	2020	2021	After 2021
132,590	582	4,159	8,033	13,730	14,044	92,041

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.

NOTE 18 - EQUITY

	Remarks	December 31, 2016 Number of shares	December 31, 2015 Number of shares
Authorized ordinary shares of par value EUR 1 each		10,000,000	-
Authorized ordinary shares of par value EUR 0.01 each		-	1,000,000,000
Issued and fully paid:			
At the beginning of the year		6,855,603	685,560,275
At the end of the year	*	6,855,603	685,560,275

* In accordance with the internal regulations of the WSE, shares with a market price below PLN 0.50 are listed in a separate segment referred to as the "Alert List". Shares placed on the Alert List are no longer subject to continuous quotation by the WSE.

In order to avoid the adverse consequences of the Alert List, the Company has decided to consolidate its share capital and ensure that its ordinary shares are removed from the Alert List. Consolidation of the Company's share capital on the basis of one new ordinary share/new depositary interest for every 100 existing ordinary shares/existing depositary interest took place in June 2016.

Following its share consolidation, the first time and date of dealing in the ordinary shares of EUR 1.00 each on the premium segment of the Official List and on the LSE's main market for listed securities was at 8.00 a.m. on July 1, 2016. Similar process was performed on the TASE and the WSE on July 3, 2016 and July 4, 2016, respectively. On admission to the London Stock Exchange, the Company's issued share capital comprises 6,855,603 ordinary shares of EUR 1.00 each.

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, 2016 (2015 – EUR 35,376 thousand).

Translation reserve

The translation reserve comprises, as of December 31, 2016, all foreign currency differences arising from the translation of the financial statements of foreign operations in India.

Restriction of dividend

The Company shall not make any dividend distributions, unless (i) at least 75% of the Unpaid Principal Balance of the Debentures (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 19 - EARNINGS PER SHARE

The calculation of basic earnings per share ("EPS") at December 31, 2016 was based on the loss attributable to ordinary shareholders of EUR 46,517 thousand (2015: loss of EUR 46,116 thousand) and a weighted average number of ordinary shares outstanding of 6,856 thousand (2015: 6,856 thousand).
The following number of shares and par values are adjusted to reflect the share consolidation as detailed on Note 18:

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, 2016 €'000	December 31, 2015 €'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, 2016 €'000	December 31, 2015 €'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 20 - 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:

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* 2016 GBP	Number of options 2016	Weighted average exercise price* 2015 GBP	Number of options 2015
Outstanding at the beginning of the year	43	237,970	43	244,420
Forfeited during the period – back to pool**	36	(2,450)	36	(6,450)
Outstanding at the end of the year	**43**	**235,520**	**43**	**237,970**
Exercisable at the end of the year		**235,520**		**234,690**

* The options outstanding at 31 December 2016 have an exercise price in the range of GBP 28 to GBP 54 (app. EUR 32.7 – EUR 63.1), and have weighted average remaining contractual life of five years. Following Plaza's share consolidation event (refer to Note 18), the Company implemented such adjustments (100:1 ratio) which are required to prevent dilution or increase in a Grantee's rights, pursuant to the ESOP with respect to the number of the Exercised Shares in relation to the Options not yet exercised by the Grantee and the Exercise Price of each Option.

** The total accumulated share based payment costs due to options exercise and forfeiture were 13,319 thousand as of December 31, 2016 (December 31, 2015 – EUR 13,284 thousand, December 31, 2014 – 13,216 thousand).

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 is measured based on a binomial lattice model. During 2016 there were no employee costs for the share options granted (2015 - EUR 36 thousand).

NOTE 21 - RENTAL INCOME

a. Shopping malls and plots

	Year ended December 31, 2016 €'000	Year ended December 31, 2015 €'000
Rental income from operating shopping centres[1]	15,287	18,085
Other rental income[2]	324	591
Total	**15,611**	**18,676**

1 2016 – three operating shopping centres presented as part of trading properties, 2015 - four operating shopping centres presented as part of trading properties.

2 2016 and 2015 – Small scale rental fees charged on plots held by the Group.

b. Entertainment centers

Revenue from operation of entertainment centres is attributed to a subsidiary of the Company known as "Fantasy Park" which provided gaming and entertainment services in operating shopping centres. As of December 31, 2016, this subsidiary is under liquidation.

NOTE 22 - COST OF OPERATIONS

a. Shopping malls and plots

	Year ended December 31, 2016 €'000	Year ended December 31, 2015 €'000
Operating shopping centers[1]	3,816	5,353
Other cost of operations[2]	1,070	1,128
Total	**4,886**	**6,481**

1 Refer to note 21 above.

2 2016 and 2015 – Attributed to small scale costs on plots held by the Group.

b. Entertainment centers

Refer also to note 21 (b) above. The costs were inclusive of management of the operation of the entertainment centre, as well as utility, rent and spent material associated with the operation of the entertainment centre.

NOTE 23 - ADMINISTRATIVE EXPENSES

	Year ended December 31, 2016 €'000	Year ended December 31, 2015 €'000
Salaries and related expenses*	3,141	3,842
Professional services	2,694	2,433
Offices and office rent	187	260
Travelling and accommodation	240	260
Depreciation and amortization	20	102
Others	224	102
Total	**6,506**	**6,999**

* 2015 – including retirement payments to two former CEO's in a total amount of EUR 0.5 million.

NOTE 24 - OTHER INCOME AND OTHER EXPENSES

	Year ended December 31, 2016 €'000	Year ended December 31, 2015 Restated* €'000
Gain from sale of plots	3,989	2,589*
Gain from equity accounted investee EPI – credit balances waiver	-	1,174
Waiver of advanced payments obtained from potential buyer in India	-	725
Kochi advanced payment (refer to note 30)	-	4,653
Other income	253	755*
Total other income	**4,242**	**9,896**
Loss due to Klepierre lawsuit[1]	(1,750)	-
Impairments of other receivables and assets[2]	-	(892)
Loss from selling turbines, airplane and other[3]	(172)	(631)
Other expenses	-	(328)
Total other expenses	**(1,922)**	**(1,851)**

* Reclassified

1 2016 – Refer to note 28(2).

2 2015 – Includes impairment of receivables associated with abandoned projects in a total amount of EUR 0.9 million.

3 2015 – Including loss from selling Palazzo Du Calle office building – EUR 0.2 million.

NOTE 25 - FINANCE INCOME AND FINANCE COSTS

Recognised in profit or loss	Year ended December 31, 2016 €'000	Year ended December 31, 2015 €'000
Gain from settlement of bank debt (refer to note 29 (c), (g); 2015- Liberec and Ploisti Project loans)	17,661	13,481
Finance income from hedging activities through sale of forwards	630	-
Foreign currency gain on bank deposits and bank loans	-	366
Interest income on bank deposits	4	26
Finance income from held for trading financial assets	-	104
Interest from loans to related parties	347	315
Finance income	**18,642**	**14,292**
Interest expense on debentures	(13,693)	(13,910)
Amortization of discount	(13,723)	(9,720)
Loss from early repayment of bonds	-	(896)
Interest expense on bank loans	(3,619)	(5,102)
Finance costs from hedging activities through currency options sale	-	(586)
Foreign currency losses on debentures	(7,536)	(14,696)
Other finance expenses	(646)	(285)
Finance expenses capitalized to trading properties under development	5,121	-
Finance costs	**(34,096)**	**(45,195)**
Net finance costs	**(15,454)**	**(30,903)**

NOTE 26 - INCOME TAXES

Amounts recognized in profit or loss	Year ended December 31, 2016 €'000	Year ended December 31, 2015 €'000
Current year tax expenses	(189)	(506)
Tax benefit (deferred tax expense) (refer to note 17)	(522)	(515)
Total	**(711)**	**(1,021)**

Deferred tax (expense) benefit	Year ended December 31, 2016 €'000	Year ended December 31, 2015 €'000
Origination and reversal of temporary differences	(522)	(515)

Reconciliation of effective tax rate:

	Year ended December 31, 2016 €'000	Year ended December 31, 2015 €'000
Dutch statutory income tax rate	25%	25%
Loss from continuing operations before income taxes	(45,806)	(45,095)
Tax benefit at the Dutch statutory income tax rate	(11,452)	(11,274)
Recognition of previously unrecognized tax losses	(1,651)	(1,021)
Effect of tax rates in foreign jurisdictions	2,332	(995)
Current year tax loss for which no deferred tax asset is provided[1]	11,471	12,775
Non-deductible expenses (exempt income)	11	1,536
Tax Expense	**711**	**1,021**

1 2016 and 2015 – Mainly due to write-down of Trading property not recognized for tax purposes.

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. Under the participation exemption rules, income (including dividends and capital gains) derived by Netherlands companies in respect of qualifying investments in the nominal paid up share capital of resident or non-resident investee companies, is exempt from Netherlands corporate income tax provided the conditions as set under these rules have been satisfied. Such conditions require, among others, a minimum percentage ownership interest in the investee company and require the investee company to satisfy at least one of the following tests:

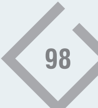
   I. Motive Test, the investee company is not held as passive investment;
   II. Tax Test, the investee company is taxed locally at an effective rate of at least 10% (calculated based on Dutch tax accounting standards);
   Asset Test, the investee company owns (directly and indirectly) less than 50% low taxed passive assets.

Poland

Companies resident in Poland are subject to corporate income tax at the general rate of 19%. (capital gains bears the same tax rate). Tax losses may be carried forward for five years, with only 50% of the loss is deductible in each tax year. Withholding tax on Dividend is at a rate of 19%, subject to European Union regulations or Double Tax Treaties outstanding.

Latvia

Companies resident in Latvia are subject to corporate income tax at the general rate of 15%. (capital gains bears the same tax rate). Tax losses may be carried forward indefinitely (with exception for losses prior to 2008). There is no withholding tax on Dividend.



NOTE 27 - 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 has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group requires collateral in the form of mainly deposit equal to three months of rent from tenants of shopping centres (collected deposits from tenants totalled EUR 0.6 million and EUR 1.4 million as at December 31, 2016 and 2015, 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).

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 (debentures issued in Israel and in Poland) that are denominated in a currency other than the functional currency of the respective Group companies. The currencies in which these transactions primarily are denominated are the NIS or PLN.

The Company ceased the using of currency options effective October 2015 in order to avoid liquidity risk. The Company carries out hedging transactions occasionally using derivatives subject to limitation set by the Board.

Interest Rate Risk (including inflation)

The group's interest rate risk arises mainly from short and long term borrowing (as well as debentures). Borrowings issued at variable interest rate expose the Group to variability in cash flows. Borrowings issued at fixed interest rate expose the Group to changes in fair value, if the interest is changing. In certain case, the Group uses IRS to minimize the exposure to interest risk by fixing the interest rate. Regarding interest rate risk hedging of the debentures and bank facilities, refer to note 11. As the Israeli inflation risk is diminishing to a level that management believes is acceptable (Israeli CPI 2016 0.9%; 2015 -1%), the Company has stopped using hedging of CPI risk in 2012.

Shareholders' equity management

Refer to note 18 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.

Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The vast majority of financial assets are not passed due, and the management believes that the unimpaired amounts that are past due by more than 60 days are still collectible in full, based on historic payment behaviour and analysis of customer credit risk. The maximum exposure to credit risk at the reporting date was:

	Note	Credit quality	Carrying amount as at December 31, 2016 €'000	Carrying amount as at December 31, 2015 €'000
Cash and cash equivalents	4	Mainly Baa3	5,646	15,659
Restricted bank deposits – short term	5	Mainly BBB+	7,174	4,774
Trade receivables, net	6	N/A	6,645	1,654
Related party receivables	30	N/A	1,720	2,828
Long term receivables	10	N/A	699	-
Loan to Diksna	10	N/A	-	4,298
Total			**21,884**	**29,213**

As of December 31, 2016 and 2015, all debtors without credit quality have a relationship of less than five years with the Group. At 31 December 2016, the aging of trade and other receivables that were not impaired was as follows:

	Carrying amount December 31, 2016 €'000	Carrying amount December 31, 2015 €'000
Neither past due nor impaired*	5,592	981
Past due 1–90 days	231	374
Past due 91–120 days	1,043	575
Total	**6,866**	**1,930**

* 2016 – debtors due to sale of plots in Serbia and Poland.

The maximum exposure to credit risk for the abovementioned table at the reporting date by type of debtor was as follows:

	Carrying amount December 31, 2016 €'000	**Carrying amount December 31, 2015 €'000**
Banks and financial institutions	12,820	20,433
Tenants	970	1,654
Receivables for sold plots	5,675	-
Loan to Diksna	-	4,298
Kochi project	1,720	2,828
Other	699	-
Total	**21,884**	**29,213**

Liquidity risk*,*

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

December 31, 2016	**Carrying amount**	**Contractual cash flows**	**6 months or less***	**6-12 months****	**1-2 years**	**2-5 years**	**More than 5 years**
Derivative financial liabilities							
IRS Derivatives	453	(1,257)	(634)	(623)	-	-	-
Non-derivative financial liabilities							
Secured bank loans	82,275	(88,600)	(1,904)	(46,225)	(2,454)	(25,925)	(12,061)
Debentures issued	178,370	(212,602)	(51,835)	(4,665)	(140,898)	(15,204)	-
Trade and other payables	10,837	(10,837)	(10,349)	-	(488)	-	-
Related parties	206	(206)	(206)	-	-	-	-
Total	**272,141**	**(313,502)**	**(64,928)**	**(51,513)**	**(143,840)**	**(41,129)**	**(12,061)**

* Refer also to note 2(c) for more information. This note assumes the minimum contractual payments on the debentures to achieve the Deferral.

** Refer also to note 2(c) for more information on debentures issued. Out of the total remaining amount of EUR 51.2 amount of EUR 2.7 million in respect of Belgrade Plaza and EUR 4.4 million of Suwalki were assigned to the purchasers of the shopping centres and trade and other payables in the amount of EUR 1.1 million to be revolved.

December 31, 2015	**Carrying amount**	**Contractual cash flows**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**	**More than 5 years**
Derivative financial liabilities							
IRS Derivatives	754	(790)	(230)	(227)	(333)	-	-
Non-derivative financial liabilities							
Secured bank loans	102,512	(107,644)	(32,432)	(2,822)	(48,267)	(24,123)	-
Debentures issued	181,589	(238,347)	(33,034)	(60,472)	(18,115)	(116,667)	(10,059)
Trade and other payables	9,268	(9,268)	(9,268)	-	-	-	-
Related parties	109	(109)	(109)	-	-	-	-
Total	**293,478**	**(355,368)**	**(74,843)**	**(63,294)**	**(66,382)**	**(140,790)**	**(10,059)**

Currency risk

The Company's main currency risk is in respect of its NIS denominated debentures. Following the discontinuance and full settlement of all currency options effective October 2015, the Company is exposed to changes in EUR/NIS rate.

The following exchange rate of EUR/NIS applied during the year:

EUR	Reporting date Average rate 2016	Reporting date Average rate 2015	Reporting date Spot rate 2016	Reporting date Spot rate 2015
NIS 1	**0.235**	**0.232**	**0.247**	**0.235**

PLN denominated debentures – A change of 7 percent in EUR/PLN rates at the reporting date would have increased/(decreased) profit or loss by EUR 0.9 million, as a result of having issued PLN linked bonds.

NIS denominated debentures – A change of 6 percent in EUR/NIS rates at the reporting date would have increased/(decreased) profit or loss by EUR 9.7 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

Profile

As of the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Carrying amount 2016 €'000	Carrying amount 2015 €'000
Fixed rate instruments		
Financial assets	12,820	20,433
Variable rate instruments		
Debentures	(178,370)	(181,589)
Other financial liabilities	(82,275)	(102,512)
Total	**(260,645)**	**(284,101)**

Cash flow sensitivity analysis for variable rate instruments

A change of 5 basis points in Euribor interest rates (2015 – 53 basis points) at the reporting date 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. The analysis is performed on the same basis for 2015.

Variable Interest rate effect (excluding debentures)

Variable Interest rate effect (excluding debentures)	Profit or Loss Increase	Profit or Loss Decrease
December 31, 2016	(48)	48
December 31, 2015	(500)	500

NIS Debentures

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 2015) 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 debentures	Profit or loss effect CPI increase effect	Profit or loss effect CPI decrease effect
2016	162,722	(5,034)	5,034
2015	168,632	(5,059)	5,059

Fair values

Fair values measurement versus carrying amounts

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

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

Statement of financial position	Carrying amount 2016	Carrying amount 2015	Fair value 2016	Fair value 2015
Debentures at amortized cost – Polish bonds	10,561	12,957	9,964	11,569
Debentures A at amortized cost – Israeli bonds	61,505	59,072	50,727	50,172
Debentures B at amortized cost – Israeli bonds	106,303	109,560	90,008	91,614

In respect of most of other non-listed borrowings, the Group was not asked to raise interest rates or to bring forward maturities as a result of the restructuring procedure, as most financing banks does not expect the restructuring procedure to have a material effect on the security the banks hold under non-recourse loans, and therefore the Company has a basis to believe that the fair value of non-listed borrowings approximates the carrying amount.

Fair value Hierarchy

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value:

	Note	Fair value hierarchy	Carrying amount as at December 31, 2016 €'000	Carrying amount as at December 31, 2015 €'000
Financial assets not measured at fair value				
Cash and cash equivalents	4		5,646	15,659
Restricted bank deposits – short term	5		7,174	4,774
Trade receivables, net	6		6,645	1,654
Other receivables	7a		1,614	1,350
Loan to Diksna	10		-	4,298
Total			**21,079**	**27,735**

	Note	Fair value hierarchy	Carrying amount as at December 31, 2016 €'000	Carrying amount as at December 31, 2015 €'000
Financial liabilities not measured at fair value				
Interest bearing loans from banks	12	Level 2	82,275	102,513
Debentures at amortized cost	16	Level 2	178,370	181,589
Trade and other payables			10,349	9,268
Related parties	14		206	109
Total			**271,200**	**293,479**

	Note	Fair value hierarchy	Carrying amount as at December 31, 2016 €'000	Carrying amount as at December 31, 2015 €'000
Financial liabilities measured at fair value				
Derivatives	11	Level 3	453	754
Total			**453**	**754**

NOTE 28 - CONTINGENT LIABILITIES AND COMMITMENTS

a. Contingent liabilities and commitments to related parties

1. On November 28, 2014 the Company entered into an indemnity agreement with all of the Company's newly appointed directors and on June 20, 2011 with part of the Company's 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 May 2016. 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 16), the Group has taken the following commitments and collaterals towards the creditors:

a. **Restrictions on issuance of additional debentures** – The Company undertakes not to issue any additional debentures other than as expressly provided for in the Restructuring Plan.

b. **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 holders of all other series of debentures issued by the Company by ordinary majority Refer to note 16 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, 2016 the calculated CRC is 126.5%. 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 investments 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 debentures 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 debenture 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. MCRC is maintained as of December 31, 2016.

e. **Negative Pledge on REA of the Company** – The Company undertakes that until the debentures has 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 debentures 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, 2016.

(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. The encumbrance is created as security for new FI that is incurred for purposes other than the purchase of and/or investment in and development of an REA, provided that at least 75% of the net cash flow generated from such new FI is used for mandatory early prepayment.

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 debentures 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;

(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) At least 75% of the net cash flow resulting from the incurrence of new FI is used for a 75% early prepayment of the debentures. 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 me.

i. **75% mandatory early repayment** – Refer to note 16 and to other sections in this note.

j. **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 perform 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 not less than EUR 70 million.

2. General commitments and warranties in respect of trading property disposals.

1. In the framework of the transactions for the sale of the Group's real estate assets, the Group has provided indemnities which are normal for such transactions to the respective purchasers.

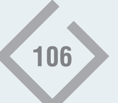
   Such indemnifications are limited in time and are generally capped in percentages of the purchase price. No indemnifications were exercised against the Group till the date of the statement of financial position. The Company's management estimates that no significant costs will be borne thereby, in respect of these indemnifications.

   The Hungarian tax authorities have challenged the applied tax treatment in two of the entities previously sold in Hungary by the Company to Klepierre in the course of the Framework Agreement dated 30 July, 2004 ("Framework Agreement") and imposed a penalty on those entities in the sum of HUF 428.5 Million (circa EUR 1.4 million).

   Klepierre has submitted an indemnification request claiming that the tax assessed in the described procedures falls into the scope of the Framework Agreement's tax indemnification provisions and the Company in its response rejected such claims. Subsequently, Klepierre has submitted a claim to the International Chamber of Commerce in Brussels for arbitration procedure. The International Court of Arbitration ruled in July 2016 that Plaza is liable for an indemnification claim totalling circa EUR 2 million, including costs arising from the legal process. During December 2016 the Company, Elbit Imaging Ltd. ("EI") and the plaintiff, Klepierre have reached a settlement whereby, inter alia, EI shall pay EUR 1.2 million to Klepierre. The Company paid to Klepierre the costs arising from the legal process in the amount of approximately EUR 0.6 million and recorded a liability towards EI of EUR 1.2 million, which has been offset with certain receivables from EI.

2. The Company is liable to the buyer of its previously owned shopping centre in the Czech Republic ("NOVO") – sold in June 2006 – in respect to one of its tenants ("Tesco"). Tesco leased an area within the shopping centre 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 2.2 million as of balance sheet date, unless the buyer finds other tenant that will pay higher annual lease payment than Tesco. The management does not expect to bear a material loss.

3. The Company has contractual commitments in respect of its project in Serbia (Visnjicka) in a total amount of circa EUR 19 million in respect of construction activities, to be paid during 2017.



c. 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 outflow of resources to settle them is remote, and therefore no provision or disclosure is required.

d. Securities, guarantees and liens under bank finance agreements with subsidiaries

1. Certain companies within the Group which are engaged in the purchase, construction or operation of shopping centres ("Project Companies") have secured their respective credit facilities (with withdrawn facility amounts totalling EUR 82.3 million, as of December 31, 2016) awarded by financing banks (for projects in Poland and Serbia), by providing first or second ranking (fixed or floating) charges on property owned thereby, including right in and to real estate property as well as the financed projects, on rights pertaining to certain contracts (including lease, operation and management agreements), on rights arising from insurance policies, and the like. Shares of certain Project Companies were also pledged in favour of the financing banks.

   In respect of corporate guarantee for the fulfilment of its subsidiaries obligations under loan agreements, refer to note 12.

   Shareholders loans as well as any other rights and/or interests of shareholders in and to the Project Companies were subordinated to the respective credit facilities.

   Payment to the shareholders is permitted (including the distribution of dividends but excluding management fees) subject to fulfilling certain preconditions.

   Certain loan agreements include an undertaking to fulfil certain financial and operational covenants throughout the duration of the credit, namely: complying with "a minimum debt services cover ratio", "loan outstanding amount" to secured assets value ratio; complying with certain restrictions on interest rates; maintaining certain cash balances for current operations; maintaining equity to project cost ratio and net profit to current bank's debt; occupancy percentage and others.

   The Project Companies undertook not to make any disposition in and to the secured assets, not to sell, transfer or lease any substantial part of their assets without the prior consent of the financing bank.

   In certain events the Project Companies undertook not to allow, without the prior consent of the financing bank:
   (i) any changes in and to the holding structure of the Project Companies nor to allow for any change in their incorporation documents;
   (ii) execution of any significant activities, including issuance of shares, related party transactions and significant transactions not in the ordinary course of business;
   (iii) certain changes to the scope of the project;
   (iv) the assumption of certain liabilities by the Project Companies in favour of third parties;
   (v) Receipt of loans by the Project Companies and/or the provision thereby of a guarantee to third parties; and the like.

2. 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) 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 in any of the three bank loans would trigger a cross default. No event of default occurred in 2016.

e. Certain issues with respect to an agreement from 2011

The Company's Board of Directors has become aware of certain issues with respect to an agreement from 2011, between the Company, EI and another party, the beneficial owners of which have not been identified. The characteristics of the contract could raise red flags that this contract may be a potential violation of laws and regulations.

In order to address this matter, Plaza's Board has appointed 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 Company intends to fully cooperate with the relevant governmental agencies in this matter, if required.

As such review of this issue is ongoing, EI and Plaza are unable to comment on any additional details related to this matter. As of the date of the approval of the financial statements and at this preliminary stage, the Company, based on legal advice received, cannot estimate the potential consequences for the Company as a result of this matter and no provision is recorded in the books for any amounts which the Company may incur as a result of these issues.

ts NOTE 29

NOTE 29 - SIGNIFICANT EVENTS

a. Disposal of a shopping centre in the Czech Republic

On March 4, 2016, the Company signed an agreement to sell its subsidiary holding Liberec Plaza shopping centre in the Czech Republic, for EUR 9.5 million in cash. The Company recorded a loss of EUR 355 thousand due to this transaction. The disposal followed an agreement announced by the Company in September 2015 whereby a wholly owned subsidiary of the Company (”PCE”) won a tender to buy the loan given to the holding and operating company for Liberec Plaza for EUR 8.5 million.

PCE received EUR 8.5 million on account of the bank loan it previously purchased. Out of EUR 1 million remaining proceeds, 75% was distributed to the Company’s bondholders in June 2016, in line with the Company’s stated restructuring plan.

b. Disposal of a plot in Belgrade, Serbia

In June 2016, the Company sold its wholly owned subsidiary, which held the “MUP” plot in Belgrade, Serbia, for EUR 15.75 million in cash. The purchaser paid EUR 11.3 million in cash, EUR 4.05 million will be paid in January 2017 and the remaining EUR 0.4 million are due within 15 months from June 30, 2016. The Company has recorded a gain of EUR 2.15 million from this transaction, included as other income in these reports.

Furthermore, the Company will also be entitled to an additional contingent consideration of EUR 0.6 million once the purchaser successfully develops at least 69,000 sqm above ground.

Upon the receipt of each stage payment, in line with the Company’s stated restructuring plan, 75% of the net cash proceeds are distributed to the Company’s bondholders in the following quarter.

c. Debt repayment agreement with financing bank of Zgorzelec Plaza shopping centre in Poland

On June 30, 2016, the Company signed a Debt Repayment Agreement (“DRA”) with the financing bank (the “Bank”) of Zgorzelec Plaza Shopping Center in Poland whereby the Company paid EUR 1.1 million to the financing bank. The DRA stated that the Company is obliged to make its best effort and cooperate with the Bank in trying to sell Zgorzelec Plaza Shopping Center. Simultaneous with this, the financing bank would seek a third party to be an Appointed Shareholder to purchase the shares of Zgorzelec Plaza Shopping Center for EUR 1. On September 14, 2016, the Company signed a Share Purchase Agreement with an Appointed Shareholder nominated by the Bank, after which the remainder of the DRA process was completed, including removing a mortgage over a plot the Company owns in Leszno, Poland. The Company recognized an accounting profit of EUR 9.2 million (included as finance income in these reports), stemming from de-recognition of EUR 23 million of the outstanding loan (including accrued interest), against the shopping centre’s carrying amount of EUR 12.7 million.

d. Disposal of a plot in Lodz, Poland

On September 28, 2016, the Company completed the sale of a 20,700 sqm plot of land in Lodz, Poland, to a residential developer, for EUR 2.4 million in cash. Following this transaction, the Company owns a remaining 4,000 sqm site. The Company received an initial payment of EUR 1.27 million, and a final instalment of EUR 1.13 million is expected in June 2017. In line with the Company’s stated restructuring plan, 75% of the net cash proceeds from the sale of the plot, were distributed to the Company’s bondholders.

e. Issuance of a disclaimer by the Dutch statutory auditors in the Company’s 2015 Dutch statutory financial statements.

On May 18, 2016, the Company’s 2015 Dutch statutory financials statements, required to be issued according to Dutch regulations (“Dutch Statutory Reports”), were issued with a disclaimer of opinion by the Dutch statutory auditor of the Company. The Dutch financial statements were approved by the shareholders for Dutch statutory compliance purposes http://plazacentres.com/index.php?p=financial_reports_2016.

f. Preliminary sale agreement of plot in Poland

On October 13, 2016, the Company signed a preliminary sale agreement for the disposal of a 2.47 hectare plot in the centre of Kielce, Poland, for EUR 2.28 million out of which the Company has received a down payment of EUR 465 thousand, while the remaining EUR 1.8 million will be paid within eight months of this agreement. On completion of the transaction, in line with the Company’s stated restructuring plan, 75% of the net cash proceeds will be distributed to Plaza’s bondholders.

g. Acquisition of Loan secured against asset in Romania

During December 2016, a wholly owned subsidiary of Plaza, PC Enterprises BV, has acquired a bank loan of circa EUR 10 Million (including accrued interest), which was held against the Company’s plot in Brasov, Romania, for a total consideration of EUR 1.35 million. As result of the transaction the company recorded a gain of EUR 8.5 million included in finance income. 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 EUR 1.1 million.

NOTE 30 - RELATED PARTY TRANSACTIONS

De facto control

As for December 31, 2016 and 2015, EI held approximately 44.9% of PC's share capital; Davidson Kempner Capital Management LLC ("DK") held approximately 26.3% of the Company's share capital and the rest is widely spread in the public. EI is of the opinion that based on the absolute size of its holdings, the relative size of the other shareholdings and due to the fact that the company's directors are appointed by a regular majority of the company's general meeting of shareholders, EI have a sufficiently dominant voting interest to meet the power criterion, therefore EI has de facto control over the company.

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.

The Company has currently four directors. The annual remuneration of the directors in 2016 amounted to EUR 0.42 million (2015 – EUR 0.6 million) and the annual share based payments expenses was nil in 2016 (2015 – nil). There was no change in the number of Company share options granted to key personnel in 2016. There are no other benefits granted to directors. For information about related party balances as of December 31, 2016 and 2015 refer to note 14.

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 favour 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. The Group's liabilities towards EI in the amount of EUR 0.8 million were offset from this balance, with repayment of EUR 1 million performed in late September 2015, and EUR 1.2 million offset in December 2016 following Elbit assuming the Company's liability to Klepierre (Note 28 (b)(2)) thus balance as of December 31, 2016 is EUR 1.7 million (including accrued interest on remaining balance).

Trading transactions

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, 2016 €'000	For the year ended December 31, 2015 €'000
Income		
Interest on balances with EI	79	125
Costs and expenses		
Recharges – EI	49	264
Compensation to key management personnel[1]	876	1,059
Lease agreement on plot in Bucharest	-	45
Lease agreement for office in Bucharest	30	30

1 Including termination of agreements with former Chief Executive officer in 2015.

As of December 31, 2016 the Company identified York Capital Management Global Advisors, LLC ("York") and Davidson Kempner Capital Management LLC ("DK") as 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 19.8% of the outstanding shares of EI, and also has a direct holding of 3.6% 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, 2016, 21.3% out of the total Israeli debentures debt of the Company. Interest paid on Bonds held by York was circa EUR 4.65 million.

NOTE 31 - OPERATING SEGMENTS

The Group comprises one main geographical segment: CEE. India ceased to be a geographical segment, following the sale of Koregaon park shopping centre in 2015. The Group does not have reportable segments by product and services. In presenting information on the basis of geographical segments, segment revenue is based on the revenue resulting from either selling or operating of Trading Property geographically located in the relevant segment. None of the Group's tenants is accounting for more than 10% of the total revenue. Also, no revenue is derived in the Netherlands, where the Company is domiciled. Data regarding the geographical analysis in the years ended December 31, 2016 and 2015 is as follows:

Refer to note 8 for further detail by property on carrying amounts of Trading Properties and note 12 for detail on project secured bank loans by property.

	Year ended December 31, 2016 €'000	Year ended December 31, 2015 €'000
NOI in CEE[1]	13,785	16,420
Sale of properties (Liberec – refer to note 29 (a))	(355)	2,589
Income from operation/selling	**13,430**	**19,009**
Net finance costs	(4,230)	(5,094)
Net expenses from operation of other CEE assets (plots)	(631)	(838)
Other income (expenses), net	1,284	(527)
Write-downs	(40,810)	(17,843)
Reportable CEE segment profit before tax	**(30,957)**	**(5,293)**
Less – general and administrative	(6,506)	(6,999)
Results India	3,487	(11,654)
Other income – Dutch level	-	4,653
Unallocated finance costs (Dutch corporate level- mainly debentures finance cost)	(11,830)	(25,802)
Loss before income taxes	(45,806)	(45,095)
Income tax expense	(711)	(1,021)
Loss for the period	**(46,517)**	**(46,116)**
Assets and liabilities as at December 31		
Total CEE segment assets	279,123	341,849
Assets India	29,042	25,779
Unallocated assets (Mainly Cash and other financial instruments held on Dutch level)	13,959	24,383
Total assets	**322,124**	**392,011**
Segment liabilities	106,001	126,426
Unallocated liabilities (Mainly debentures)	179,500	182,717
Total liabilities	**285,501**	**309,143**

1 NOI – net operating income earned by shopping malls, including Company's part in equity accounted investee Diksna, which holds Riga Plaza (refer to note 10). NOI earned in Poland – EUR 11.2 million (2015 – EUR 11.9 million).

NOTE 32 - EVENTS AFTER THE REPORTING PERIOD

a. Sale of Riga Plaza – update

On January 12, 2017, the Loan received by the Company from its JV in Latvia, following the sale of Riga Plaza in 2016, was repaid through a capital reduction in amount of EUR 15 million (company's part) approved by the Registrar of Companies.

b. Amended Agreement in respect of MUP project

In January 2017, further to the sale of its wholly owned subsidiary in 2016, which held the "MUP" plot and related real estate in Belgrade in Serbia, the Company has agreed with the buyer to accelerate the payment of €4.2 million out of the third scheduled payment amount of €4.6 million in a discount transaction with a present value of circa €4.05 million. The remainder of the purchase price will be paid as originally agreed between the parties.

c. Sale agreement of Suwalki Plaza

In January 2017, The Company sold its SPV holding Suwałki Plaza shopping and entertainment centre in Poland to an investment fund for EUR 16.7 million, which amount was received. 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.

d. 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 centre.

The shopping centre, which is currently over 97% pre-let, opened on 20th of April 2017 and the Company will remain 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, EUR 2 million received following the opening and further payments contingent upon certain operational targets and milestones being met. The Purchaser will provide a guarantee to secure these future payments.

The final agreed value of Belgrade Plaza, which will 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 instalments 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 a line of credit from a financing bank for the development of Belgrade Plaza to a maximum amount of EUR 42.5 million. 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.

e. Sale of office building in Hungary

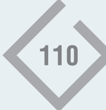
On February 16, 2017 the Company signed an agreement for the sale of its SPV holding David House office building in Budapest to private investors for a gross amount of EUR 3.2 million.

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.

f. 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.

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.



g. 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 "ilCCC" with negative outlook and removed from the CreditWatch with negative implications due to completion of asset realization on the local Israeli scale.

h. Compliance of the Early Prepayment Term

On March 15, 2017 the Company paid its bondholders a total amount of NIS 191.74 million (EUR 49.2 million) as an early redemption. Accordingly, 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 debentures.

i. Delay in publishing consolidated financial statements

Under the bond trust deeds the Company is required to publish its annual consolidated financial statements by 31 March. If the company has not published the annual consolidated financial statements by 30 April the Bondholders are entitled to declare that all or a part of their respective (remaining) claims become immediately due and payable.

j. Suspension of trading of ordinary shares and Series A Notes and Series B Notes

Under applicable laws and regulations, the Company is required to publish consolidated financial statements within four months of the year end. The Company has not been able to comply with this requirement and its ordinary shares have been suspended from trading, with effect from 2 May 2017, on the London Stock Exchange's main market for listed securities. 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 have been 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 have been 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 have now also been restored to trading on the Tel Aviv Stock Exchange. On May 19, its ordinary shares 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.

NOTE 33 - BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis on each reporting date

Derivative financial instruments	Fair value

NOTE 34 - SIGNIFICANT ACCOUNTING POLICIES

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

a. 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.

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.

3. Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

4. 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.

5. 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.

b. 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.

However, foreign currency differences arising from the translation of available-for-sale equity investments (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss) are recognised in other comprehensive income.

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.

c. Financial instruments

1. Non-derivative financial assets and financial liabilities – recognition and de-recognition.

The Group initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously. Refer to note 27 for the list of Non-derivative financial assets and financial liabilities.

2. Non-derivative financial assets – measurement

Cash and cash equivalents and restricted bank deposits

In the consolidated statement of cash flows, cash and cash equivalents includes bank deposits deposited for periods which do not exceed three months. Restricted bank deposits are deposit restricted due to bank facilities and derivatives entered into.

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method. The collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off in the period in which they are identified. Doubtful receivables are impaired when there is objective evidence that the Group will not collect all amounts due. These types of assets are discussed in note 6, 7a and 7b.

Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognised in profit or loss.

3. Non-derivative financial liabilities

Other non-derivative financial liabilities

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method. The Group has the following non-derivative financial liabilities: interest bearing loans, debentures (refer to note 16), trade payables, related parties and other liabilities at amortized cost.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, when appropriate, a shorter period to the net carrying amount of the financial liability.

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial liability (for example, prepayment, call and similar options). The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

When the Group revises its estimates of payments, it adjusts the carrying amount of the financial liability to reflect actual and revised estimated cash flows. The Group recalculates the carrying amount by computing the present value of estimated future cash flows at the financial liability's original effective interest rate. The adjustment is recognised in profit or loss as a financial expense.

4. Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met. Derivatives are recognised initially at fair value; any directly attributable transaction costs are recognised in profit or loss as they are incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

d. 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.

e. Trading properties

Properties that are being constructed or developed for sale in the ordinary course of business and empty plots acquired to be developed for such a sale 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 respect of Casa radio project – the net realizable value ("NRV") refers to the net amount that plaza expects to realise from the sale of its trading property in the ordinary course of business which is entity-specific value. Casa radio NRV reflects, inter alia, a situation under which a sale in a short marketing period, taking into account the financial conditions and liquidity need of the Group (as detailed on Note 2(c) in order to meet its future repayment schedule together with other indications of the existence of material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. see also note 8 (significant unobservable inputs).

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.

Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditure and borrowing costs are being incurred. Capitalization of borrowing costs may continue until the asset is substantially ready for its intended use (i.e. upon issuance of certificate of occupancy).

In certain cases, where the construction phase is suspended for an unplanned period expected to exceed 25% of the total scheduled time for construction, cessation of the capitalisation of borrowing cost will apply, until construction phase is resumed.

Non–specific borrowing costs are capitalised to such qualifying asset, by applying a capitalization rate to the expenditures on such asset. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowing made specifically for the purpose of obtaining a qualifying asset.

The amount of borrowing costs capitalized during the period does not exceed the amount of borrowing costs incurred during that period.

f. Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses (refer to note 34(g)).
If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property and equipment is recognised in profit or loss. Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Land is not depreciated.

The estimated useful lives of property for current and comparative periods and equipment are as follows:

	Years
Land – owned	0
Office buildings	25-50
Equipment, fixture and fittings	10-15
Other*	3-18

* Consists mainly of motor vehicles, equipment, computers, peripheral equipment, etc.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

g. Impairment

1. Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss, including interest on loan to equity accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security; or
- observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets

Financial assets measured at amortized cost

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off.

If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

2. Non-financial assets and interests in equity accounted investees

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than trading property and deferred tax assets) and interests in equity accounted investees to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units ("CGU").

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is never reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

h. 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.

Construction costs

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the income statement net of any reimbursement.

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.

i. Revenue

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.

Rental income

The Group leases real estate to its customers under leases that are classified as operating leases. Rental income from trading property is recognized in profit or loss on a straight-line basis over the term of the lease. Lease origination fees and internal direct lease origination costs are deferred and amortized over the related lease term. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

The leases generally provide for rent escalations throughout the lease term. For these leases, the revenue is recognized on a straight line basis so as to produce a constant periodic rent over the term of the lease. The leases may also provide for contingent rent based on a percentage of the lessee's gross sales or contingent rent indexed to further increases in the Consumer Price Index ("CPI").

Where rentals that are contingent upon reaching a certain percentage of the lessee's gross sales, the Group recognizes rental revenue when the factor on which the contingent lease payment is based actually occurs. Rental revenues for lease escalations indexed to future increases in the CPI are recognized only after the changes in the index have occurred.

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.

j. Operating lease payments

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).

k. Finance income and cost

For the composition of finance income and cost refer to note 25. For capitalisation of borrowing costs please refer to Note 8. Interest income and expense which are not capitalized are recognized in the income statement as they accrue, using the effective interest method. For the Group's policy regarding capitalization of borrowing costs refer to note 34(e).

l. Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

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 is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

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.

m. Segment reporting

Segment results that are reported to the Group's Board of Directors (the chief operating decision makers) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate debt, assets (primarily the Company's headquarters), head office expenses, and tax assets and liabilities.

n. 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.

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. As of the end of the reporting period share-based payments which may be settled in cash are options granted to only one person and can be cash settled at the option of the holder.

o. New standards not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2016; however, the Group has not applied the following new or amended standards in preparing these consolidated financial statements.

The following new or amended standards are not expected to have a significant impact of the Group's consolidated financial statements:

- **Disclosure Initiative (Amendments to IAS 7):**

  The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

  The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted.

  To satisfy the new disclosure requirements, the Group intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

- **Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)**

  The amendments clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted.

- **IFRS 15 Revenue from Contracts with Customers**

  IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

  IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

  The Group has completed an initial assessment of the potential impact of the adoption of IFRS 15 on its consolidated financial statements.

- **IFRS 9 Financial instruments**

  In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 Financial Instruments.

  IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group currently plans to apply IFRS 9 initially on 1 January 2018.

  The actual impact of adopting IFRS 9 on the Group's consolidated financial statements in 2018 is not known and cannot be reliably estimated because it will be dependent on the financial instruments that the Group holds and economic conditions at that time as well as accounting elections and judgements that it will make in the future. The new standard will require the Group to revise its accounting processes and internal controls related to reporting financial instruments and these changes are not yet complete. However, the Group has performed a preliminary assessment of the potential impact of adoption of IFRS 9 based on its positions at 31 December 2016 and hedging relationships designated during 2016 under IAS 39.

35 - LIST OF GROUP ENTITIES

As of December 31, 2016, 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 House Ingatlanfejelsztesi Kft.	Office building	David House – Sold 02/2017
Plaza Centers Establishment B.V.	Holding company	Arena Plaza extension
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

POLAND	ACTIVITY	REMARKS
Directly wholly owned		
Kielce Plaza Sp. z o.o.	Owns plot of land	Kielce Plaza project (Preliminary sale agreement exist)
Leszno Plaza Sp. z o.o.	Owns plot of land	Leszno Plaza project (Preliminary sale agreement exist)
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
02 Fitness Club Sp. z o.o.	Fitness	02 Fitness Club project
Plaza Centers Polish Operations B.V.	Holding company	
EDMC Sp. z o.o.	Management company	
Plaza Centers (Poland) Sp. z o.o.	Management company	
Bytom Plaza Sp. z o.o. w likwidacji	Inactive	
Gdansk Centrum Plaza Sp. z o.o. w likwidacji	Inactive	
Gorzow Wielkopolski Plaza Sp. z o.o. w likwidacji	Inactive	
Jelenia Gora Plaza Sp. z o.o. w likwidacji	Inactive	
Katowice Plaza Sp. z o.o. w likwidacji	Inactive	
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
Radom Plaza Sp. z o.o. w likwidacji	Inactive	
Szczecin Plaza Sp. z o.o.	Inactive	
Legnica Plaza Spolka z ograniczona odpowiedzialnoscia 1 S.K.A.	Inactive	
Płock Plaza Sp. z o.o. w likwidacji	Inactive	
Olsztyn Plaza Sp. z o.o. w likwidacji	Inactive	
Indirectly or jointly owned		
Legnica Plaza Spolka z ograniczona. odpowiedzialnoscia S.K.A	Operating shopping centre	100% held by Bydgoszcz Plaza Sp. z o.o. Torun Plaza project
Suwalki Plaza Sp. z o.o.	Operating shopping centre	100% held by Plaza Centers Polish Operations B.V. Suwalki Plaza project – Sold 01/2017
Bydgoszcz Plaza Sp. z o.o.	Holding company	100% held by Plaza Centers Polish Operations B.V.
Plaza Centers administrations b.v.	Inactive	100% held by Plaza Centers Polish Operations B.V.
Torun Centrum Plaza Sp. z o.o.w likwidacji	Inactive	100% held by Plaza Centers Administrations B.V.
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
P.L.A.Z.A B.V.	Inactive	50% held by Plaza Centers N.V. 50% held by Mulan B.V.
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.
Fantasy Park Suwalki Sp. z o.o. w likwidacji	Inactive	100% held by Mulan B.V.

Fantasy Park Torun Sp. z o.o. w likwidacji	Inactive	100% held by Mulan B.V.
Fantasy Park Zgorzelec Sp. z o.o. w likwidacji	Inactive	100% held by Mulan B.V.
Fantasy Park Bytom Sp. z o.o. w likwidacji	Inactive	100% held by Mulan B.V.
Fantasy Park Pozna Sp. z o.o. w upadło ci likwidacyjnej	Inactive	100% held by Mulan B.V.
Fantasy Park Kraków Sp. z o.o.	Inactive	100% held by Fantasy Park Enterprises
Fantasy Park Poland Sp. z o.o. w likwidacji	Inactive	100% LUBLY INVESTMENTS LIMITED

LATVIA	ACTIVITY	REMARKS
Indirectly or jointly owned		
Diksna SIA	Operating shopping centre – Sold 2016	Equity accounted investee,50% held by Plaza Centers N.V. 50% held by JV partner Riga Plaza project.

ROMANIA	ACTIVITY	REMARKS
Directly wholly owned		
Dambovita Centers Holding B.V.	Holding company	100% held by Plaza Centers N.V.
Plaza Centers Management B.V.	Holding company	
S.C. Elite Plaza S.R.L.	Shopping centre project	Timisoara Plaza project
S.C. North Eastern Plaza S.R.L.	Shopping centre project	Constanta Plaza project
S.C. North Gate Plaza S.R.L.	Shopping centre project	Csiki Plaza (Miercurea Ciuc) project
S.C. Palazzo Ducale S.R.L.	Inactive	
S.C. Plaza Centers Management Romania S.R.L.	Management company	
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	
Indirectly or jointly owned		
Leisure Group D.O.O.	Shopping centre project	100% held by Plaza Centers (Estates) B.V. Belgrade Plaza (Visnjicka) project – Sold 02/2017
Accent D.O.O.	Inactive	100% held by Plaza Centers Logistic B.V.

CZECH REPUBLIC	ACTIVITY	REMARKS
Directly wholly owned		
Plaza Centers Czech Republic S.R.O.	Management company	

BULGARIA	ACTIVITY	REMARKS
Directly wholly owned		
Shumen Plaza EOOD	Shopping centre project	Shumen Plaza project – Sold 03/2017
Plaza Centers Management Bulgaria EOOD	Management company	
Plaza Centers Development EOOD	Inactive	

GREECE	ACTIVITY	REMARKS
Directly wholly owned		
Helios Plaza S.A.	Shopping centre project	Pireas Plaza project

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
Plaza Centers Connections B.V.	Inactive	
Plaza Centers Engagements B.V.	Inactive	
Plaza Centers Foundations B.V.	Inactive	
Plaza Centers Logistic B.V.	Inactive	
S.S.S. Project Management B.V.	Inactive	
Obuda B.V	Inactive	
Plaza Cenetrs Establishment B.V.		

CYPRUS – INDIA	ACTIVITY	REMARKS
Directly wholly owned		
PC India Holdings Public Company Ltd.	Holding company	
Indirectly or jointly owned		
Permindo Ltd.	Holding company	100% held by PC India Holdings Public Company Ltd.
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

UNITED STATES OF AMERICA	ACTIVITY	REMARKS
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)

Entities disposed or dissolved in 2015 and 2016

ROMANIA	ACTIVITY	REMARKS
Primavera Invest S.R.L.	Office project	95% held by Plaza Bas B.V. 5% held by Plaza Centers Management B.V. Primavera Tower Ploiesti project
Colorado Invest S.R.L.	Residential project	95% held by Plaza Bas B.V. 5% held by Plaza Centers Management B.V. Pine Tree project
Malibu Invest S.R.L.	Residential project	Equity account investee 25%/75% held by Plaza Bas B.V. with partner Fountain Park project

ts NOTE 35

Spring Invest S.R.L.	Office project	Equity accounted investee 50%/50% held by Plaza Bas B.V. with partner Primavera Tower Brasov project
Bas Developement S.R.L.	Residential project	Equity accounted investee 50%/50% held by Plaza Bas B.V. with partner Acacia Park project
Sunny Invest S.R.L.	Residential project	95% held by Plaza Bas B.V. 5% held by Plaza Centers Management B.V. Green Land project
S.C. Eastern Gate Plaza S.R.L.	Inactive	
S.C. South Gate Plaza S.R.L.	Shopping centre project	Slatina Plaza project
S.C. Blue Plaza S.R.L.	Inactive	
S.C. South Eastern Plaza S.R.L.	Inactive	

THE DUTCH ANTILLES	ACTIVITY	REMARKS
Dreamland Entertainment N.V.	Inactive	

CYPRUS – INDIA	ACTIVITY	REMARKS
Rebeldora Ltd.	Inactive	100% held by PC India Holdings Public Company Ltd.
Rosesmart Ltd.	Inactive	100% held by PC India Holdings Public Company Ltd.
Dezimark Ltd.	Inactive	100% held by PC India Holdings Public Company Ltd.
Elbit India Architectural Services Ltd.	Inactive	100% held by Elbit Plaza India Real Estate Holdings Ltd.
Spiralco Holdings Ltd.	Inactive	100% held by PC India Holdings Public Company Ltd.
Xifius Services Ltd.	Inactive	100% held by PC India Holdings Public Company Ltd.
Elbit Cochin Island Ltd.	Inactive	40% held by Plaza Centers N.V.

SERBIA	ACTIVITY	REMARKS
Sek D.O.O.	Operating shopping centre	100% held by Plaza Centers Holding B.V. Kragujevac Plaza project
Plaza Centers (Ventures) B.V.	Holding company	
Orchid Group D.O.O.	Shopping centre project	100% held by Plaza Centers (Ventures) B.V. Belgrade Plaza (MUP) project

CZECH REPUBLIC	ACTIVITY	REMARKS
P4 Plaza S.R.O.	Operating shopping centre	Liberec Plaza project

POLAND	ACTIVITY	REMARKS
Bielsko-Biala Plaza Sp. z o.o.	Inactive	
Chorzow Plaza Sp. z o.o.	Inactive	
Gdansk Centrum Plaza Sp. z o.o.	Inactive	
Gliwice Plaza Sp. z o.o.	Inactive	
Opole Plaza Sp. z o.o.	Inactive	
Rzeszow Plaza Sp. z o.o.	Inactive	
Tarnow Plaza Sp. z o.o.	Inactive	
Tychy Plaza Sp. z o.o.	Inactive	
Zgorzelec Plaza Sp. z o.o. Zgorzelec Plaza project	Operating shopping centre	100% held by Plaza Centers Polish Operations B.V.
Fantasy Park Lodz Sp. z o.o.	Inactive	100% held by Mulan B.V.
Fantasy Park Warszawa Sp. z o.o.	Inactive	100% held by Mulan B.V.
Fantasy Park Investments Sp. z o.o.	Inactive	100% held by Mulan B.V.

LATVIA	ACTIVITY	REMARKS
Indirectly or jointly owned		
Fantasy Park Latvia SIA	Entertainment	100% held by Mulan B.V.

Company balance sheet

As at December 31, 2016
After appropriation of result

ASSETS	Note	2016 €'000	2015 €'000
Non-current assets			
Financial fixed assets	1	539,927	560,906
Total non-current assets		**539,927**	**560,906**
Current assets			
Other receivables and prepayments		4,502	5,494
Short-term deposits and cash at bank	2	1,265	6,880
Total current assets		**5,767**	**12,374**
Total assets		**545,694**	**573,280**

Equity and liabilities

Shareholders' equity	Note	2016 €'000	2015 €'000
Issued share capital	3	6,856	6,856
Share premium	4	282,596	282,596
Foreign currency translation reserve	5	(27,103)	(27,418)
Revaluation reserve	6	-	-*
Other capital reserves	7	19,423	18,700
Retained losses	8	(245,149)	(198,632)
Total		**36,623**	**82,102**
Provisions			
Provisions participations	9	328,896	304,258
Liabilities			
Long term liabilities	10	131,202	104,108
Total		**460,098**	**408,366**
Current liabilities and accruals	11	48,973	82,812
Total equity and liabilities		**545,694**	**573,280**

* Reclassified

Company profit and loss account

For the year ended December 31, 2016

	Year ended December 31, 2016 €'000	Year ended December 31, 2015 €'000
Revenues and gains		
Gains from disposal of assets	32,665	-
Results participations	-	17,293
Other income	679	5,165
Total revenues and gains	**33,344**	**22,458**
Expenses and losses		
Loss from disposal of assets	(11,598)	(6,838)
Results participations	(32,498)	-
Administrative expenses	(4,462)	(4,363)
Other expenses	-	(16,967)
Finance income	970	413
Finance costs	(32,273)	(40,819)
Total expenses and losses	**(79,861)**	**(68,574)**
Loss before income tax	(14,019)	(46,116)
Income tax expense	-	-
Loss for the year	**(46,517)**	**(46,116)**

Notes to the Company financial statements

For the year ended December 31, 2016

CHANGES IN PART 9 OF BOOK 2 OF THE DUTCH CIVIL CODE

The changes in Part 9 of Book 2 of the Dutch Civil Code with effect as from 1 January 2016 only impacts disclosure requirements and do not have any impact on equity and result for the current and previous year..

GENERAL

ACTIVITIES AND OWNERSHIP

Plaza Centers N.V. (the "Company") is a company domiciled in The Netherlands. The Company is a subsidiary of Elbit Ultrasound (Luxembourg) B.V. / S.à r.l. which holds 44.9% of the Company's shares, as of balance sheet date. The ultimate shareholder of the Company is Elbit Imaging Limited. 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 purchase, develop, 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, 2016 €'000	Year ended December 31, 2015 €'000
Participations	499,122	515,358
Loans to and receivables from participations	38,965	45,276
Other	1,840	272
Results after taxation	**539,927**	**560,906**

Movements in participations are broken down as follows:

	2016 €'000	2015 €'000
Balance as at January 1	515,358	526,908
Redemptions and disposal of investments	(19,643)	(16,463)
Reclassified	16,467	9,837
Translation reserve effect	118	211
Result for the year	(13,178)	(5,135)
Balance as at December 31	**499,122**	**515,358**

For a list of subsidiaries, joint ventures and associates reference is made to Note 35 to the consolidated financial statements.

Movements in loans to and receivables from participations:

	2016	2015
	€'000	€'000
Balance as at January 1	45,276	42,852
Exchange rate differences	204	2,432
Charges to (Repayments from) participations	(6,515)	(8)
Balance as at December 31	**38,965**	**45,276**

Movements in other:

	2016	2015
	€'000	€'000
Balance as at January 1	272	9,742
Expensed following impairment of participation	-	(799)
Reclassification to provision participation	(5,280)	(8,910)
Additions due to uncharged costs	6,848	239
Balance as at December 31	**1,840**	**272**

Note 2 - Short-term deposits and cash at bank

As at December 31, 2016, there are no cash restrictions on deposits and cash held (December 31, 2015 – nil).

SHAREHOLDERS' EQUITY

Note 3 - Issued share capital

	2016 €'000	2015 €'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

	2016 €'000	2015 €'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

	2016 €'000	2015 €'000
The table below presents the movements in the translation reserve:		
Balance as at January 1	(27,418)	(36,999)
Movement	315	9,281
Balance as at December 31	**(27,103)**	**(27,418)**

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 - Revaluation reserve

	2016 €'000	2015 €'000
Balance as at January 1	-	-*
Balance as at December 31	-	-
Balance as at December 31	**-**	**-**

* Reclassified

Note 7 - Other capital reserves

	2016 €'000	2015 €'000
The table below presents the movements in other capital reserve:		
Balance as at January 1	18,700	18,664
Movement due to share option plan	723	36
Balance as at December 31	**19,423**	**18,700**

The movement concern the cancelation of ESOP (Employee Stock Option Plan) of a subsidiary of the Company (PC India Holdings Public Company).

NON-CURRENT LIABILITIES

Note 8 - Provisions to participations

Movements in Provisions participations are broken down as follows:	**2016 €'000**	**2015 €'000**
Balance as at January 1	304,258	317,862
Reclassified from Participations	6,630	9,837
Reclassified from other assets	(6,091)	(9,720)
Impairment of participations	4,865	8,707
Result for the year	19,234	(22,428)
Balance as at December 31	**328,896**	**304,258**

Note 9 - Long term liabilities

Long term liabilities (debentures issued to Israeli and Polish investors) are presented according to the amortized cost basis, with discount recognized according to the effective interest rate method.

	Year ended December 31. €'000
As presented in the consolidated report	131,202
Balance as at December 31 in this report	**131,202**

For more details on the debentures refer to note 16 of the consolidated financial statements.

CURRENT LIABILITIES AND ACCRUALS

Note 10 - Other liabilities and accruals

	Year ended December 31, 2016 €'000	**Year ended December 31, 2015 €'000**
C/A Elbit Imaging Ltd	155	76
C/A Elbit Ultrasound B.V.	-	-
Other small charges participations	789	427
Total related parties	**944**	**503**
VAT payable	12	183
Interest to pay – banks and investors	-	126
Current portion of debentures and long term loans[1]	47,168	81,151
Suppliers	608	608
CDPM Hungary Kft.	241	241
Total non-related parties	**48,029**	**82,309**
Total	**48,973**	**82,812**

1 Refer to notes 16B in the consolidated report.

Note 11 - Contingent liabilities and guarantees

For contingencies associated with the restructuring plan, refer to note 28B of the consolidated report. For other contingent liabilities and commitments please refer to note 28 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 12 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 12 - Employees

The number of employees in the consolidated group was 80 in December 2015 (2015: 83). The average number of employees in 2015 in the consolidated group was 81.

The number of employees in the parent company only was 6 in December 2016 (2015: 7). The average number of employees in 2015 the parent company only was 6. The below table breaks down the employees per position type:

	2016 €'000	2015 €'000
Management	8	11
Business and finance	19	18
Legal	4	4
Engineering	11	6
Marketing	11	13
Administration	27	31
Total employees	**80**	**83**
Parent Company level employees		
Management	4	5
Business and finance	1	1
Administration	1	1
Total employees	**6**	**7**

Note 13 - Remuneration policy

See the Annual Remuneration Report of the Company on pages 56.

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 37.

2016	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	67	-	67	-
Total	**67**	**-**	**67**	**-**
Non-executive directors				
Non-performance related remuneration				
Mr. Sarig Shalhav	30*	-	30(*)	-
Mr. Ron Hadassi	202	-	202	-
Mr. David Dekel	67	-	67	-
Mr. Marco Wichers	67	-	67	-
Total	**366**	**-**	**366**	**-**
Total – all directors	**433**	**-**	**433**	**-**

* Resigned on 8th June, 2016

2015	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	67	-	67	-
Total	**67**	**-**	**67**	**-**
Non-executive directors				
Non-performance related remuneration				
Mr. Sarig Shalhav	67	-	67	-
Mr. Ron Hadassi	180	-	180	-
Mr. David Dekel	67	-	67	-
Mr. Shlomi Kelsi (*)	67	-	67	-
Mr. Yoav Kfir (*)	67	-	67	-
Mr. Marco Wichers	67	-	67	-
Total	**515**	**-**	**515**	**-**
Total – all directors	**582**	**-**	**582**	**-**

* Until December 2015.

Note 14 - 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 15 - Bonuses

The Company has a performance-linked bonus policy for senior executives and employees, under which up to 3% of net annual profits are set aside for allocation by the directors to employees on an evaluation of their individual contributions to the Company's performance.

In addition, the Board can award ad hoc bonuses to project managers, area managers and other employees discretionary bonuses to outstanding employees which are not linked to the Company's financial results.

Note 16 - 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. Regarding the modification of Share Option Scheme and reverse split 1:100 refer to note 20 of the consolidated report.

In 2016 none of the Board members has share options. Mr. Dori Keren (CEO) has 118,889 options granted and unexercised. The option fully vested with an exercise price of £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, 2015	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	11,276	43
Mr. Marius van Eibergen Santhagens	-	-	N/A
Mr. Sarig Shalhav	-	-	N/A
Mr. Ron Hadassi	-	-	N/A
Mr. David Dekel	-	-	N/A
Mr. Shlomi Kelsi	-	-	N/A
Mr. Yoav Kfir	-	-	N/A
Mr. Nadav Livni	-	-	N/A
Mr. Marco Wichers	-	-	N/A

	Number of options as at December 31, 2016
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, 2015
Total pool	478,345
Granted	471,951
Exercised	(84,205)
Forfeited	(149,772))
Left for future grant	156,166

Note 17 - Audit fees

The total audit fees charged by the statutory auditor amount to EUR 126,620 (2015: 45,000). These fees relate only to the audit of the statutory financial statements.

The total audit fees by the IFRS auditor (KPMG) amount to EUR 387,000.

Note 18 - Appropriation of result

It is proposed that the 2015 loss of €46.1 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.

Retained losses	**2016** **€'000**	**2015** **€'000**
The table below presents the movements in the retained losses:		
Balance as at January 1	(198,632)	(152,516)
Loss in the period	(46,517)	(46,116)
Balance as at December 31	**(245,149)**	**(198,632)**

The movement is reflecting the 2016 and 2015 results.

Note 19 - Subsequent events

An overview of the subsequent events of the company is disclosed in Note 32 to the consolidated financial statements.

Amsterdam, 12 June 2017

The Board of Directors

Nadav Livni **Ron Hadassi**

David Dekel **Marco Habib Wichers**

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 Board of Directors and Shareholders of Plaza Centers N.V.

A. Report on the Audit of the Financial statements 2016 included in the Annual Report

Our disclaimer of opinion

We were engaged to audit the accompanying financial statements of Plaza Centers N.V for 2016 as set out on pages 62 to 135.
The financial statements include the consolidated and company financial statements.

We do not express an opinion on the consolidated and company financial statements. Because of the significance of the matters described in the Basis for disclaimer of opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

The consolidated financial statements comprise of:

1. the consolidated statement of financial position as at 31 December 2016;
2. the following statements for 2016:
   consolidated statements of profit and loss and other comprehensive income, changes in equity and cash flows for the year then ended; and
3. notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise of:

1. the company balance sheet on 31 December 2016;
2. the company profit and loss account for the year 2016; and
3. notes comprising a summary of the accounting policies and other explanatory information.

Material uncertainty related to going concern

We draw attention to Note [2(c)] to the consolidated financial statements which disclose, amongst other things, important information regarding how the Company plans to be able to meet its contractual obligations during the eighteen months from the end of the reporting period. 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. Any delays in the realization of the Company's assets and investments and collection of proceeds thereof or realization at lower prices than expected by the Company, as well as any other deviation from the Company's assumptions, could have an adverse effect on the Company's cash flows and the Company's ability to service its indebtedness in line with contractual terms.

The Company has also disclosed in Note [2 c.] that the Company's bondholders under the bond agreements are entitled to make the amounts outstanding become immediately due and payable as the Company has not published its financial statements by 30 April of the next year. 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.

A combination of the abovementioned events and conditions as indicated in these notes, indicate the existence of a material uncertainty that casts significant doubt about the Company's ability to continue as a going concern.

Basis for disclaimer of opinion

In seeking to form an opinion on the consolidated financial statements, we have considered the implications of the following significant matters disclosed in the consolidated financial statements:

• Significant matters related to potential irregularities

We draw attention to Note 8(5)d. to the consolidated financial statements which disclose that the Board of Directors and Management had become aware of potential irregularities with respect to certain contracts entered into concerning the Casaradio project in Romania and that the Company had reported these to the Romanian authorities. The note also states that the Company's parent company, Elbit Imaging Ltd ("Elbit"), has during the course of 2016 appointed a special committee to examine these matters as they may involve 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 relevant authorities regarding the matters.

We also draw attention to Note [28 e.] to the consolidated financial statements which discloses that the Board of Directors and Management had become aware of an agency and commission contract, which was signed in 2011 and related to the sale in 2012 of property in the US jointly owned by the Company and Elbit. The characteristics of the contract indicate that this contract may be a potential violation of laws and regulations. We believe that the Company has not completed a sufficient investigation of the circumstances of this contract and of the implications of the payments made thereunder.

As part of its responsibility to ensure that the Company's business activities are conducted in accordance with laws and regulations, and to identify and address any non-compliance, we expect the Company to carry out a full review of past contracts to identify whether or not there may be other contracts which could involve potential violations of the laws and regulations of any of the jurisdictions to which the Company may be subject. The Company did not agree to carry out such a review to the extent we considered sufficient and appropriate.

• Material uncertainty related to Casaradio

We also draw attention to Note 8(5) c. to the consolidated financial statements which discloses the risk that the public authorities could 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. The note states that management have assessed this risk as unlikely; however this is on the basis that the public authorities have not sought to assert their rights since the perceived breach in 2012 and the Company's assessment of the merits of its counter claims against the public authorities. In the event that the public authorities seek to terminate the PPP Agreement and/or seek to impose penalties, and the Company's counter claims are not upheld, the Company may incur penalties and/or recover less than the book value of the Casaradio assets recorded in the financial statements as at year end (€ 60 million). Additionally the Company's ability to realise these assets may be delayed, which may ultimately impair the ability of the Company to continue as a going concern.

We are independent of Plaza Centers N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA).

Materiality

Based on our professional judgment we determined the materiality for the financial statements as a whole at € 3.230.000 The materiality is based on approximately 1% of total 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 and the Audit Committee that misstatements in excess of € 161.500, 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.

Because we have ultimate responsibility for the audit, 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 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 statements or specific items.

The group audit mainly focused on significant group entities. This entails 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 of 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 other group entities we have performed review procedures or specific audit procedures.

B. Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consist of:

- The directors' report;
- The reporting concerning corporate governance;
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Due to the significance of the matters described in the 'Basis for our disclaimer of opinion' section, we have not been able to consider in accordance with Part 9 of Book 2 of the Dutch Civil Code whether or not the other information does not contain material misstatements.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements:
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We were engaged to read the other information and, based on our knowledge and understanding to obtain through our audit of the financial statements or otherwise, to consider whether the other information contains material misstatements.

The board of directors is responsible for the preparation of the other information, including the directors' report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

C. Report on other legal and regulatory requirements

Engagement

We were engaged by the Shareholders as auditor of Plaza Centers N.V. on 28 November 2014, as of the audit for the year 2014 and have operated as statutory auditor ever since that date.

D. Description of responsibilities regarding the financial statements

Responsibilities of the Board of Directors and the Audit Committee for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and in accordance with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Directors' report as set out on pages 36 to 60 in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore the Board of Directors is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud and/or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Board of Directors should prepare the financial statements using the going concern basis of accounting unless the Board of Directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Board of Directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern.

The Audit Committee is responsible for overseeing the company's financial reporting process.

Our Responsibilities for the Audit of the Financial Statements

Our responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with Dutch law, including the Dutch Standards on Auditing. Because of the matters described in the Basis for disclaimer of opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

We have exercised professional judgement and have maintained professional skepticism 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.

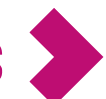
Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile 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 those charged with governance 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.

Rotterdam, 12 June 2017
Grant Thornton Accountants en Adviseurs B.V.

drs. C. Holewijn RA

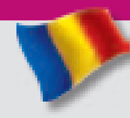
Company's offices



Plaza Centers The Netherlands

Plaza Centers N.V.
Prins Hendrikkade 48-S
1012 AC Amsterdam
The Netherlands
Phone: +31 20 344 9560
Fax: +31 20 344 9561
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 Serbia

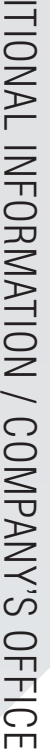
Lazarevacka street no 1/5
11000 Senjak, Belgrade
Serbia
Phone: +381 11 715 1577
Fax: +381 11 715 1587
E-mail: office@plazacenters.rs
www.plazacenterserbia.rs

Plaza Centers Poland

Plaza Centers Poland
Al. Jana Pawła II 23
00-854 Warszawa
Poland
Phone: +48 22 231 9900
Fax: +48 22 231 9901
E-mail: headoffice@plazacenters.pl
www.plazacenters.com/pl

Plaza Centers India

Prestige Towers
Unit No 106A, 1st Floor
99/100 (New no 100/31)
Residency road
560 025 Bangalore
India
Phone: +91 80 4041 4444
Fax: +91 80 4041 4408
www.plazacenters.in



Advisors

Investor relations

FTI Consulting
200 Aldersgate
Aldersgate Street
London EC1A 4HD
United Kingdom
www.fticonsulting.com

UK sponsor

Spark Advisory Partners Limited
5 St John's Lane
London EC1M 4BH
United Kingdom
www.sparkadvisorypartners.com

Principal auditor

KPMG Hungaria Kft.
H-1134 Budapest
Váci út 31.
Hungary
www.kpmg.hu

Dutch statutory auditor

Grant Thornton Accountants en Adviseurs B.V.
Gedempte Zalmhaven 4 E
Postbus 23278
3001 KG Rotterdam
The Netherlands
www.gt.nl

Tax counsels in the Netherlands

Atlas Tax Lawyers
Weteringschans 24,
1017 SG Amsterdam
The Netherlands

Corporate solicitors in the UK

KWM Europe LLP (King & Wood Mallesons)
Octagon Point, St Martins Court,
5 Cheapside,
London EC2V 6AA
United Kingdom
www.kwm.com

Berwin Leighton Paisner LLP
Adelaide House
London Bridge
London EC4R 9HA
United Kingdom
www.blplaw.com

Corporate legal counsels in the Netherlands

Buren N.V.
World Trade Center, Tower A Level 10,
Strawinskylaan 1017
1077 XX Amsterdam
The Netherlands
www.burenlegal.com

Corporate legal counsel in Poland

Weil, Gotshal & Manges LLP
Warsaw Financial Center
ul. Emillii Plateer 53
Warsaw 00-113
Poland
www.weil.com/warsaw

Registrar

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
United Kingdom
www.capitaassetservices.com

Design, editing and printing: László Restyánszki
restyanszki.design@gmail.com