PLAZA CENTERS 2015

ANNUAL REPORT

PLAZA CENTERS

Contents

This annual report is not intended for Dutch statutory filing purposes. The Company is required to file an annual report containing consolidated and Company financial statements prepared in accordance with the Netherlands Civil Code – such a report will be submitted in due course to the Dutch authorities and will be available for shareholders' inspection at the Company's offices in Amsterdam.

Who we are

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

The Plaza Centers Group is a leading emerging markets developer of shopping and entertainment centers, focusing on developing new centers and, where there is significant redevelopment potential, redeveloping existing centers, in both capital cities and important regional centers. The Group has been present in the Central and Eastern Europe region ("CEE") 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 2012, 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 2010, 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.

During 2014, Plaza successfully completed the restructuring process midway through the year, with resounding support from its creditors. This was followed 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. A third listing on the Tel Aviv Stock Exchange and the recent upgrade in Plaza's credit rating from the Israeli division of Standard & Poor's (from "D" to "BBB-", on a local Israeli scale, with a stable outlook), have further underlined the achievements of the year and strengthens the Company's position.

Throughout 2014, Plaza continued operational improvement and portfolio repositioning. These are clearly expressed by significant headway made with the disposal of Kragujevac Plaza for €38.6 million and successful disposal of non-core sites in Romania (Targu Mures and Hunedoara) for €4.7 million in line with the Company's strategy to pay down debt and shed the portfolio of non-core assets. At the same time Plaza improved occupancy and turnover were recorded across the Company's existing shopping and entertainment centers in CEE, with the overall portfolio occupancy level increasing to 94% as of year-end, reflecting successful asset management initiatives at Torun Plaza, Riga Plaza, Suwalki Plaza and Zgorzelec Plaza. During 2014 NOI increased by 3.5%.

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. (For more information visit www.elbitimaging.com.)

The Group has been present in real estate development in emerging markets for more than 20 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 33 shopping and entertainment centers in the CEE region and India, of which 29 were sold with an aggregate gross value of circa €1.25 billion. 21 of these centers were acquired by Klepierre, a leading player in the continental European shopping center property market, which owns circa 180 shopping centers in 16 countries in continental Europe, with a property portfolio value of €21 billion as of year end 2014. 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 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 Currently, Plaza is focusing on the development of two new shopping centers – one in Belgrade, Serbia and in Timisoara, Romania.

Serbia

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 as of 27 November 2014, Plaza Centers N.V.'s shares are also traded on the Tel Aviv Stock Exchange under the ticker "PLAZ".

2015 highlights

Create a more streamlined, better performing business. Successful sale of non-core assets and subsequent delivery of proceeds to bond-holders, a stronger operational performance across the portfolio and several development and asset management milestones achieved.

Financial highlights

- Reduction in total portfolio value to €392 million (31 December 2014: €466 million), following strategic disposals (mainly of Koregaon Park Plaza and the Iasi plot of land) and write-down and uplift changes at trading properties and equity accounted investees (related to assets in the Czech Republic (€6.2 million), Romania (€9.2 million), Poland (€6 million), other regions (€3.7 million) and an uplift in Serbia (€4.8 million)).
  Cash proceeds from disposals were used to repay liabilities from bonds issued, in line with the restructuring plan.

- While disposals resulted in an 8% decrease in Group NOI, excluding the impact of the sale of Kragujevac Plaza in 2014, the Group recorded a 10% increase in NOI (from €14.9 million to €16.4 million) from the operation of its other shopping centres including equity accounted investee.

- Net Asset Value decreased to €114 million (31 December 2014: €153 million) primarily as a result of an increased NIS against the EUR, as well as the write-down of assets, mainly in the Czech Republic, Romania and Poland.
  - Net Asset Value per share of £0.12 (31 December 2014: £0.17), attributable to the abovementioned factors.

- Losses in the period reduced significantly to €46 million (31 December 2014: loss of €120 million), stemming from a non-cash €19.4 million impairment of trading properties and equity accounted investee (31 December 2014: €87.5 million of impairments), and an overall mostly non-cash net finance cost of €31 million (2014: €36 million).
  - Basic and diluted loss per share of €0.07 (31 December 2014 loss per share of €0.39).

- Consolidated cash position at year end (including restricted bank deposits, short term deposits and held for trading financial assets) of €20.4 million (31 December 2014: €41.7 million) and current cash position of circa €18 million (€5.5 million restricted).

- Gearing increased to 79% (31 December 2014: 74%) as a result of write-down and finance costs incurred during the year.

Operational and Group highlights:

- On 13 May 2015, Plaza announced the agreement to sell its Indian shopping mall located in Pune, India, for c. €35 million. The net cash proceeds (after repayment of the related bank loan, other liabilities and transaction costs) from the sale were c. €7.4 million (525 million INR), which are being put towards Plaza's future investments and used for general corporate purposes.

- On 24 June 2015, Plaza reached an agreement to sell its 46,500 sqm development site in Iasi, Romania, in two separate transactions (one for the sale of 37,334 sqm and the other for the sale of 9,166 sqm), for a gross consideration of €7.3 million. There was no bank debt secured against the property. In line with the Company's stated restructuring plan, 75% of the net cash proceeds from the transactions were distributed to the Company's bondholders at the end of September 2015 as an early principal repayment.

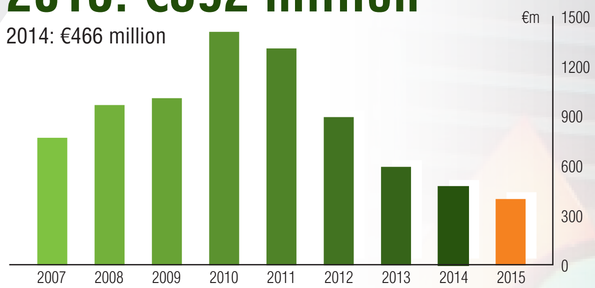
- Plaza's subsidiary, Elbit Plaza India Real Estate Holdings Limited (in which Plaza holds a 50% stake with its joint venture partner, Elbit Imaging Ltd.) ("EPI"), on 2 December 2015 signed an agreement to sell 100% of its interest in a special purpose vehicle which holds a site in Bangalore to a local investor.
  The total consideration for the sale is INR 321 Crores (circa €45.4 million) which will be paid when the transaction closes. Following this closing, 50% of the proceeds will go to Plaza, of which 75% will be repaid to the Company's bondholders in line with the Company's stated restructuring plan. The transaction is subject to certain conditions precedent, and closing will take place once these conditions are met and no later than 30 September 2016. The investor is providing certain security in order to guarantee this deadline.

- A stable occupancy level was recorded across the Company's existing shopping and entertainment centres in the CEE, with the overall portfolio occupancy level at 94.96% as of 31 December 2015 (31 December 2014: 95.34%).

Total assets

2015: €392 million

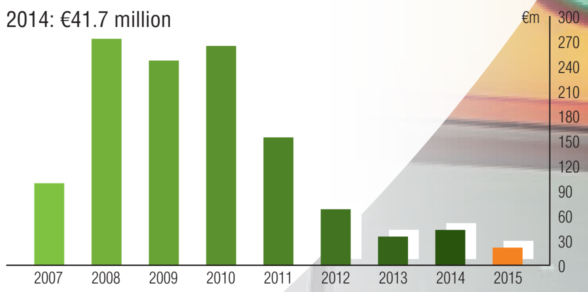
2014: €466 million



Consolidated cash position*

2015: €20.4 million

2014: €41.7 million



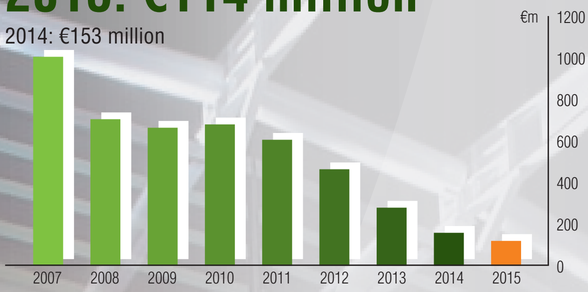
* Including restricted bank deposits, short term deposits and held for trading financial assets

2015 highlights

Net Asset Value (NAV)

2015: €114 million

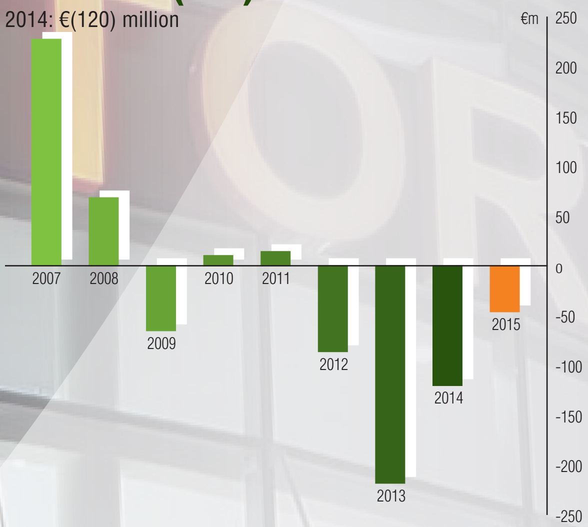
2014: €153 million



Profit (Loss) after tax

2015: €(46) million

2014: €(120) million



- At Torun Plaza, Poland, occupancy increased to 96.08% (2014: 92.5%) and turnover remained stable despite a slight decrease of 3.2% in the footfall.
- Riga Plaza in Latvia recorded an 8.6% increase in turnover along with a 2.2% increase in footfall, compared to 2014. A small decrease in the occupancy level to 97% (2014: 99.5%) was a direct result of a small number of retailers exiting the Latvian market altogether.
- Suwalki Plaza, Poland, continued to perform well, with a 2.5% increase in turnover in 2015 and 5.7% increase in footfall, compared to the same period in 2014. Occupancy decreased very slightly to 96.5% compared to the same period in 2014 (97.7%).
- Zgorzelec Plaza delivered a 2.8% increase in turnover compared to the same period in 2014, while footfall remained stable. The increase was despite a reduction in occupancy from 95.2% to 88.91% after the closure of the Stokrotka supermarket, following which successful discussions with tenants resulted in most of them agreeing to remain at the centre.
- A 10.6% turnover increase was recorded at Liberec Plaza, compared to 2014, while occupancy remained stable at 83.67% (2014: 84%).

- Considerable letting success was achieved across the portfolio and contracts were agreed with a number of significant new tenants. This improved the overall tenant strength and mix in the portfolio, and included agreements with KIK, Kinder Planeta, Pink and Cliff Sport. In the second half of the year, Adidas, Drogas, Calzedonia, Subway and other well-known brands opened stores in Latvia at Riga Plaza. Both Suwalki Plaza and Zgorzelec Plaza successfully agreed to extend their first five-year lease agreements which helped to keep a high occupancy level and will deliver a more resilient, higher quality income over the coming years.

- On 21 December 2015 Mr. Ron Hadassi was reappointed as Chairman of the Board of Directors following a meeting of the Board.

Key highlights since the period end

- Since the year end, on 28 January 2016 Plaza announced the appointment of Dori Keren and Yitshak (Izzie) Elias to the roles of Acting Chief Executive Officer and Chief Financial Officer, respectively. Both roles will become effective on 1 April 2016 while Dori Keren became Chief Executive Officer on 1 January 2017.

- On 4 March 2016, Plaza agreed to sell its subsidiary holding Liberec Plaza, a shopping and entertainment centre in the Czech Republic, for €9.5 million. In line with the terms of the agreement, the buyer deposited 15% of the consideration in escrow. The due diligence process, final closing and settlement is expected to conclude by the end of March. The disposal follows an agreement announced by Plaza on 29 September 2015 whereby a wholly owned subsidiary of Plaza ("PCE") won a tender to buy the loan to the holding and operating company for Liberec Plaza for €8.5 million. Upon completion of the Liberec Plaza disposal, PCE will receive €8.5 million on account of the bank loan it previously purchased. Out of the remaining proceeds, 75% will be distributed to the Company's bondholders by the end of June this year.

- On 24 March 2016 Plaza completed the sale of its 23,880 sqm site in Slatina, Romania, to a third party developer for €0.66 million, consistent with the asset's last reported book value. In line with the Company's stated restructuring plan, 75% of the cash proceeds will be distributed to the Company's bondholders by the end of June this year as an early repayment.

- Today, 29 March 2016, Plaza announces that Sarig Shalhav, a Non-Executive Director of the Company, has indicated his intention to retire from the Board in June 2016 to allow him to focus on other interests. The Board wishes to thank Mr Shalhav for his contribution over previous years, and will confirm any changes to the Board if and as required in due course.

Our strategy

Develop

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

Acquire

Plaza may acquire operating shopping centers that have significant redevelopment or growth potential.

Flexibility

Depending on market yields, Plaza either pre-sell or hold and manage its assets until the exit yields are sufficiently attractive.

Maintain liquidity and debt management

2015 was an important year for Plaza as we progressed our plans to create a more streamlined, better performing business. Our focus on the disposal of non-core assets continued as we reduced total assets. This approach has been allowing us to concentrate on superior assets in our prime areas of focus within CEE, whilst at the same time delivering proceeds to bondholders.

Plaza ended the year with a consolidated cash position (including restricted bank deposits) of approximately €20.4 million, of which circa €4.8 million of cash is held as restricted cash on a consolidated basis. Working capital as at 31 December 2015 totalled negative €98 million chiefly due to the reclassification of €80 million mentioned above and as trading properties were classified as non-current assets in the Financial Statements, The Company's current cash position is circa €18 million (of which €5.5 million is restricted).

At the start of 2016, Plaza's credit rating by Standard & Poor's Maalot, the Israeli credit rating agency which is a division of International S&P, was maintained on "BBB-" on a local Israeli scale with a negative outlook.

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. In 2015, Plaza paid €19.3m to bondholders and, since the restructuring plan was approved in 2014, a total of €47m (of which €19 million for principal and rest for interest) has been distributed as well as 13.21% of shares in the Company.

Plaza will continuing to reduce corporate level debts 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 per the restructuring plan.

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 finance costs incurred, the gearing level increased to 79% in 2015.

Objectives

1 To concentrate on existing projects and target new development opportunities in the strongest countries in Central and Eastern Europe that have the potential to generate returns of 40% to 60% on equity invested.

2 To fund 50% to 65% of total project construction costs through competitively priced bank finance.

3 To limit the commencement of construction projects to those that meet two major criteria, namely intensive demand from tenants and those which are backed by external bank financing to ensure minimal equity investment.

4 Plaza will continue to pursue its intensive asset management strategy which has seen clear success at the Company's income-generating centers in the CEE, where Plaza's focus remains on initiatives that will drive occupancy levels, footfall and turnover to maximise income and deliver value.

5 Plaza will continue to drive the reshaping of the portfolio with the disposal of further non-core assets and matured assets in order to deleverage the balance sheet and advance key development projects in core geographies including Timisoara in Romania, Belgrade in Serbia.

Our strategy

6 Continue with efficiency measures and cost reduction where possible. At the end of 2015 G&A expenses phase was reduced to below €6 million following stringent cost control initiatives, e.g. the Board was reduced from 7 to 5 members.

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 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.).

Project development
Once the Company has approved a site, Plaza manages its development from inception to completion, incorporating engineering, marketing, financial and legal stages, designs, architects, market forecasts and feasibility studies.

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.

The Company is currently 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 main focus on advancing related permits and approvals for the Casa Radio project in Bucharest, Romania and continuing processes to secure relevant local planning and permitting approvals for the Belgrade ("MUP") project in Serbia and Lodz Plaza project in Poland.

Feature developments

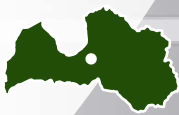
Since foundation, the Group has developed and let 32 shopping and entertainment centers in the CEE region and one in India of which 29 were sold with an aggregate gross value of €1.25 billion.

Plaza currently owns and manages four shopping and entertainment centers. The overall occupancy level of Plaza's shopping and entertainment centers was 95%. Liberec Plaza, the Company's center in the Czech Republic, was sold in March 2016.

Riga Plaza
(Latvia)

49,000
sqm GLA

Opened March 2009
Plaza share 50%



Riga Plaza shopping and entertainment center is located on the western bank of the Daugava river by the Sala Bridge. The two-floor mall includes an eight screen multiplex cinema and 2,000 sqm of Fantasy Park. The center continues to deliver significant operational success, seeing occupancy levels at 97%.The shopping center recorded an 8.6% increase in turnover along with 2.2% increase in footfall compared to last year. In the second half of 2015, well known brands such as Adidas, Drogas, Calzedonia and Subway opened stores in the shopping center. The group is in negotiations for th sale of the center.

Zgorzelec Plaza
(Poland)

13,000
sqm GLA

Opened March 2010
Plaza share 100%

Zgorzelec Plaza reported a 2.8% increase in turnover while footfall remained steady compared to 2014. The increase was despite a decrease in the occupancy from 95.2% in 2014 to 88.9% in 2015 due to the colsure of Stokrotka supermarket. New openings in 2015 include Lee Wrangler, Diverse, Rossmann (additional space), Pink and Monnari.

Suwalki Plaza
(Poland)

Opened May 2010
Plaza share 100%

20,000
sqm GLA

Suwalki Plaza, the three-floor shopping and entertainment ceter which includes a three-screen cinema and a bowling center as well, continues to perform well with a 2.5% increase in turnover in 2015 and 5.7% increase in footfal compared to last year. Occupancy decreased very slightly to 96.5% from 97.7% in 2014. New stores such as KIK, Kinderplaneta and Pink opened during 2015, while most existing tenants have signed lease renewals with the fifth anniversary of the shopping center.

Torun Plaza
(Poland)

Opened November 2011
Plaza share 100%

40,000
sqm GLA

Torun Plaza, which comprises approximately 40,000 sqm of GLA, is Plaza's tenth completed center in Poland. The center's occupancy has increased to 96% in 2015 (2014: 92.5%). New leases were signed with tenants such as LPP brands, Resto Design, Phramaland and Sizeer, and openings are expected in 2016.

Liberec Plaza
(Czech Republic)

Opened March 2009
Plaza share 100%

17,000
sqm GLA

Liberec Plaza shopping and entertainment center reported 10.6% increase in turnover in 2015, with occupancy remains steady at 84%. The shopping center was sold in march 2016

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.

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 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 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.

Debt restructuring

- **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 to 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.

Debt restructuring

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)**	**(96,443,579)**	**-**
Bond raising, net	400,249,999	1,402,738,526	15,750,633
Principal payments over the years (until 31/03/2016)	(187,773,030)	(1,101,533,108)	(1,791,519)
Interest payments over the years (until 31/03/2016)	**(132,683,985)**	**(415,051,754)**	**(5,430,726)**
Total payments	(320,457,015)	(1,516,584,862)	(7,222,245)
Total payments over the years as percentage of total raising, net (%)	**80.06%**	**108.12%**	**45.9%**

* 60,000,000 PLN

Activities Following Approval of Restructuring Plan

Sales of assets since approval of the Restructuring Plan

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 plot in Lodz, Poland for €0.5 million.

May 2015: Completed the sale of a 17,000 sqm plot in Brasov, Romania generating cash proceeds of €0.33 million.
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 €7.4million, 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.

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.

March 2016: Completed the sale of Liberec Plaza Shopping and Entertainment Centre in Liberec, Czech Republic for €9.5 million (the Company received €8.5 million (out of the €9.5 million) on account of the Liberec bank loan it purchased in 2015).

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 its development land in Piraeus, near Athens, Greece, for €4.7 million.
The sale agreement with a third party developer is subject to certain conditions being met, including due diligence which has up to six months to complete.

Improving Performance: Continuing improvement of the occupancy levels and NOI of the malls, extending leases and stabilising performance.

Bank Loans- Refinancing and Discounts

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 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).

Competitive strengths

Com

2015 was an important year for Plaza as we progressed our plans to create a more streamlined, better performing business. Our focus on the disposal of non-core assets continued as we reduced total assets. This approach has been allowing us to concentrate on superior assets in our prime areas of focus within Central and Eastern Europe, whilst at the same time delivering proceeds to bondholders and creating a stronger business for our shareholders.

Performance across our shopping centres has been stable during the year, with an overall portfolio occupancy level of 94.96% as of 31 December 2015 (31 December 2014: 95.34%).

Rental income fell during the year compared with previous year. This reduction reflects the fewer properties managed by Plaza however, importantly, the quality of the income is now higher and more resilient, reflecting the superior portfolio of assets. To that end, taken on a like for like basis, rental income of the assets Plaza increased during the period.

Over the course of 2015, in line with the restructuring plan agreed in 2014, we repaid 75% of proceeds from disposals to bondholders. Since the restructuring plan was approved, Plaza has now returned €47 million (of which €19 million is principal and the remainder interest) to bondholders, in addition to 13.21% of shares in the Company. Pleasingly, at the start of 2015, Plaza's credit rating by Standard & Poor's also improved from "D" to "BBB-" on a local Israeli scale with a stable outlook.

More generally, we have been seeing economic improvement across our core geographies but the Board remains vigilant to wider macro-economic factors. Without a doubt, 2015 was a year of significant progress and we look ahead towards further improving performance across our assets in 2016, with construction starting on key developments, and taking action to reduce leverage and provide proceeds to bondholders through the ongoing disposal of non-core and matured assets.

The Directors believe that the Group has a number of strengths that enable it to compete effectively in the industry where it operates. These strengths include the follows:

Proven track record and Geographical reach

Plaza has been active in the CEE for 20 years and together with its regional teams has developed projects in eight countries.

The Company's strong track record in successfully selling (and sometimes pre-selling) its centers is demonstrated by the sale of developments between 2004-2008 to Kl´epierre, a major player in continental Europe's retail property market, and Dawnay Day, then one of the UK's leading institutional property investors and aAIM. The Group also has continuing relationships with leading institutional property developers and strategic buyers. Monitoring the economic and financial developments in the CEE markets since the financial turmoil of 2008, the Group has positioned its development program to ensure that it can deliver shopping centers into markets with the highest retail demand. Between 2009-2012, the Group has opened seven shopping centers and currently operates them using its managing experience, while benefiting from their rental income, until sufficient sale prices are achieved. Despite the challenging economic conditions in the CEE, the Group has managed to conclude some significant transactions between 2012-2015.

In 2012, Plaza has managed to utilize its experience and "know-how" in the shopping centres field to enter the US commercial real estate market in 2010, resulting in the acquisition of 49 US-based shopping centres, which were later sold in a transaction valued at USD 1.47M, representing a 50% return on equity for Plaza in a period of 18 months. In addition, during 2013-2015, in line with its disposal program, the Company has managed to successfully sell some of its assets—Kharadi and Trivandrum projects and Koregaon park Plaza shopping and entertainment centre in India, Prague 3 and a plot in Roztoky in the Czech Republic, Dream Island and existing shopping center Uj Udvar in Hungary, as well as the sale of certain plots in Targu Mures, Brasov, Iasi in Romania and sale of its office building and transaction to waive its leasing rights of cina property both located in Bucharest, the sale of part of a plot in Lodz, Poland and the sale of Kragujevac shopping center in Serbia.

Highly skilled management team

In its 20 years of operation, the Group's highly qualified real estate professionals and local management teams have accumulated extensive knowledge of local markets and demonstrated a proven ability to source strategic development sites, design attractive and innovative projects that meet the demands of the local market and obtain planning and building permissions expeditiously. The Group runs a highly efficient construction process in order to minimize costs- the Group has completed the many of its developments within a construction timeframe of between twelve and twenty-four months and without budget overruns.

petitive strengths

The Directors believe that it is this efficiency and quality of execution together with the Company's local knowledge and infrastructure that has given the Group its competitive advantage in each of its principal markets.

Extensive network

The Company has strong relationships with the banks accompanying the projects in the operational regions, as well as with international and local retail brands – such as H&M, Inditex,C&A, TKMaxx, New Yorker, Peek & Cloppenburg and Reserved, which rent space in the shopping centres, and also with international real estate funds, which invest in assets in different countries. The strength of such relationships is demonstrated by the Company's track record of signing up tenants, with 80% to 100% of each shopping and entertainment center developed by the Group having been let within the first two years after opening and at least 70% of each shopping center having been pre-let during the construction period.

Plaza is also able to benefit from Elbit's knowledge and experience in the hotel field for future development opportunities

Strong brand name

Plaza Centers has become a widely recognised brand name for successful property development in CEE, which is beneficial at all stages of project execution (e.g. following portfolio sales to Klépierre, Dawnay Day and aAIM, the purchasers continue to use the "Plaza Centers" brand name under license).

Thorough project evaluation

Prior to each project, Plaza goes through a carefully developed, structured evaluation process involving each of the relevant disciplines (economics, engineering, marketing, etc).

Successful project management

Almost all projects to date completed on time and within budget.

Capital Markets

Plaza's shares are traded in the London Stock Exchange ("LSE"), the Warsaw Stock Exchange ("WSE") and in the Tel-Aviv Stock Exchange ("TASE"), providing platform needed for raising funds for new projects and operations.

Flexibility and ability to anticipate and adapt to market trends

Plaza is well positioned to satisfy the significant retail demand resulting from rapidly growing household incomes, as well as the increasingly westernised tastes and habits of emerging market populations. Decisions to dispose of portfolio properties are based on an in-depth analysis of market conditions.

During the years 1996-2004, when exit yields (yields of realization) were high, the Group retained and operated shopping centers on completion and gained rental income. Once property yields decreased, starting 2004, the Group started selling its shopping centers in line with the commercial decision to focus its business more on development and sale rather than operating. While yields are high, the Group has the management skills to operate the assets and benefit from their rental income, as done in the past, until the next low yields cycle. Plaza continues to focus on improving the performance of the shopping centre portfolio, applying the Company's strong asset management capabilities and specific emphasis on reducing leverage as well as the further rationalisation and strengthening of the portfolio by disposing of non-core properties

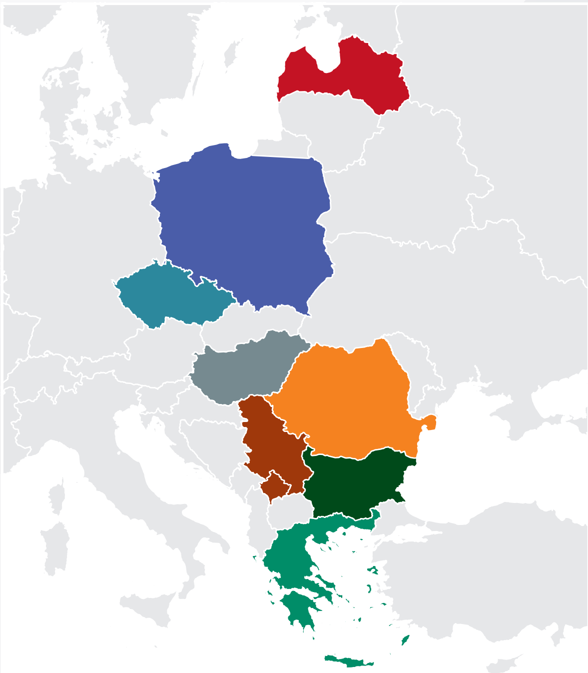
Competitive stren

gths

Our markets

Europe

- Poland
- Serbia
- Romania
- Latvia
- Czech Republic
- Greece
- Bulgaria
- Hungary
- India



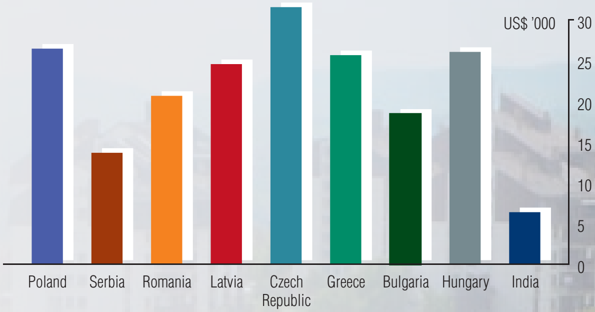
India

* Source: CIA – The World Factbook

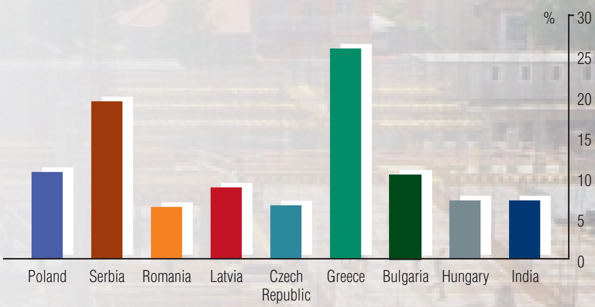
Population (m)*

Poland	38.6	Greece	10.8
Serbia	7.2	Bulgaria	7.2
Romania	21.7	Hungary	9.9
Latvia	2	India	1,252
Czech Republic	10.6		

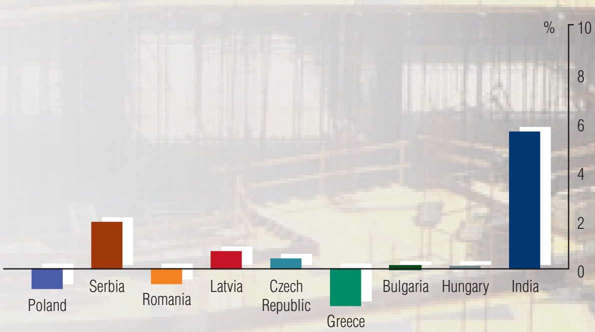
GDP per capita*



Unemployment*



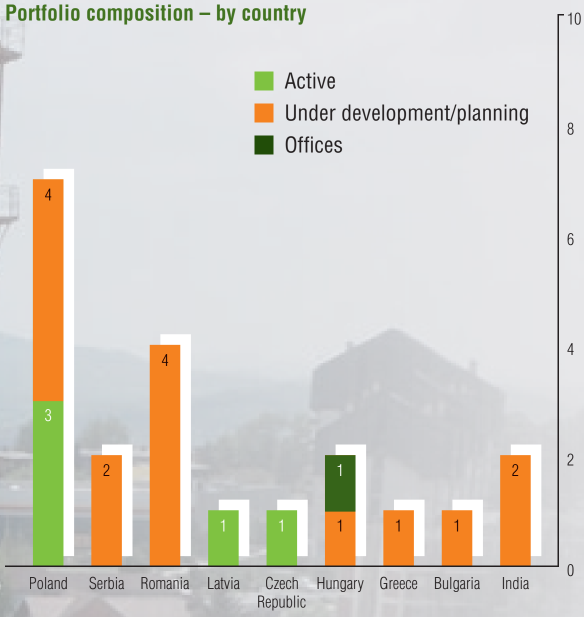
CPI - Change in 2015*



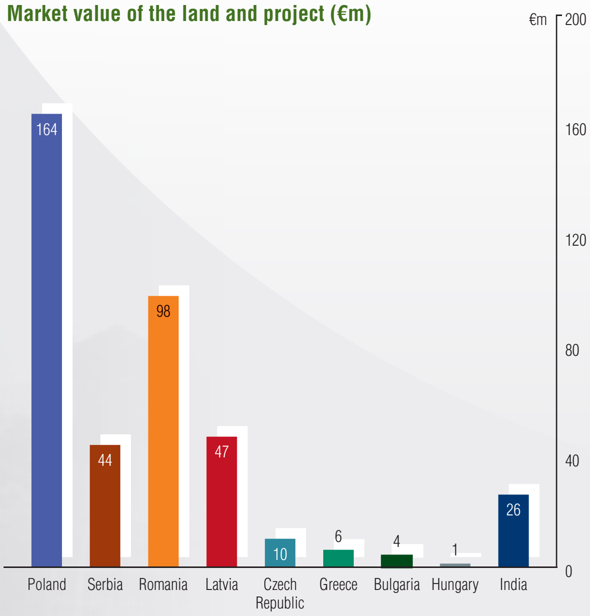
Our portfolio at a glance

Total of 21 assets located across CEE region and in India. Estimated value of €1,733 million on completion.

Portfolio composition – by country



Market value of the land and project (€m)



Project	Market value on completion (€m)[1]	Market value of the land and the project (€m)[1]
Complete and active projects	210	210
Current developments	894	134
Pipeline projects	629[2]	55
Total as at 31 December 2015	**1,733**	**399**

1 Value of Plaza Centers' stake by Cushman and Wakefield as of 31 December 2015.
2 Chennai project was valued with the comparative sales price method, no value at completion was estimated.

Group NAV at 31 December 2015

Net Financial Debt	EUR Million (314)
Asset values*	
Operating assets	210
Development Assets**	162
Pipeline assets	52
Office Building	3
Total	**427**
Other assets and liabilites	1
NAV	**114**

* Based on Cushman and Wakefield valuation.
** Including 100% of Casa Radio due to the material owners loan.

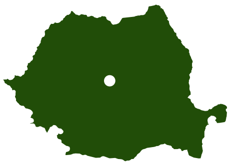
Development focus

The Company took the strategic decision to scale back on starting new projects and acquisitions, and to focus on projects with availability of external financing or strong tenants demand. In 2016 the Group plans to progress in the development of Belgrade Plaza (Visnjicka) in Serbia and Timisoara Plaza in Romania. In addition in the near future the Group intends to focus on the developments of Casa Radio project (first phase) in Romania and Belgrade Plaza (MUP) in Serbia.

Timisoara Plaza

Romania

40,000 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 approxim105 106ately 40,000 sqm and includes a hypermarket, fashion retailers, and restaurants. Construction is expected to commence in 2016 and the center is expected to open during the second half of 2017.

Belgrade Plaza
(Visnjicka) Serbia
32,000 sqm GLA

Plaza owns a 31,000 sqm plot of land in Belgrade, the capital of Serbia. The Belgrade market offers particular potential, with its large populated catchment area of approximately 1.7 million people. Plaza intends to develop a new shopping and entertainment center with a GLA of approximately 32,000 sqm. Construction has commenced in 2015 and the center is scheduled to open in 2017.

Current portfolio

Poland

Project	City	Ownership	GLA (sqm)	Market value on completion 31 December 2015 (€)	Market value of the land and project 31 December 2015 (€)	Expected completion
Torun Plaza	Torun	100%	40,000	97,725,000	97,725,000	Opened in Q4 2011*
Suwalki Plaza	Sulwalki	100%	20,000	43,250,000	43,250,000	Opened in Q2 2010*
Zgorzelec Plaza	Zgorzelec	100%	13,000	12,050,000	12,050,000	Opened in Q1 2010*
Lodz Plaza	Lodz	100%	35,000	70,911,000	7,400,000	2017
Kielce Plaza	Kielce	100%	33,000	60,533,000	3,325,000	**
Leszno Plaza	Leszno	100%	16,000	n/a[1]	n/a[1]	**
Lodz (Residential)	Lodz	100%	24,700[2]	n/a[1]	n/a[1]	Under sale process

* Operating
** Under planning and feasibility examination

1 External valuation was not conducted.
2 Gross area of the plot.

Plaza has completed 10 shopping and entertainment centers in Poland of which seven have already been sold. Currently the Group owns and operates three shopping and entertainment centers across Poland. During the year, the centers have continued to perform successfully, with an average occupancy level of 93.8% as at the reporting date.

Zgorzelec Plaza

Torun Plaza: complete and active project

Torun Plaza is located in Torun, an almost 800-year-old city of approximately 200,000 inhabitants. Torun is one of the most beautiful cities of Poland located at the intersection of ancient trade routes. The gothic buildings of Torun's old town were designated as a world heritage site by UNESCO in 1997. Torun Plaza, which opened in November 2011, is the Group's tenth completed development in Poland. The two-floor shopping and entertainment center with approximately 40,000 sqm of GLA, is anchored by Zara, Reserved, Home & You, New Yorker, H&M, Media Expert, Carry, Sport Direct, Martes Sport, TK Maxx, a multi-screen Cinema City and Pure fitness center. In 2015, occupancy of the mall increased to 96% compared to 93% in 2014 and turnover remianed stable.

Zgorzelec Plaza: complete and active project

Zgorzelec Plaza is located in Zgorzelec in south west Poland, near the German border. Thanks to two roads border crossing (including one of the largest in Poland), a railway border crossing and the restored old town bridge which connects the old towns of Zgorzelec and Goerlitz (55,000 citizens on the German side), Zgorzelec is a "gate" between Germany and Poland. The shopping and entertainment center is situated less than five minutes walking distance from the railway station. Zgorzelec Plaza comprises approximately 13,000 sqm of GLA anchored by H&M, KappAhl, Douglas, Carry, a fitness center, a cinema and 300 parking spaces. In 2015, occupancy decreased to 89% from 95% in 2014 as a result of the closing of the supermarket unit. New openings in the center in 2015 include Lee Wrangler, Diverse, Pink, Monnari and an extension to the existing Rossmann unit.

Suwalki Plaza

Torun Plaza

Suwalki Plaza: complete and active project

Suwalki Plaza is located in Suwalki, a city crossed by expressway E67(8), which links Augustow with the Lithuanian border. Suwalki is a city with approximately 70,000 inhabitants and is located 45km from the Polish-Lithuanian border. Suwalki Plaza, which was opened in May 2010, is located in the main commercial and residential district of the city and is fronted by an important arterial route to the east. It is also located on a junction of a street which links directly into the city center. The PKS bus terminal and main railway station are located approximately one km from the shopping and entertainment center. Suwalki Plaza is a three-floor shopping and entertainment center with approximately 20,000 sqm of GLA anchored by Stokrotka Supermarket, H&M, KappAhl, Deichmann, Carry, HeBe, Douglas, Empik and a three-screen cinema. The occupancy of the shopping center is at 96.5% (2014: 97.7%). New stores such as KIK, Kinderplaneta and Pink opened during 2015 and most existing tenants have signed lease renewals, with the fifth anniversary of the shopping center.

Lodz Plaza: current development

Lodz Plaza is located in Lodz , the second largest city in Poland with over 720,000 inhabitants. Lodz is recognized as an important academic and cultural center in Poland, hosting well-known cultural events. Lodz Plaza is planned to be a two-floor shopping and entertainment center with approximately 35,000 sqm of GLA anchored by a supermarket, a department store as well as a multi-screen cinema and bowling and entertainment center. The project is under feasibility and planning examination and amendment of the local master plan is underway.

Kielce Plaza: pipeline project

Plaza has won a competitive tender and acquired a 25,000 sqm plotfrom PKS Kielce S.A. (the local branch of the Polish National Bus Company) for the development of a major new shopping and entertainment center in Kielce. The plot is located alongside a major road and two km from the heart of Kielce. Kielce has over 200,000 inhabitants and an estimated catchment area of approximately 350,000 people, and is located in Central Poland on the main motorway linking Warsaw and Krakow. On completion, the scheme is planned to have a GLA of 33,000 sqm, and approximately 1,000 car parking spaces. The Company will be targeting a mixture of domestic and high-profile international retailers and entertainment operators as potential tenants for the center. The project is under planning and feasibility examination.

Leszno Plaza: pipeline project

Plaza has a perpetual usufruct over a 18,000 sqm site in Leszno, for the development of a new shopping and entertainment center. The site is ideally located in the center of Leszno, a city with 65,000 inhabitants, situated in western Poland between the two big economic centers of Poznan and Wroclaw, and is close to the central railway and bus station. On completion, the shopping and entertainment center is intended to have a GLA of 16,000 sqm providing space for over 70 shops and 450 car parking spaces. The project is under planning and feasibility examination.

Lodz (Residential): pipeline project

Plaza owns part of a development site and has a perpetual usufruct over the remaining part of the site, located in the center of Lodz, which is suitable for use as a residential and offices area. The site is located in the central university district, within 500 meters of the popular Piotrkowska pedestrian street. The site is also located in close proximity to large high density housing estates. The plot is being sold in stages.

Current portfolio

Serbia

Project	City	Ownership	GLA (sqm)	Market value on completion 31 December 2015 (€)	Market value of the land and project 31 December 20145(€)	Expected completion
Belgrade Plaza (Visnjicka)	Belgrade	100%	32,000	91,299,000	29,625,000	2017
Belgrade Plaza (MUP)	Belgrade	100%	63,000[1]	153,831,000	13,625,000	**

1 GBA

** Under planning and feasibility examination

On 1 March 2013, Serbia was granted candidate status to the European Union. The Company believes this will significantly increase the flow of international capital into the country, enabling its carefully selected Serbian development pipeline and complete and operate the assets to benefit from an anticipated growth in investor interest as demonstrated by a joint venture between two international investors bought the two biggest shopping centres in Belgrade in March 2016.

In 2014, Plaza completed the disposal of its first shopping and entertainment center in Serbia, Kragujevac Plaza for €38.6 million. It was the first western-style shopping and entertainment center to be opened outside the capital, Belgrade. Currently the Group is focusing on the development of Belgrade Plaza (Visnjicka) shopping and entertainment center - construction has commenced in 2015 and building permit was granted.

Belgrade Plaza (Visnjicka): current development project

Plaza owns a 31,000 sqm plot of land in Belgrade, the capital of Serbia. The Belgrade market offers particular potential, with its large populated catchment area of approximately 1.7 million people. In 2015, Plaza announced that it had recieved the building permit to develop Belgrade Plaza, a 32,000 sqm of GLA shopping and entertainment center. Located on Visnjicka Street, adjacent to the Danube River in old Belgrade, the new development will include international and domestic retail units, a supermarket and an entertainment component. Construction has begun in 2015 and completion is targeted for the first half of 2017. The Company has witnessed a great interest from tenants and has pre-let circa 45% of the GLA. The Company has also recieved a bank financing offer for approximately 55% of the project cost.

Belgrade Plaza (Visnjicka)

Belgrade Plaza (MUP): current development project

Plaza won a competitive tender announced by the Government of Serbia for a site located in the center of Belgrade, which it plans to develop into an office space together with a hotel and retail gallery. The development is expected to comprise a total of 63,000 sqm of GBA including an apartment hotel, business center and shopping gallery as well as 700 car parking spaces.

The new complex will be located on the prominent site of the former Federal Ministry of Internal Affairs, situated on the main street which runs through the center of Belgrade. The area is home to foreign embassies, the Serbian Government, the Serbian Ministry of Finance, the Belgrade Chamber of Commerce and Belgrade's largest public hospital as well as the city fair and the future railway station.
The project is under planning and feasibility examination.

Belgrade Plaza
(MUP) Serbia

63,000 sqm GLA

The building is located in the center of Belgrade in a neighborhood of government offices and foreign embassies. On completion, Belgrade Plaza (MUP) will comprise a shopping gallery, an apartment hotel and business center.

Current portfolio

Romania

Project	City	Ownership	GLA (sqm)	Market value on completion 31 December 2015 (€)	Market value of the land and project 31 December 2015 (€)	Expected completion
Timisoara Plaza	Timisoara	100%	40,000	70,329,000	9,400,000	2017
Casa Radio	Bucharest	75%	467,000[1]	578,711,000	81,450,000	*
Csiki Plaza	Miercurea Ciuc	100%	14,000	14,831,000	2,400,000	*
Slatina Plaza	Slatina	100%	17,000	30,151,000	1,000,000	Sold in March 2016
Constanta Plaza	Constanta	100%	18,000	2,150,000	2,150,000	*

* Under planning and feasibility examination
1 GBA including parking
2 First phase

Plaza is currently focusing on the development of Timisoara Plaza as it recieved the building permit and a binding financing offer from a bank. In 2015, the Company successfuly disposed two of its non-core assets in Romania - Cina in Bucharest and Iasi, as well as Palazzo Ducale office building in Bucharest for a total of €10.6 million. The Company continues checking the feasibility and planning of the projects, including obtaining permits.

Timisoara Plaza

Timisoara Plaza: current development

Plaza owns a plot of land with an area of 32,000 sqm in Timisoara, on which it is intending to develop a shopping and entertainment center. The site is situated in the north east of Timisoara, a city in western Romania, close to the border with Hungary with a population of 320,000 inhabitants and a catchment area of approximately 700,000 inhabitants. The site is situated on a three-way junction and enjoys excellent visibility. In 2015 Plaza announced that it had recieved the building permit to develop Timisoara Plaza, a circa 40,000 sqm GLA shopping and entertainment center. A binding financing offer was also agreed with a bank for circa 65% of the project cost. Construction is expected to commence in 2016 and the opening of the center is targeted at the end of 2017.

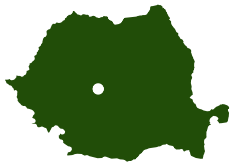
Casa Radio (Bucharest): current development

In February 2007, the Company consummated a transaction for the acquisition of a 75% interest in a company (the „Project Company"), which under a public-private partnership agreement with the Government of Romania is expected to develop the Casa Radio (Dambovita) site in central Bucharest. The property comprises a site covering an approximate area of 92,000 sqm (97,000 sqm including 5,000 sqm for Public Authority Building („PAB")). The proposed scheme will comprise the refurbishment of the existing building as well as the development of additional space annexed to the building and on adjoining land. The development of Casa Radio comprises approximately 467,000 sqm of built area, including a 90,000 sqm GLA shopping mall and indoor leisure center, approximately 127,000 sqm GBA of offices, hotel complex with conference center and underground car parking spaces. The Company has obtained the „PUD" (Detailed Urban Permit) and the „PUZ" (Zonal Urban Permit) tor the site. The Company is currently discussing the future of the project with the Romanian authorities.

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.

Csiki Plaza: pipeline project

Plaza purchased a plot of land with an area of 36,500 sqm in Miercurea Ciuc, for the development of a shopping and entertainment center. Csiki Plaza is situated in the center of Miercurea Ciuc, a city in Romania, with a population of 50,000 inhabitants and a catchment area of approximately 300,000 inhabitants. The site is situated 400 meters from the city hall. The shopping center is planned to have a GLA of approximately 14,000 sqm, and is intended to include a supermarket, fashion retailers, a food court and restaurants. Construction commenced in late 2008 and stopped during 2009 due to lack of interest from tenants derived from the economic crisis. The Group intends to sell the project or alternatively checking the option to lease-up the project parallel to the development of other sites in Romania – subject to leasing progress and financing.

Constanta: pipeline project

Plaza has acquired a 26,500 sqm plot in Constanta. The plot is conveniently located on one of the two main entrance roads to the city and consists of an existing shopping center and an open parking lot of 8,500 sqm. Constanta is located on the Black Sea bank and is one of Romania's main industrial, commercial and tourist centers. The Group is investigating the option of adapting the existing shopping center to create approximately 18,000 sqm of GLA which will be suitable for one big anchor such as a leading supermarket and/or a DIY store together with some smaller retail units.

Current portfolio

India

Project	City	Ownership	Plot Size (sqm)	Market value on completion 31 December 2015 (€)	Market value of the land and project 31 December 2015 (€)	Expected completion
Chennai	Chennai	40%	302,400	***	10,742,000	*
Bangalore	Bangalore	25%	218,500	116,457,000	15,089,000	*

* Under planning and feasibility examination.

*** Under Sale

In 2015 the Group sold Koregaon Park Plaza shopping and entertainment center, which was completed and opened to the public in March 2012 located in the upmerket area of Pune, Maharashta State. It was the Group's first completed project in India.

Currently the Group has interest (through a joint venture with Elbit Imaging) in two sites for residential developments located in the cities of Chennai and Bangalore.

Bangalore

Chennai: pipeline project

The Indian JV Vehicle (in which Plaza's share is 50%) has an 80% stake in a company which holds a 75 acres plot (and paid advances in order to secure acquisition of an additional 8.4 acres) in Chennai, India's fourth largest city with a population of over eight million people. The site can be developed into a residential project consisting of approximately 110,000 sqm of plotted area for development and approximately 62,000 sqm for high quality villas. The project is under planning and feasibility examination. Alternatively the Group is negotiating sale of the plot.

Bangalore: pipeline project

The Indian JV Vehicle currently has a 50% stake in a company which has rights on a 54 acres plot in Bangalore. The site located on the eastern side of Bangalore, India's fifth largest city, with a population of over eight million people. The site can be developed into a mega mixed-use project with a total built area of 310,000 sqm with over 1,100 luxury residential units. In December 2015, the JV signed an agreement to sell its interest in the project to its Partner. the transaction is subject to certain conditions precedent and closing will take place once these conditions are met and no later than september 30, 2016.

Current portfolio

Latvia, Czech Republic, Hungary, Greece, Bulgaria

Project	City	Ownership	GLA (sqm)	Market value on completion 31 December 2015 (€)	Market value of the land and project 31 December 2015 (€)	Expected completion
Latvia						
Riga Plaza	Riga	50%	49,000	47,463,000	47,463,000	Opened in Q1 2009*
Czech Republic						
Liberec Plaza	Liberec	100%	17,000	9,700,000	9,700,000	Opened in Q1 2009***
Hungary						
David House	Budapest	100%	2,000	2,625,000	2,625,000	Operating
Arena Plaza Extension	Budapest	100%	40,000	87,718,000	3,400,000	**
Greece						
Pireas Plaza	Athens	100%	38,000	60,038,000	4,050,000	****
Bulgaria						
Shumen Plaza	Shumen	100%	20,000	37,048,000	975,000	**

* Operating
** Under planning and feasibility examination
*** Sold in March 2016
**** Under sale process.

Plaza owns a shopping and entertainment center in Riga, Latvia, and in March 2016 sold it's shopping center in Liberec, Czech Republic. In addition the Group owns three developments in Hungary, Greece and Bulgaria, and one office building in Hungary.

Latvia

Riga Plaza: complete and active project

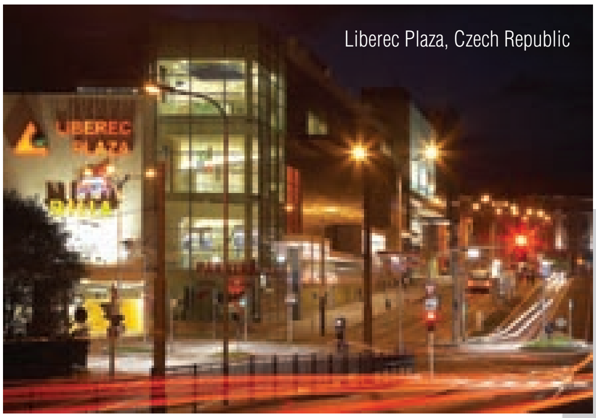
Riga Plaza is located on the west coast of the Daugava river, south west of Riga's city center. Riga, the capital of Latvia and the largest city in the Baltic States, has a population of approximately 700,000 inhabitants. Riga Plaza has excellent connections to the city center (a three to five-minute drive), as well as outstanding connections to the nearby main roads. There are several public transport stops (trolleybus and bus) located nearby, with the nearest public transport stop located directly in front of Riga Plaza. Riga Plaza is a two-floor shopping and entertainment center with a GLA of approximately 49,000 sqm, anchored by a hypermarket, an eight-screen multiplex cinema and 2,000 sqm of Fantasy Park. In 2015, the shopping center continued to perform well with an occupancy of 97%. New openings during the year include Adidas, Drogas, Calzedonia and Subway. The Group is in negotiation to sell its 50% share in the center to a third party. The expected sale price approximates the asset book value.

Riga Plaza, Latvia

Czech Republic

Liberec Plaza: complete and active project

Liberec Plaza is located in the center of Liberec, a city in the north of the Czech Republic, close to the border with Germany and Poland, with a population of 101,000 inhabitants and catchment area of approximately 350,000 inhabitants. The site is situated 20 meters from the main square. The complete center comprises of approximately 17,000 sqm of GLA, and includes an anchor supermarket, fashion retailers, a squash and sports center, a Dinopark, a food court and restaurants. The center is also comprising a residential area of 514 sqm (five apartments) and 1,100 sqm of office space. The center was opened to the public in March 2009. Occupancy of the mall in 2015 was 84%. The center was sold in March 2016.


Liberec Plaza, Czech Republic


Arena Plaza Extension, Hungary


David House, Hungary


Shumen Plaza, Bulgaria

Hungary

David House (Budapest): operational office

The Company owns an office building located on Andrassy Boulevard, a prestigious location and one of the most soughtafter streets in the center of Budapest. Several foreign embassies are situated nearby. The building facades of all buildings on the Andrassy Boulevard, including David House, are listed in the „World Heritage" list. The building was reconstructed / refurbished by Plaza during 2000-2001 in cooperation with the local monument preservation authority. Many of the original features have been retained, including the inner courtyard, staircases, stucco, ornate metalwork and fine wood carvings. The building is located on a 800 sqm plot and consists of four floors, an atrium and a basement, with a total constructed area of approximately 2,000 sqm.

Arena Plaza Extension (Budapest): pipeline project

The Arena Plaza Extension is a planned office addition to Arena Plaza that is intended to comprise approximately 40,000 sqm GLA of „class A" offices. The Arena Plaza Extension will occupy part of the former historic Kerepesi trotting track in the 8th district of Budapest. The project is under planning and feasibility examination.

Greece

Pireas Plaza (Athens): pipeline project

Plaza currently owns a plot of approximately 15,000 sqm in the city of Piraeus, a commercial-industrial center 10km from the heart of Athens. The site has an ideal highly visible and commercial position at the junction of two of the biggest arteries in Attica National Highway, running from the north to the south of Greece and Piraeus Avenue, connecting the center of Athens with the port of Piraeus. Conveniently located in front of the ISAP metro line, bus stations and in a walking distance from Europe's largest passenger port, the project will be easily accessed by a large catchment of more than one million people. Plaza has signed a binding pre-agreement to sell its development land in Piraeus for €4.7 million. The sale agreement with a third party developer is subject to certain conditions being met, including due diligence which has up to six months to complete.

Bulgaria

Shumen Plaza: pipeline project

Plaza has purchased a 26,000 sqm plot of land in Shumen, one of the largest cities in north-eastern Bulgaria, 80km from Varna. The site is ideally situated at the crossroads of the two major traffic arteries in Shumen, within a short walking distance to the city center, railway station and university. Shumen Plaza is planned to be a three-floor commercial and entertainment center with 20,000 sqm GLA and 650 parking spaces, serving the city population of approximately 100,000 people and a larger catchment of 205,000 people. The project is under planning and feasibility examination.

Executive Officer's statement

2015 was an important year for Plaza as we progressed our plans to create a more streamlined, better performing business. Our focus on the disposal of non-core assets continued as we reduced total assets to €392 (31 December 2014: €466). This approach has been allowing us to concentrate on superior assets in our prime areas of focus within Central and Eastern Europe, whilst at the same time delivering proceeds to bondholders and creating a stronger business for our shareholders.

Performance across our shopping centres has been stable during the year, with an overall portfolio occupancy level of 94.96% as of 31 December 2015 (31 December 2014: 95.34%)

Rental income fell during the year to €18.7 million compared with €22.1 million at the end of December 2014. This reduction reflects the fewer properties managed by Plaza (reduction of €3.1 million) however, importantly, the quality of the income is now higher and more resilient, reflecting the superior portfolio of assets. To that end, taken on a like for like basis, rental income of the assets Plaza increased during the period.

Our total loss for the year reduced significantly to €46 million, compared with €120 million at the end of December 2014. This was helped by a reduction in our net finance costs, a decrease in the operating costs of our shopping centres, as well as lower central administration costs. Crucially, it was also supported by considerably reduced property write-down costs compared with the previous year.

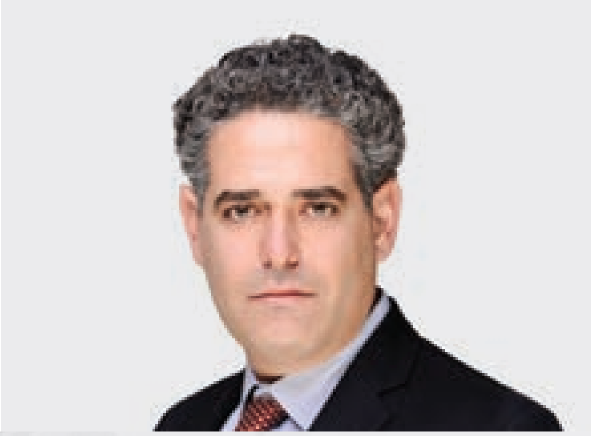
Over the course of 2015, in line with the restructuring plan agreed in 2014, we repaid 75% of proceeds from disposals to bondholders, totalling €19.3 million. Since the restructuring plan was approved, Plaza has now returned €47 million (of which €19 milion is principal and the remainder interest) to bondholders, in addition to 13.21% of shares in the Company. Pleasingly, at the start of 2015, Plaza's credit rating by Standard & Poor's also improved from "D" to "BBB-" on a local Israeli scale with a stable outlook.

More generally, we have been seeing economic improvement across our core geographies but the Board remains vigilant to wider macro economic factors. Without a doubt, 2015 was a year of significant progress and we look ahead towards further improving performance across our assets in 2016, with construction starting on key developments, and taking action to reduce leverage and provide proceeds to bondholders through the ongoing disposal of non-core and matured assets.

Key Events

Plaza undertook the disposal of the following non-core assets during the year:

- On 13 May 2015, Plaza announced the agreement to sell its Indian shopping mall located in Pune, India, for c. €35 million. The net cash proceeds (after repayment of the related bank loan, other liabilities and transaction costs) from the sale were c. €7.4 million (525 million INR).
- On 24 June 2015, Plaza reached an agreement to sell its 46,500 sqm development site in Iasi, Romania, in two separate transactions (one for the sale of 37,334 sqm and the other for the sale of 9,166 sqm), for a gross consideration of €7.3 million. There was no bank debt secured against the property. In line with the Company's stated restructuring plan, 75% of the net cash proceeds from the transactions were distributed to the Company's bondholders at the end of September 2015 as an early principal repayment.
- On 10 September 2015, Plaza announced that it has reached an agreement to sell Palazzo Ducale, an office building of 823 sqm GLA in the centre of Bucharest, Romania, for €1.085 million, consistent with the asset's reported book value. In line with the Company's stated restructuring plan, 75% of the net cash proceeds from the transaction were distributed to the Company's bondholders at the end of September 2015 as an early principal repayment.
- Plaza's subsidiary, Elbit Plaza India Real Estate Holdings Limited (in which Plaza holds a 50% stake with its joint venture partner, Elbit Imaging Ltd.) ("EPI"), on 2 December 2015 signed an agreement to sell 100% of its interest in a special purpose vehicle which holds a site in Bangalore to a local investor. The total consideration for the sale is INR 321 Crores (circa €45.4 million) which will be paid when the transaction closes. Following this closing, 50% of the proceeds will go to Plaza, of which 75% will be repaid to the Company's bondholders in line with the Company's stated restructuring plan. The transaction is subject to certain conditions precedent, and closing will take place once these conditions are met and no later than 30 September 2016. The investor is providing certain security in order to guarantee this deadline.
- On 14 December 2015, Plaza provided an update on the sale of the Cina property in Bucharest as its Romanian subsidiary concluded the transaction to waive its leasing rights in the asset which has been sold by the owner. The expected gross cash proceeds due to Plaza's subsidiary is circa €2.7 million (out of a total consideration of €4 million) and the expected net proceeds, after related taxes and transaction costs, are circa €2.26 million. In line with the Company's stated restructuring plan, 75% of the net cash proceeds from the transaction will be distributed to the Company's bondholders by the end of March 2016 as an early principal repayment.
- During 2015 Plaza took the strategic decision to dispose of the Chennai, India asset, rather than to proceed with the development project. On 16 September 2015, EPI (an Indian joint venture of



Roy Linden
CFO and Acting CEO

Plaza) obtained a backstop commitment for the purchase of the Chennai scheme. EPI, which had been in discussions regarding the sale of the Chennai Project SPV, obtained a commitment that, subject to the fulfilment of certain conditions precedent, the sale transaction would be completed by 15 January 2016 (the "Long Stop Date") for the consideration of approximately €21.6 million (INR 1,617 millions), net of all transaction related costs. However, it was agreed that, should completion not take place by the Long Stop Date, then EPI's stake in the Chennai Project SPV would be increased to 100%. In line with the Sale Transaction agreement, since the local Indian partner (the "Partner") failed to complete the transaction by the Long Stop Date, EPI has exercised its right to the Partner's 20% holding in the Indian company, Kadavanthara Builders Private Limited.

Plaza also achieved a number of development milestones during year:

- On 29 September 2015, Plaza announced that a wholly owned subsidiary of the Company won a tender to buy the loan to the wholly owned holding and operating company for Liberec Plaza shopping and entertainment centre in the Czech Republic. The €20.4 million bank loan was provided by two commercial banks and which Plaza has agreed to buy for €8.5 million, reflecting a discount of 58%. Subsequently, the Company [recorded] a profit on the discount (circa €12 million) in its financial statements for the second half of 2015. Liberec Plaza also recorded a net operating income of circa €850,000 in 2015, which reflects a yield of approximately 10% on the loan purchase price.
  On 4 March 2016, after the reporting date, Plaza sold the shares of the SPV holding the shopping and entertainment centre to a local investment group for a consideration of €9.5 million.
- The Company is in negotiations to sell its 50% share in its Riga Plaza (Latvia) project to a third party. The sale price is expected to be close at the asset's book value. More information will be provided upon the closing of the transaction.
- On 21 July 2015, Plaza announced that it had received the building permit to develop Timisoara Plaza, a circa 40,000 sqm GLA shopping and entertainment centre in Timisoara, western Romania. A binding financing offer was also agreed with the Hungarian Export-Import Bank Plc (Exim bank) for circa 65% of the project cost. A tender process is now underway to select a general constructor for the project, which is expected to complete during the second half of 2017.
- On 9 July 2015, Plaza announced that it had received the building permit to develop Belgrade (Visnjicka) Plaza, a 32,000 sqm GLA shopping and entertainment centre. Located on Visnjicka Street, adjacent to the Danube River in old Belgrade, the new development will include approximately 110 retail units, a supermarket and a multi-screen cinema complex. Construction began in 2015, with demolition works and pile works completed and skeleton construction underway, the completion is targeted for the first half of 2017. To date, the Company has agreed pre-let terms for circa 45% of the lettable area demonstrating the significant tenant demand that exists for space in the new centre. The Company has received a bank financing offer for approximately 55% of the construction cost and expects to finalise in the next quarter.

Plaza has also continued to make operational and asset management progress across its shopping centre portfolio.

Group management update

- Since the year-end, on 28 January 2016, the Board of Plaza took the decision to appoint Dori Keren and Yitshak (Izzie) Elias to the roles of Acting Chief Executive Officer and Chief Financial Officer, respectively. Both roles will become effective on 1 April 2016 while Dori Keren will become Chief Executive Officer on 1 January 2017.
- On 21 December 2015, Plaza announced the reappointment of Mr. Ron Hadassi as Chairman of the Board of Directors following a meeting of the Board.

Results

As stated, Plaza's total comprehensive loss for the year narrowed to €37 million compared with €116 million at the end of December 2014 or a €46 million loss attributable to the owners of the Company (€120 million: 2014). The most significant factor in this was a large reduction in property net write-down costs of €19 million compared to €89 million in 2014. These write-down costs are ascribed mainly to the revaluation of Liberec Plaza, Czech Republic (€6 million) and Casa Radio in Romania, while the remaining write-down and loss from disposals is mainly due to the sale of Koregaon Plaza in India (realisation on foreign currency translation adjustments).

Plaza successfully reduced net finance costs, shopping centre operating costs and central administration costs during the period. As at 31 December 2015, Plaza had cash and cash equivalents of €20.4 million, including €4.8 million of cash held as restricted cash deposits.

Debt restructuring plan

In line with the debt restructuring plan agreed in 2014, Plaza repays 75% of proceeds from disposals to bondholders. In 2015, Plaza paid €19.3m to bondholders and, since the restructuring plan was approved in 2014, a total of €47m (of which €19 million for principal and rest for interest) has been distributed as well as 13.21% of shares in the Company. For background on this restructuring, please refer to the Company announcement of 10 July 2014.

Cash flow projection

Following the closing of the Company's restructuring plan, the Company's consolidated financial statements include liabilities to bondholders for the aggregate principal amount of €203 million.

The following table sets out the cash flow forecast of the Company until mid-2017 in order to achieve the abovementioned repayments, as they fall due.

According to the Plan, if by 1 December 2016 the Company manages to repay the principal debentures of NIS 434 million (€102 million), then the remaining principal payments shall be deferred for an additional year ("the Deferral"). Since the Plan came into effect, up until 31 December 2015, the Company has repaid circa NIS 89 million (€19 million) of the debentures.

The remaining NIS 345 million (€81 million) of debentures (achieved through the sale of assets), together with the interest of approximately €13 million, are still to be paid by 31 December 2016, if the Company strives to achieve the abovementioned condition in the Plan.

Since parts of series B debentures are held in treasury, the total required net principal repayment in 2016 is NIS 338 million (€79 million) and has reclassified accordingly this amount as an amount payable within the next 12 months.

The Company regards the below scenario as the most probable, although these repayments are not falling due, unless the below mentioned assets in this scenario are disposed of.

	Forecasted cash flow In the year ending December 31, 2016 €'000	Forecasted cash flow In the six months ending June 30, 2017 €'000
Opening balance of consolidated cash[1]	**20**	**37**
Sources of cash during the period		
Net proceeds from disposal of operating shopping centres[2]	98	-
Proceeds from disposal of plots held[3]	54	15
Net operating income from shopping centres[4]	14	1
Total sources expected	186	53
Items added		
Principal repayment of debentures, net[5]	(108)	(11)
Interest repayment of debentures, net	(13)	(3)
Investment in projects under construction[6]	(15)	(1)
Repayment of bank facilities in subsidiaries (principal+interest)	(7)	(1)
General and administrative expenses	(6)	(3)
Total uses expected	(149)	(19)
Closing balance of consolidated cash[7]	**37**	**34**

1 Opening balance – as appeared in the consolidated statement of financial position, including restricted cash (which will be released upon the disposal of the operating shopping centres).

2 2016 – Expected net payment from the sale of four shopping centres (Riga, Liberec, Suwalki and Torun).

3 2016 – The Company expects extensive disposals of plots held in CEE and in India. The main 2016 disposals are expected in India and Serbia. In 2017, the main disposals are due in India.

4 As the operating shopping and entertainment centres are to be disposed of in 2016, in 2017 Net Operating Income is generated from the Belgrade Plaza (Visnjicka) shopping centre to be opened in the first half of 2017.

5 2016 – Due to be paid by 1 December 2016. The gross amount is expected at €110 million, less the expected repayment due to treasury series B bonds held in the amount of €2 million.

6 2016 – Main investment in Belgrade Plaza (Visnjicka project) and in Timisoara project (Romania).

7 2016 – Immaterial restricted cash amounts. 2017 – Including restricted cash in Visnjicka of €3 million.

statetement

NAV

The Company's property portfolio (CEE and India) was valued by Cushman and Wakefield as at 31 December 2015 and a summary valuation is shown below.

Net Asset Value per share decreased to 0.17 €/share from 0.22 €/share at the year-end in 2014.

The Company's NAV was calculated as follows:

Net Financial Debt	EUR MILLION (314)
Asset values*	
Operating assets	210
Development Assets**	162
Pipeline assets	52
Office Building	3
Total	**427**
Other assets and liabilites	1
NAV	**114**

* Based on Cushman and Wakefield valuation.
** Including 100% of Casa Radio due to the material owners loan.

Portfolio progress

The Company currently has a land bank of 15 plots, which are under development or awaiting planning decisions, and owns five operational shopping and entertainment centre assets and one office scheme across the CEE and in India. The location of the projects, as at 29 March 2016, is summarised as follows:

Location	Active	Under development/ planning	Offices
Romania	-	4	-
India	-	2	-
Poland	3	4	-
Hungary	-	1	1
Serbia	-	2	-
Czech Republic	1	-	-
Bulgaria	-	1	-
Greece	-	1	-
Latvia	1	-	-
Total	**5**	**15**	**1**

Liquidity & Financing

For a detailed liquidity analysis refer to the debt restructuring section above. Plaza ended the year with a consolidated cash position (including restricted bank deposits) of approximately €20.4 million, of which circa €4.8 million of cash is held as restricted cash on a consolidated basis. Working capital as at 31 December 2015 totalled negative €98 million chiefly due to the reclassification of €80 million mentioned above and as trading properties were classified as non-current assets in the Financial Statements, The Company's current cash position is circa €18 million (of which €5.5 million is restricted). Plaza continued to focus on deleveraging its balance sheet during the period but, as a result of impairment losses recorded in the period and finance costs incurred, the gearing level increased to 79% in 2015. At the start of 2016, Plaza's credit rating by Standard & Poor's was maintained on "BBB-" on a local Israeli scale with a negative outlook.

Strategy & Outlook

In 2016, Plaza will continue to focus on improving the performance of the shopping centre portfolio, applying the Company's strong asset management capabilities.

There will be additional emphasis on reducing leverage as well as the further rationalisation and strengthening of the portfolio by disposing of non-core properties.

Focus on Central and Eastern Europe will continue, creating a strong-performing portfolio. Plaza will also look to make progress on its developments, including Timisoara Plaza and Belgrade (Visnjicka) Plaza, and will explore partnership and financing opportunities for the Casa Radio project as well as to advance permits for the Belgrade Plaza (MUP) and Lodz projects.

While the markets in which Plaza operates showed positive economic signs during 2015, the Company remains vigilant towards wider macro-economic impacts.

Plaza's focus remains on building a strong portfolio, unlocking the value of land through developments where possible, reducing debt levels and delivering on behalf of bondholders and shareholders.

Roy Linden
CFO and Acting CEO
29 March 2016

Operational review

Plaza recorded a number of important operational and strategic achievements during 2015 and took action to improve the performance of its portfolio as well as the wider business.

Highlights for the financial year included:

- **Operations**: Improving performance of its operating shopping and entertainment centres focused on Central and Eastern Europe, and achieving key development milestones at Timisoara Plaza and Belgrade (Visnjicka) Plaza.

- **Disposals**:Focus remained on disposing of non-core assets to reduce leverage and provide payments to bondholders in line with the restructuring plan. Since the approval of the restructuring plan, circa €47 million has now been paid to bondholders..

- **Financial position:** As at 31 December 2015, Plaza had cash and cash equivalents of €20.4 million including €4.8 million of cash held as restricted cash deposits.

As of the reporting date, Plaza has 21 assets in nine countries, of which 15 are under various stages of development or under feasibility study across the CEE region as well as India. Of these developments, five are located in Romania, two in India, four in Poland, two in Serbia, and single assets in Bulgaria, Greece and Hungary. In addition to these developments, Plaza retains the ownership of and operates five shopping and entertainment centres in Poland, Czech Republic (agreed to be sold) and Latvia, as well as an office building in Hungary.

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

The Company's current 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	Operating, opened in May 2010
Zgorzelec Plaza	Zgorzelec, Poland	Retail & entertainment scheme	13,000	100	Operating, opened in March 2010
Torun Plaza	Torun, Poland	Retail & entertainment scheme	40,000	100	Operating, opened in November 2011
Liberec Plaza	Liberec, Czech Rep.	Retail & entertainment scheme	17,000	100	Operating, opened in March 2009
Riga Plaza	Riga, Latvia	Retail & entertainment scheme	49,000	50	Operating; opened in March, 2009
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	40,000	100	Construction scheduled to commence in 2016; completion scheduled for H2 2017

* all completion dates of the projects are subject to securing external financing and securing sufficient tenant's demand. Projects that are classified as "Under planning and feasibility examination" also have potential to be sold as land.

** Following year-end, effective ownership increased to 50%

Operational review

Asset/Project	Location	Nature of asset	Size sqm (GLA)	Plaza's effective ownership %	Status*
Development Assets (Cont.)					
Belgrade Plaza (MUP)	Belgrade, Serbia	Apartment-hotel and business center with a shopping gallery	72,000 (GBA)	100	In planning and permitting phase
Belgrade Plaza (Visnjicka)	Belgrade, Serbia	Retail & entertainment scheme	32,000	100	Construction scheduled commence in 2015; completion scheduled for H1 2017
Operational Office Buildings					
David House	Budapest, Hungary	Office	2,000	100	Operational office
Pipeline Projects			**Plot size (sqm)**		
Kielce Plaza	Kielce, Poland	Retail & entertainment scheme	25,000	100	Planning and feasibility examination
Lodz Plaza	Lodz, Poland	Retail & entertainment scheme	61,500	100	In planning and feasibility phase
Leszno Plaza	Leszno, Poland	Retail & entertainment scheme	24,700	100	Planning and feasibility examination
Lodz (Residential)	Lodz, Poland	Residential scheme	33,000	100	Planning and feasibility examination
Arena Plaza Extension	Budapest, Hungary	Office scheme	22,000 (land use right)	100	Planning and feasibility examination
Csíki Plaza	Miercurea Ciuc, Romania	Retail & entertainment scheme	36,500	100	Planning and feasibility examination
Constanta Plaza	Constanta, Romania	Retail & entertainment scheme	26,500	100	Planning and feasibility examination
Shumen Plaza	Shumen, Bulgaria	Retail & entertainment scheme	26,000	100	Planning and feasibility examination
Pireas Plaza	Athens, Greece	Retail/Offices	15,000	100	Planning and feasibility examination
Bangalore	Bangalore, India	Residential scheme	218,500	25	Planning and feasibility examination
Chennai**	Chennai, India	Residential scheme	302,400	40	Planning and feasibility examination

Operational review

Details of these activities by country are as follows:

Poland

Plaza owns and operates three completed shopping and entertainment centres across Poland, with an average occupancy of 93.8%.

Torun Plaza, which was completed and opened in late 2011, comprises approximately 40,000 sqm of GLA and is Plaza's tenth completed centre in Poland. Occupancy level increased to 96.08% at year end. The centre reported a slight decrease in footfall (3.2%), while the turnover remained stable compared to 2014.

Suwalki Plaza, comprising approximately 20,000 sqm of GLA with tenants such as H&M, Rossmann, New Yorker, Reserved and Cinema Lumiere, continues to perform well. Occupancy slightly decreased to 96.5% (2014: 97.7%) and turnover increased by 2.5% during the year. New stores KIK, Kinderplaneta and Pink opened during 2015 and most existing tenants have signed lease renewals, with the fifth anniversary of the opening of the centre having taken place in May.

In **Zgorzelec Plaza**, the 13,000 sqm shopping and entertainment centre has experienced an occupancy decrease, reaching 88.91% (2014: 95.2%), attributable mainly to the closing of the supermarket unit (Stokrotka). Despite that, after successful discussions with tenants, most of them chose to stay in the centre. Positively, turnover has increased by 2.8% compared to 2014 while footfall remained stable.

Feasibility and planning studies were also progressed at **Lodz Plaza** (comprising approximately 35,000 sqm of GLA) and amendment of the local master plan is underway.

Plaza also owns a residential plot in Lodz, Poland, which is being sold in stages: 3,340 sqm were sold in 2015 and another 5,200 sqm have been sold since the end of the period, at the beginning of 2016. The rest of the plot (approximately 24,700 sqm) is expected to be sold in 2016.

Hungary

Plaza has a transferable land use right to a site adjacent to the **Arena Plaza**, on which it plans to develop a 40,000 sqm office complex extension to the existing shopping centre. In line with Plaza's cautious approach to development, the Company will hold off on the commencement of any construction until it is satisfied that a recovery in the Budapest office market and a general rise in both occupancy rates and rental levels is underway.

David House, an office building on Andrassy Boulevard, in Budapest, remains under the Company's ownership.

Czech Republic

Turnover at **Liberec Plaza** shopping and entertainment centre (approximately 17,000 sqm GLA), owned and managed by the Company, improved by 10.6% compared to 2014, while occupancy slightly decreased to 83.7% (2014: 84%).

In September 2015, one of Plaza's wholly owned subsidiaries won a tender to buy the bank loan to the wholly owned SPV of Liberec Plaza. The €20.4 million bank facility was provided by two commercial banks to which the Company agreed to pay and paid an amount of €8.5 million, reflecting a discount of 58%. The Company recorded a €11.9 million profit on the discount in these consolidated financial statements, included as finance income.

In March 2016, Plaza agreed to sell its subsidiary holding in Liberec Plaza for €9.5 million. In line with the terms of the agreement, the buyer has deposited 15% of the consideration in escrow. The due diligence process, final closing and settlement is expected to conclude by the end of March 2016. Upon completion of the Liberec Plaza disposal, Plaza will receive €8.5 million on account of the bank loan it previously purchased. Out of the remaining proceeds, at least 75% will be distributed to the Company's bondholders by the end of June this year, in line with the Company's stated restructuring plan.

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 (d) of the Financial Statements for further information on the project.

In July 2015, the Company received the building permit to develop Timisoara Plaza, a circa 40,000 sqm GLA shopping and entertainment centre in Timisoara, western Romania. A binding financing offer has also been agreed with a commercial bank for circa 65% of the project cost. The construction is expected to commence in 2016, and completion is expected in late 2017.

Latvia

In **Riga Plaza**, which is 50% owned by Plaza, occupancy decreased to 97.02% (2014: 99.5%). Turnover has increased by 8.6% compared to the previous year, and footfall has increased by 7.2%. The Company is in negotiations for the sale of its share in the project. The transaction is expected to be executed close to book value of the asset.

Serbia

In July 2015, the Company received the building permit to develop Belgrade Plaza (Visnjicka) (previously known by the project name Sport Star Plaza), a 32,000 sqm of GLA shopping and entertainment centre. Construction commenced in 2015 and completion is anticipated in 2017. The demolition, excavation and piling works has been completed. Reflecting a strong demand for modern retail space, 45% of the centre's available retail space was pre-let as of the reporting date. Based on the successful letting progress the Company has received a financing offer for 55% of the construction cost.

Plaza owns a building in the central administrative district of Belgrade, which housed the former Yugoslavian Government's Federal Ministry of Internal Affairs. Development plans for the building comprise a shopping gallery, an apartment-hotel and a business centre, totalling circa 72,000 sqm of gross building area. Processes to secure the relevant local planning and permitting approvals are underway.

On 1 March 2013, Serbia was granted candidate status to the European Union. The Company believes this will significantly increase the flow of international capital into the country, enabling its carefully selected Serbian development pipeline, completing and operating the assets to benefit from an anticipated growth in investor interest. In March 2016, a joint venture between two international investors bought the two biggest shopping centres in Belgrade, demonstrating strong interest in the investment market there.

India

In May 2015, the Company signed an agreement to sell the SPV holding **Koregaon Park Plaza**, the retail, entertainment and office scheme located in Pune, India, for circa €35 million (2,500 million INR). The net cash proceeds received (after repayment of the related bank loan which was reclassified to short term other liabilities and transaction costs) from the sale totalled €7.4 million (525 million INR). In line with the Company's stated restructuring plan, all the net cash proceeds from the transaction were retained within the Company.

In 2008, Plaza formed a 50:50 joint venture with Elbit Imaging (the "JV") to develop mega mixed-use projects in Bangalore, Chennai and Kochi. Under the terms of the agreement, Plaza acquired a 47.5% stake in Elbit India Real Estate Holdings Limited, 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 in an equal share between the JV and a prominent local developer, 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.

As of 31 December 2015, the SPV holds joint development rights in approximately 54 acres of the plot for a total aggregate consideration of approximately INR 2,843 million (€40 million). In addition, the SPV has paid to the Partner advances of approximately INR 2,536 million (€35 million) on account of future acquisitions by the SPV of a further 51.6 acres.

In December 2015, the JV signed an agreement to sell 100% of its interest in the SPV to the Partner. The total consideration for the sale upon completion of the transaction is INR 321 Crores (approximately €45.4 million) which will be paid at transaction closing. The transaction is subject to certain conditions precedent, and closing will take place once these conditions are met and no later than 30 September 2016. The Investor has provided certain security in order to guarantee the aforementioned deadline.

Chennai - A residential development, which is 80% 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. In this respect, on 16 September 2015, the JV obtained a backstop commitment for the purchase of Chennai, India Scheme.

The JV, which has been in discussions regarding the sale of Chennai Project, has obtained a commitment that, subject to the fulfilment of certain conditions precedent, the sale transaction will be completed by 15 January 2016 (the "Long Stop Date") for the consideration of approximately €21.6 million (INR 1,617 millions), net of all transaction related costs. If completion does not take place by the Long Stop Date, then JV's stake in the Chennai Project will be increased to 100%. In line with the Sale Transaction agreement, since the local Indian partner (the "Partner") failed to complete the transaction by the Long Stop Date, the JV had exercised its right to get the Partner's 20% holdings in the Indian company.

Financial review

Results

During 2015, 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 construction; and
- Plots in the planning phase.

In respect of 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 appropriate pricing. Therefore, it is clear from the Company's perspective that these completed properties are trading properties, rather than investment properties.

In respect of the sites held, which are not intended to be developed in the near future, the Company is actively looking for buyers and does not hold the land passively with the intention to gain from a potential value increase. Sites scheduled for construction are intended to be developed and sold in the normal course of business once circumstances allow. For this reason we also believe that these are appropriately classified as trading properties. As at 31 December 2015, as in previous years, the trading properties were classified as non-current assets in the Statement of Financial Position.

Income comprised rental income from operating shopping centres. In 2015, Plaza generated €18.7 million of income compared to €22.1 million in 2014. This includes rental income and service charges collected from the tenants. The rental income in 2015 was €13.1 million while in 2014 it was €15.4 million. The decrease is a result of the strategic sale of Kragujevac Plaza in mid-2014 (c. €2.3 million of income recorded in 2014) and also by the sale of other undeveloped projects. A 10% increase in NOI was recorded across the shopping centre portfolio (from €14.9 million to €16.4 million), including company share in NOI from the commercial centre of Riga, Latvia, but excluding the impact of the 2014 sale of Kragujevac Plaza. Income from the Group's Fantasy Park operation, which provides gaming and entertainment services in Plaza's active shopping centres, decreased to €0.7 million (from €1.7 million in 2014) following the operational closure of some units in the Group's shopping centres. Before the reporting date the last unit was sold as part of the non-core business disposal process.

The disposal of Kragujevac Plaza also led to a reduction in operating costs from €8.5 million in 2014 to €6.5 million in 2015, while the Fantasy Park operating costs decreased from €2.2 million in 2014 to €1 million in 2015 following the closures.

A write down of trading properties amounted to €20 million in 2015 (€87 million in 2014), comprising projects in Romania (€9.2 million); India (€1.5 million); Poland (€6 million); the Czech Republic (€6.2 million); Hungary (€1 million) and others. This was partly offset by an uplift in the value of Belgrade Plaza of (€6 million).

The uplift in relation to joint ventures classified as equity accounted investments amounted to €0.9 million in 2015, related to Riga Plaza (Latvia), compared to a net €1.7 million write down in 2014 (related to Plaza's Indian project (Chennai) slightly offset by the €0.4 million increase in the value of Riga Plaza (Latvia).

The Company's active efforts to further reduce costs resulted in administrative costs decreasing by 6% to €7 million (2014: €7.4 million), comprising a lower scale expense for professional service providers and a lower head count. With the elimination of circa €0.5 million severance payments for the two resigning CEOs during the year, the administrative cost amounted to €6.5 million. The planed expenses for 2016 are €6 million.

Other net income saw a net increase to €5.5 million from Nil in 2014, chiefly as a result of a one-time gain recognised due to the Kochi project in India (€4.7 million) and settlement with potential buyer of Koregaon Park (€0.7 million) (2014 - €2.3 million insurance pay out received in connection with the Koregaon Park fire incident, offset mainly by expenses resulting from the impairment of other assets (mainly Palazzo Du Calle office in Romania €0.7 million) and a loss on the disposal of other assets (€1.5 million)).

Restructuring costs were incurred in connection with the Company's debt restructuring process in 2014.

A net finance loss of €31 million was recorded in 2015, compared to a net finance cost of €35.6 million in 2014.

Finance income increased to €14.3 million (2014 €2 million), largely attributable to the settlement of bank loan debt at a discount (€13.5 million) related to projects in the Czech Republic and Romania.

Finance expenses increased from €36.8 million to €45.2 million, mainly comprising:

- Interest expense on debentures (€13.9 million compared to €4.6 million in 2014 where most debentures were presented at Fair Value Through Profit or Loss), and non-cash amortisation of the discount (the difference between fair value and adjusted par value) of €10.6 million (€0.8 million in 2014).
- €5.1 million interest expense on bank borrowings compared to €9.6 million in 2014.

- Foreign exchange losses on debentures €14.8 million (€0.5 million in 2014).

A tax expense of €1 million recorded in the consolidated income statement against the tax benefit of €1.3 million in 2014 that largely represented the creation of deferred tax assets attributed to the Polish operations.

As a result of the above, the loss for the year amounted to c. €46 million in 2015, compared to €120 million in 2014. Basic and diluted loss per share for 2015 was €0.07 (2014: €0.39).

Balance sheet

The balance sheet as at 31 December 2015 showed total assets of €392 million, compared to total assets of €466 million at the end of 2014. The decrease was mainly driven by the write down of trading properties and equity accounted investees, 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 €20.4 million (31 December 2014: €41.7 million) after the repayment of bond principal and interest, and buy out of the bank loan. Gearing increased to 79% (31 December 2014: 74%) as a result of impairment losses and finance costs incurred during the year.

Trading property values decreased from €371 million in 2014 to €318 million in 2015 as result of selling of assets (mainly Koregaon Park India) and the write downs booked in the period. 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 €45 million investment in equity accounted investees which includes joint venture projects. The only operating asset currently classified under this heading is Riga Plaza. The remainder are the two development sites in India (Bangalore and Chennai). The value has increased by €2.7 million since 2014, comprising a €1 million uplift value and by €1.7 million due to exchange rate movements.

Total bank borrowings (long and short term) amounted to €102.5 million (31 December 2014: €150.8 million). This decrease is the result of loans repaid during the year, hair cuts achieved in the Czech Republic and Romania and the disposal of the Koregaon Park Plaza shopping centre.

Apart from bank financing, Plaza has a balance sheet liability of €181.6 million (with an adjusted par value of circa €203 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 €13.2 million to €7 million in 2015. The decrease is mainly attributable to the execution of sale of Koregaon Park in India.

The total equity decreased from €120 million in 2014 to €83 million in 2015 due to a €46 million loss suffered mainly from write downs, NIS strengthening against the EUR, bonds discount amortisation and from a net €9 million increase in the translation reserve connected to the Indian operations of the Company, stemming from the strengthening of the Indian Rupee against the Euro.

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

Cash flow provided from (used in) operational activities in 2015 was negative at €2.6 million (2014: positive cash flow of €8.3 million) mainly due to repayment of other liabilities associated with the Koregaon Park shopping centre, and the sale of a shopping centre in Serbia.

Cash flow provided from investment activities in 2015 remained low and totalled €2.6 million (2014 negative €1.4 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 2015 totalled €17.9 million (2014: €2.4 million) owing to the payment of €8.5 million and obtaining the discount of 58% over the bank loan purchased in the Czech Republic. In addition,2014 activities included right issuance net proceeds of €18.8 million.

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 reports 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 emphasise is a matter included in the audit opinion issued by the auditor. The emphasis of matter was included in view of management plans for asset disposals and also in respect of the Casa Radio project, as described in Notes 2(c), 16 and 27(c) to 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 since the reporting period, and also provide explanations on differences between previously disclosed estimated projected cash flows with actual cash flows.

2. Projected cash flow

According to the Restructuring Plan, a three and a half year period deferral of payment was granted. If until 1 December 2016 the Company manages to repay NIS 434 (circa €102 million) of debentures, then the remaining principal payments shall be deferred for an additional one year. Since the Plan entered into effect, until 31 December 2015, the Company has repaid circa NIS 89 million (€19 million) out of the debentures. The remaining NIS 345 million (circa €81 million) of the principal bonds (through the sale of assets), together with the interest of approximately €13 million are still to be paid up to 1 December 2016, if the Company strives to achieve the abovementioned condition in the Plan.

The Company regards this scenario as the most probable, and has accordingly reclassified €79.6 million of its debentures as short term, although these repayments are not falling due, unless the below mentioned assets in this scenario are disposed.

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 lower price 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 flow and the Company's ability to service its indebtedness in a timely manner.

Description	Footnote (details and assumptions)	January 1, 2016 till December 31, 2016 (MEUR)	January 1, 2017 till December 31, 2017 (MEUR)
Cash and Cash equivalents - Opening balance	1	12.1	36.6
Solo resources:			
Cash inflow from operating activity:			
proceeds from selling trading and investment properties	2	152.4	20.0
Cash inflow from finance activity:			
Distributions from operating subsidiaries (through loan repayments)	3	7.6	-
Release of restricted cash due to disposal of subsidiaries	4	7.2	-
Total sources:		179.3	56.6
Expected use			
Cash outflow from operating activity:			
Administrative expenses	4	5.8	5.0
Cash outflow from investment activity:			
Investment in equity in projects	5	16.9	1.0
Cash outflow from finance activity:			
Principal repayment to Noteholders	6	107.5	14.7
Interest repayment to Noteholders	7	12.5	5.7
Total uses:		142.7	26.4
Cash and cash equivalents - Closing balance:		36.6	30.2
Restricted deposit		0.5	3.6
Total cash, including restricted deposit		**37.1**	**33.8**

1 Consolidated cash position, without restricted cash in subsidiaries in a total amount of €8 million, due to bank facilities restrictions. The Company is expected to be able to collect all remaining cash in subsidiaries upon exit.

2 2016: Comprised from the exercise of four out of the five shopping centres in CEE the Company owns, and also plots, mainly in Serbia and India. 2017: Mainly from plot disposals in India and Poland.

3 Based on expected Net Operating Income ("NOI") from subsidiaries, less expected payment to bank financing in subsidiaries. The Company expects to retrieve the funds through repayment of existing intercompany loans. The vast amount of the retrieve is from Polish operating shopping malls.

4 Management estimation based on last year's actual cash restriction balances.

5 2016: Comprised mainly from investment in the schemes of Visnjicka Belgarde (Serbia) and Timisoara (Romania)

6 Assuming EUR/NIS rate of 4.40 and EUR/PLN rate of 4.20. The repayment schedule takes into consideration also that in case of disposal of a subsidiary, 75% of the proceeds are used for the early prepayment of the Unsecured Debt in accordance with the terms of the Restructuring Plan.

7 Refer to remark 6 in respect of exchange rates.

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 comparison between forecasted and actual cash flow, with explanations on the differences on cash flow published for the 18 months period ending December 31, 2015.

Description	Footnote (details and assumptions)	July 1, 2014 till December 31, 2015 Forecasted (MEUR)	July 1, 2014 till December 31, 2015 Actual (MEUR)
Cash and Cash equivalents - Opening balance	1	9.6	23.2
Solo resources:			
Cash inflow from operating activity:			
proceeds from selling trading and investment properties	2	123.3	39.0
Cash inflow from finance activity:			
Distributions from operating subsidiaries (through loan repayments)	3	26.5	21.6
Right issuance	4	20.0	15.5
Other financial income		2.5	-
Total sources:		181.9	99.3
Expected use			
Cash outflow from operating activity:			
Administrative expenses		10.5	10.5
Cash outflow from investment activity:			
Investment in equity in projects	5	29.3	10.0
Cash outflow from finance activity:			
Principal repayment to Noteholders	6	79.5	18.6
Interest repayment to Noteholders	7	13.6	26.0
Principal repayment to Noteholders	8	22.0	22.1
Total uses:		154.9	87.2
Cash and cash equivalents - Closing balance (Solo):		27.0	12.1
Restricted deposit		7.0	8.3
Total cash, including restricted deposit (Consolidated)		**34.0**	**20.4**

The below explains the main reasons for deviation between expected cash flow projections and actual cash flows:

1 Opening balance was calculated assuming repayment of interest on bonds before 30 June 2014, while actual payment was performed in December 2014 (of €12.1 million).

2 Disposal of the CEE shopping centres did not materialized, and the Company instead has improved the tenant mix and the overall performance of the shopping malls, in order to benefit from it upon sale.

3 Lower due to tenant improvements cost incurred in operating shopping centres in the period.

4 Actual right issuance – net of total restructuring plan costs of circa €4.5 million.

5 Main investment slowed down as a result of low level of sales, and mainly in projects in Serbia and Romania.

6 Decreased as a result of low level of sales.

7 Refer to remark 1 above.

8 Actual amount includes repayment of Liberec loan (€8.5) million with a discount of €12 million.

Roy Linden
Chief Financial Officer
29 March 2016

Valuation Summary by Cushman and Wakefield

as at 31 December 2015 (in EUR)

Country	Project name	Market value of the land and project 31 December 2014	Market value of the land and project 31 December 2015	Market value upon completion 31 December 2014	Market value upon completion 31 December 2015
Hungary	Arena Plaza Extension	6,650,000	**3,400,000**	87,353,000	**86,718,000**
	David House	2,625,000	**2,625,000**	2,625,000	**2,625,000**
Poland	Torun Plaza	96,300,000	**97,725,000**	96,300,000	**97,725,000**
	Zgorzelec Plaza	13,450,000	**12,050,000**	13,450,000	**12,050,000**
	Suwalki Plaza	43,075,000	**43,250,000**	43,075,000	**43,250,000**
	Lodz Plaza	7,400,000	**7,400,000**	70,911,000	**70,911,000**
	Kielce Plaza	3,600,000	**3,325,000**	70,158,000	**60,533,000**
Czech Republic	Liberec Plaza	15,725,000	**9,700,000**	15,725,000	**9,700,000**
Romania	Casa Radio Plaza	87,075,000	**81,450,000**	555,138,000	**578,711,000**
	Timisoara Plaza	8,940,000	**9,400,000**	72,283,000	**70,329,000**
	Miercurea Ciuc Plaza	2,460,000	**2,400,000**	14,276,000	**14,831,000**
	Slatina Plaza	1,000,000	**1,000,000**	30,151,000	**30,151,000**
	Constanta Plaza	3,300,000	**2,150,000**	3,300,000	**2,150,000**
	Brasov	1,990,000	**1,990,000**	147,039,000	**147,039,000**
Latvia	Riga Plaza	45,000,000	**47,463,000**	45,000,000	**47,463,000**
Greece	Pireas Plaza	4,475,000	**4,050,000**	73,141,000	**60,038,000**
India	Bangalore	14,206,000	**15,089,000**	109,646,000	**116,457,000**
	Chennai	10,031,000	**10,742,000**	18,710,000	**Comparable***
Bulgaria	Shumen Plaza	1,025,000	**975,000**	29,176,000	**37,048,000**
Serbia	Belgrade Plaza (MUP)	13,650,000	**13,625,000**	153,831,000	**153,831,000**
	Belgrade (Visnjicka) Plaza	18,850,000	**29,625,000**	91,299,000	**91,299,000**
TOTAL**		**400,827,000**	**399,434,000**	**1,742,587,000**	**1,732,859,000**

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

** Rounded to nearest thousand

Notes:

- All values of land and project assume full planning consent for the proposed use.
- Plaza Centers has a 50% interest in the Riga Plaza shopping centre development.
- Plaza Centers has a 75% share of Casa Radio Plaza.
- Plaza Centers has a 25% share of Bangalore.
- Plaza Centers has a 40% share of Chennai.
- All the figures reflect Plaza's share.

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

Sarig Shalhav
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
Acting CEO*

Yitshak Izzie Elias
CFO*

Guy Lavan
Chief Engineer

Uzi Eli
General Counsel

Gabor Lattmann
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

Yitshak Izzie Elias
Country Director
India

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

* Both roles effective on 1 April, 2016 while Dori Keren will become CEO on 1 January, 2017.

Board of Directors and Senior management

Chairman

Mr. Ron Hadassi, Non-executive director (male, 51, Israeli)

Mr. Ron Hadassi has a 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 a chairman and non-executive director on 28 November 2014. Mr. Hadassi may periodically be re-elected by the Annual General Meeting pursuant to article 23.6 of the Articles, provided that Mr. Hadassi will have expressed his availability for a subsequent term of office.

Executive director

Mr. Nadav Livni, (male, 42, 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. Mr. Livni may periodically be re-elected by the Annual General Meeting pursuant to article 23.6 of the Articles, provided that Mr. Livni will have expressed his availability for a subsequent term of office.

Independent non-executive directors

Mr. Marco Habib Wichers (male, 57, 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 will have expressed his availability for a subsequent term of office.

Mr. Sarig Shalhav (male, 42, 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 will have expressed his availability for a subsequent term of office.

Mr. David Dekel (male, 51, 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 will have 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 (46) 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. Roy Linden (39) BBA, CPA (USA, Isr), Former Chief Financial Officer, Former Acting CEO
Mr. Roy Linden joined the Company in November 2006 and has acted as chief financial officer since then and acting CEO in 2015 until 31 March, 2016. Prior to joining the Company, he served as manager in the real estate desk of KPMG in Hungary for nearly four years, specialising in auditing, business advisory, local and international taxation for companies operating throughout the CEE region. He also served as a senior member of an audit team of Ernst and Young in Israel for three years and specialised in high-tech companies. Mr. Linden holds a BBA degree in accounting from the College of Management Academic Studies and he is a certified public accountant in Israel and in the United States.

Mr. Yitchak (Izzie) Elias (40) CPA, MBA, Chief Financial Officer
Mr. Elias joined the Group in 2009 as the financial director of India, and was appointed as a country director in 2013. From April 2016 Mr. Elias serves as the chief financial officer of the Company. Prior joining to Plaza Centers he worked as a senior member of the audit team of PWC and advised multinational and distressed companies. Mr. Elias holds a BBA degree in accounting and business administration from the College of Management and an MBA from Tel Aviv University and he is a certified public accountant in Israel.

Mr. Uzi Eli (40) 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 (38) 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 (65) 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 (37) 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.

Mr. Gabor Latmann (36) BSc, CEE Leasing Director
Mr. Gabor Lattmann joined the Company in 2002, he acted in various positions in the company. Since 2005 he was acting as Chief Analyst and as of April 2015 he was appointed as the Group Leasing Director. Mr. Lattmann holds BSc Degree from the Budapest Business University.

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

Directors' report*

Principal activities and review of business

Plaza Centers N.V. is a leading 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 20 years. To date, the Group has developed, let and opened 33 shopping and entertainment centers and one office building. 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 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, holding 26 income producing assets. In 2015 Plaza sold its Indian mall located in Pune and in March 2016 its mall in Liberec, Czech Republic. The remaining four centers, which were completed during 2009 - 2012 are being held and managed by the Company, while utilising the Company's extensive experience in managing retail assets.

For a more detailed status of Plaza's main focus in 2016 and current activities and projects, the directors refer to the President and Chief Executive Officer's statement on pages [ ] to [ ] 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.

Pipeline projects

The Company is active in seeking new sites and development opportunities in countries in which the Company is currently operating. The Company is also analysing and contemplating investment in further countries that meet its development parameters and investment criteria.

Going concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet the mandatory repayment terms of the banking facilities and debentures, as disclosed in notes 2c and 16 of the consolidated financial statements.

The Board of Directors have analysed the following two 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 2015, which is the base for important disclosures included in the Company's 2015 financial reports.

2 Extensive review and assessment of the features of the debt restructuring plan details, including prospective cash outflow, covenants and comply with these elements, and especially the planned repayment up until December 1, 2016

Based on and considering the above assessments, done for the period of 14 months following the signature of these reports, the Board of Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due.

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 [ ] 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 [ ] of this report.

Directors' report

Directors and appointments

The following served as directors of the Company at 31 December 2015:

Ron Hadassi – Chairman, Non-executive director
Nadav Livni – Executive director
Shlomi Kelsi* – Non-executive director
Yoav Kfir* – Non-executive director
Marco Wichers – Independent non-executive director
Sarig Shalhav – Independent non-executive director
David Dekel – Independent non-executive director

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

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.

Issue of shares

Pursuant to the Articles of Association, the General Meeting of Shareholders is the corporate body authorised to issue shares and to disapply pre-emption rights. In each Annual General Meeting, the General Meeting of Shareholders is requested to delegate these powers to the Board. The scope of this power of the Board shall be determined by the resolution of the General Meeting of Shareholders to give the authorisation. Typically, the Company requests in each Annual General Meeting of Shareholders the authorisation for the Board to issue shares up to an aggregate nominal value of 33% of the then issued share capital and an authorisation for the Board to disapply pre-emption rights which is limited to the allotment of shares up to a maximum aggregate nominal amount of 10% of the then issued share capital. The authorisation is valid for a period ending on the date of the next Annual General Meeting.

* Mr. Kelsi and Mr. Kfir was dismissed from its position on 17 December, 2015. See the reference on page 46

Employee involvement

The Company has 83 employees and other persons providing similar services. In 2014 the Group had 120 employees and other persons providing similar services. The management does not expect significant changes in the development of the number of employees, following the reorganisation process in recent years. The Company's employees are vital to its ongoing success. It is therefore important that all levels of staff are involved in its decision-making processes. To this end, the Company has an open culture and flexible structure, and staff are encouraged formally and informally to become involved in discussions on the Company's future strategy and developments. Employee share option schemes were adopted on 26 October 2006 (as was amended in October 2008 and November 2011) and on 22 November 2011, which enable employees to share directly in the success of the Company.

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 2015 at 10.30 am (CET).

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 2014 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 2014; (iii) to discharge the directors of the Company from their liability for the conduct of business for the year ended 31 December 2014; (iv) to appoint Grant Thornton Accountants en Adviseurs B.V. as the external auditor for the 2015 financial year; (v) to authorize the Board generally and unconditionally to exercise all powers of the Company to allot

** As of 19 December 2014, 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.

equity securities in the Company up to 226,234,891 (two hundred twenty six million, two hundred thirty four thousand eight hundred ninety –one) ordinary shares, being 33 per cent. of the Company's issued ordinary share capital as at the date of the notice for the annual general meeting, provided that such authority shall expire on the conclusion of the Annual general meeting to be held in 2016, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired; (vi) to designate the Board, generally and unconditionally, as the competent body to restrict or exclude pre-emptive rights upon issuing ordinary shares set out in article 6 of the Company's Articles of Association, such power to expire at the conclusion of the next Annual general meeting to be held in 2016, and the Board may allot equity securities following an offer or agreement made before the expiry of the authority and provided that the authority is limited to the allotment of the equity securities up to the percentage of 10% of the issued capital of the Company at the date of the notice for this Annual general meeting, being 68,556,068 (sixty eight million five hundred fifty six thousand and twenty eight) ordinary shares in the capital of the Company; (vii) to authorize the Company, generally and unconditionally, for the purpose of Article 8 of the Articles of Association of the Company to make market purchases of the ordinary shares in the capital of the Company on such terms and in such manner as the directors may from time to time determine, subject to certain conditions (viii) to re - elect Mr. Sarig Shalhav as non executive director; and (ix) to re –elect Mr. David Dekel as non executive director .

The proposed resolutions of items No. (i) – (iv) and items No. (viii) – (ix) of the agenda were passed and items No (v) – (vii) of the agenda were voted against.

Extraordinary General Meeting (EGM)

An extraordinary general meeting of shareholders was held at Park Plaza Victoria Hotel Amsterdam, Damrak 1-5, 1012 LG Amsterdam, the Netherlands on 19 December, 2015 at 10am (CET). On 30 October 2015, the Company received a written requisition within the meaning of article 27.3 of the Articles of Association, from Elbit Ultrasound (Luxembourg) B.V./S.à r.l. "Elbit"), a shareholder holding 44.9 per cent of the Company's ordinary shares, to convene an extraordinary general meeting of shareholders. The requisition contained the following proposals: (i) to dismiss Mr. Shlomi Kelsi from his position as non-executive director, in accordance with article 23 of the Articles of Association, and (ii) to dismiss Mr. Yoav Kfir from his position as non-executive director, in accordance with article 23 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 19 - Equity)

Forecast

Plaza continues to evaluate its development pipeline, which it believes offers significant opportunities. Plaza remains prudent and pragmatic in its approach to deploying significant levels of equity to commence new projects. This being said, Plaza continues to progress a limited number of projects in the most resilient countries in CEE, such as Poland, Romania and Serbia, and, as such, continuing construction of Belgrade Plaza ("Visnjicka") in Belgrade, Serbia for which a building permit was received in July 2015 and bank financing is expected to be agreed shortly. In addition, commencing construction of Timisoara Plaza in Timisoara, Romania for which a building permit was received in July 2015 and a binding financing offer has also been agreed for circa 65% of the project cost.

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, continuing processes to secure relevant local planning and permitting approvals for the Belgrade ("MUP") project in Serbia and Lodz Plaza project in Poland.

Plaza intends to sell yielding assets where value potential is or is close to being established and where sale prices are appealing, and to sell plots which are not part of the Company's core business or not suitable for development in the short/medium term.

Following the successful completion of the restructuring plan, Plaza has confidence in the long term future growth of the Company and the management is resolute in its belief that, with the ongoing support of the Group's bondholders and shareholders, the delivery of the strategy, together with the brightening economic outlook, will result in the delivery of value and growth to the Company's investors. Plaza will continue 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 (NIS 434 Million) per the restructuring plan. For important information in regards to Plaza's cash flow projections please refer to Note 2(c) in the consolidated financial statements.

Plaza is on various stages of negotiation for selling part of its assets (e.g. negotiation to sell its 50% share in Riga Plaza (Latvia) project to a third party), but currently there are no signed agreements or head of terms in place, except a signed binding pre-agreement to sell development plot in Piraeus, near Athens, Greece.

The number of the Group's employees changed significantly in the course of the past years, however, following the approval of the restructuring plan, no material change is expected for 2016 following the nomination of Dori Keren and Yitshak (Izzie) Elias to the roles of Acting Chief Executive Officer and Chief Financial Officer, respectively.

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 Code in 2015

- 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 2015.

- 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 Elbit group based upon the same principles. It should be noted however that, in 2015, 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 17.1 of the Articles of Association provides for this. Section 17.2 of the Articles of Association further stipulates that if as a consequence of the provision of Section 17.1. of 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 alios, 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 2015, 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 2015 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 2015 until 17 December 2015, the Company had one executive director, Mr Nadav Livni and six 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 non-executive directors, in function in 2015 considered to be non-independent were Messrs Ron Hadassi, Yoav Kfir and Shlomi Kelsi. Messrs. Yoav Kfir and Shlomi Kelsi stepped down from their functions at the occasion of the extraordinary general meeting of shareholders of the Company that was held on 17 December 2015. The independent non-executive directors in 2015 were Messrs Marco Wichers, Sarig Shalhav and David Dekel. From 17 December 2015 onwards, the Company has had four non-executive directors (Messrs. Ron Hadassi, Marco Wichers, David Dekel and Sarig Shalhav) out of whom three are considered to be independent. See also page [ ] – "Additional Information for an overview of the directors' former and current functions". Consequently, three out of the six non-executive directors in 2015 were considered to be independent.

- 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 enabled 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 2015:

- 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 provide that some directors are responsible for the day-to-day management of the Company and other directors are responsible for supervising the day-to-day management of the Company. 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 8 July, 2014 until 17 December 2015, the Company had seven directors – one executive director and six non-executive directors, of whom three were independent. At the EGM Mr. Kelsi and Mr. Kfir were dismissed. See page 46. Since the dismissal of the above directors the Company has five directors – one executive director and four non-executive directors, of whom three 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. The Company has established three committees, in line with the UK Combined Code and the Dutch Corporate Governance Code. These are the Audit Committee, the Remuneration Committee and the Nomination Committee, and a brief description of each may be found below.

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, Mr. Dekel and Mr. Shalhav.
Chairman: Mr. Dekel.

Remuneration Committee

The Remuneration Committee meets at least twice each financial year to prepare the Board's decisions on the remuneration of directors and other senior employees and the Company's share incentive plans (Under Dutch law and the Articles of Association, the principal guidelines for directors' remuneration and approval for directors' options and share incentive schemes must be determined by a general meeting of shareholders). The Committee also prepares an annual remuneration report on the Company's remuneration policy. The remuneration report may be found on pages [ ] and [ ] of this document.

Composition**: Mr. Wichers, Mr. Dekel and Mr. Shalhav
Chairman: Mr. Wichers.

Nomination Committee

Meeting at least twice a year, the main tasks of the Nomination Committee are to prepare selection criteria and appointment procedures for Board members and to review the Board's structure, size and composition.

Composition***: Mr. Wichers, Mr. Dekel, Mr. Shalhav
Chairman: Mr. Wichers

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.

The Board and Management of Plaza and the Company have become aware of certain issues with respect to certain agreements that were executed in the past in connection with the Casa Radio. In order to address this matter, the Board has appointed the chairman of the Audit Committee to investigate the matters internally. The Board of Plaza has also appointed independent law firms to perform an independent review of the issues raised. The Company has approached and is co-operating fully with the relevant Romanian Authorities regarding the matters that have come to its attention in this respect and it has submitted its findings to the Romanian Authorities. There is a risk that the outcome of the investigation will affect the outcome of the project.

* Until 17 December, 2015 Mr. Kfir was a member of the Audit Committee.

/* Until 17 December, 2015 Mr. Kelsi was a member of the Remuneration and Nomination Committees.

Corporate governa

Share Dealing Code

The Company operates a share dealing code, which limits the freedom of directors and certain employees of the Company to deal in the Company's shares. The share dealing code imposes restrictions beyond those that are imposed by law. The Company takes all reasonable steps to ensure compliance by those parties affected. The Company operates a share dealing code, particularly relating to dealing during close periods, for all Board members and certain employees, as is appropriate for a listed company. The Company takes all reasonable steps to ensure compliance by those parties affected. The share dealing code meets the requirements of both the Model Code set out in the Listing Rules and the Market Abuse chapter of the Netherlands Act on the financial supervision.

Controlling shareholder and conflicts of interest

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

	Number of ordinary shares	Percentage of issued share capital/voting rights
Elbit Imaging Limited	307,847,376	44.90%
Davidson Kempner Capital Management LLC	180,282,196	26.30%
York Capital Management Global Advisors LLC	24,936,483	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 2015 can be found on pages [ ] and [ ]. 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 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 2.06% 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.

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.

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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.

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.

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 [ ] to [ ]);
- The functioning of the general meeting of shareholders, its primary authorities, the rights of shareholders and how they can be exercised (page [ ]);
- The composition and functioning of the Board and its Committees (starting on pages [ ] and [ ] and page [ ]);
- The regulations regarding the appointment and replacement of members of the Board (page [ ]);
- The regulations related to amendment of the Articles of Association (page [ ]); and
- The authorizations of the members of the Board in respect of the possibility to issue or purchase shares (page[ ]).

Risk management

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 purchases, development, investments and 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 organization 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.

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 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 (re)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 often exposed to risks arising from unforeseen changes, such as legal, political, tax, regulatory, and economic changes.

In 2016, Plaza will continue to focus on improving the performance of the shopping centre portfolio, applying the Company's strong asset management capabilities. There will be additional emphasis on reducing leverage as well as the further rationalization and strengthening of the portfolio by disposing of non-core properties. Focus on Central and Eastern Europe will continue, creating a strong-performing portfolio. Plaza will also look to make progress on its developments, including Timisoara Plaza and Belgrade (Visnjicka) Plaza, and will explore partnership and financing opportunities for the Casa Radio project as well as to advance permits for the Belgrade Plaza (MUP) and Lodz projects. While the markets in which Plaza operates showed positive economic signs during 2015, the Company remains vigilant towards wider macro-economic impacts.

Plaza's focus remains on building a strong portfolio, unlocking the value of land through developments where possible, reducing debt levels and delivering on behalf of bondholders and shareholders. Asset sales is planned for yielding assets where value potential is or is close to being established and where prices are appealing or plots sale 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 (NIS 434 Million) per the restructuring plan.

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 five 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. Following the approval of the restructuring plan, it is vital that Plaza continues to look to the long term objectives of the business.

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. The basis of the Company's stated dividend policy at the time of its IPO was to reflect the long term earnings and cash flow potential of the Group, taking into

Risk management

account its capital requirements, whilst at the same time maintaining an appropriate level of dividend cover.

However, 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.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

Plaza will continue with efficiency measures and cost reduction where possible. At the end of 2015, G&A expenses phase was reduced to below €6 million per annum following stringent cost control initiatives, e.g. the Board was reduced from 7 to 5 members.

Management regularly reviews compliance with specified minimum cash reserve covenant 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%.

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 2015, Plaza paid €19.3 million to bondholders and, since the restructuring plan was approved in 2014, a total of €47 million (of which €19 million for principal and rest for interest) has been distributed as well as 13.21% of shares in the Company. For background on this restructuring, please refer to pages 8-10.

Following the closing of the Company's restructuring plan, the consolidated financial statements include liabilities to bondholders for the aggregate principal amount of €203 million. The company published cash flow forecast (as described on page 32) until mid-2017 in order to achieve the abovementioned repayments, as they fall due and to achieve 1 year deferral of the bonds principal repayments (NIS 434 million). The Company regards these 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 high exposure to CEE and India, Plaza bears the risks that due to fluctuations in selling yields , interest rates, exchange rates, and other indices, its financial assets and debt value, cash flow, covenants and cost of capital will be effected, thereby affecting its ability to raise capital At the start of 2016, Plaza's credit rating by Standard & Poor's was maintained on "BBB-" on a local Israeli scale with a negative outlook which put plaza in a strength position but vigilant going into 2016.

Plaza continued to focus on deleveraging its balance sheet during the period but, as a result of impairment losses recorded in the period and finance costs incurred, the gearing level increased to 79% in 2015.

As part of the company's plan to reduce leverage, the following action took place in respect of bank loans – refinancing and discount during 2015:

- 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).

- The sale of an SPV holding a plot in Ploiesti, Romania for a total consideration of €240,000 while 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.

- A subsidiary of Plaza 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.

Risk management

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 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).

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.

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 minimize 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 the 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, the Company has hedged in previous years, the future payments to correlate with the Euro under certain swap arrangements, forward transactions and currency options sale in respect of the Notes previously issued, and may enter into similar hedging arrangements (as necessary) in respect of each of the series of Notes, subject to market conditions.

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.

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: In addition to risks that are relevant to a specific activity or relate to a specific territory, certain conditions and changes in the economic environment in the countries in which we operate may have an adverse effect on our business performance. Changes in the global economy, in real estate and/or the business environment in which we operate, and/or a negative trends in the capital markets and/or a decrease in our capital and/or impairments in our real estate assets may be harmed by certain factors that may entail impairment losses not previously recorded, which would affect our financial results and the satisfaction of financial covenants, may have an adverse effect on our ability to raise funds. Macroeconomic or microeconomic changes as described above may influence our compliance with financial covenants under certain bank loans and credit agreements, including but not limited to, as a result of the decrease in the LTV or Debt Service Cover Ratio ("DSCR") and/or a decrease in our capital.

  Risk mitigation: In reaction to slow economic recovery plaza will continue with efficiency measures and cost reduction where possible (e.g G&A expense were reduced materially following stringent cost control initiatives), and focus on commitments to reposition the business by raising EUR 7.4 million net cash proceed from the sale of under-performing Koregaon park mall which were put towards Plaza's future investments and general corporate purposes, and 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 development 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) 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: Continuous negotiation with financing banks in order to improve credit facilities' terms, or disposal of subsidiaries, in which facility agreement is in place. In additions bank loans refinancing and discounts or waivers is being discussed as evidenced in the case of Liberec plaza loan tender which bought in 58% discount and material discount paying back spv loan holding plot in Poliesti, Romania.

- **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 materialize. In case the yields will be 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: Once assets are developed, and given the Company's financial strength, Plaza is able to hold developments on its balance sheet as yielding assets. Sales of assets will not be undertaken if offered yields are high and Plaza will capitalise upon its extensive experience gained over eight years of managing and running shopping malls efficiently to hold and manage these as income-generating investments in its portfolio, and continue to drive occupancy at these centers until sufficient offered yields are in place, subject to the restructuring plan and achieving 1 year deferral period of the binds principal repayments.

- **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 realized 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 management

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: During 2015, the Israeli credit rating agency, which is a division of International Standard & Poor's, updated the credit rating of Plaza's two series of Notes traded on Tel Aviv Stock Exchange from "D" to "BBB-", on a local Israeli scale, with a stable outlook and at the start of 2016 Plaza's credit rating was maintained on "BBB-" with a negative outlook. 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.

  Risk mitigation: Implementing the restructuring plan will resolve the Company's liquidity situation. Plaza is making big efforts to raise external financing for capital needs and 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 reduced debt level. The amended maturity schedule of debentures and loans is detailed in the restructuring plan on page 8 and 9. In addition, the Group maintains good relations with the financing banks who remain supportive of companies with strong track records and few debt facilities are under negotiation as evidence by a binding financing offer for Timisoara project was agreed with the Hungarian Export-Import Bank Plc (Exim bank) for circa 65% of the project cost and the received of a bank financing offer for Belgrade Plaza project for app 55% of the construction cost and expect to finalize a financing agreement in the next quarter.

- **Plaza may be subject to risk relating to its co-investments, because ownership and control of such investments are shared with third parties**
  Risk description: Some of the Group's projects (Riga Plaza, Plaza Bas projects, the Casa Radio development and two projects in India (Bangalore and Chennai) are held through joint venture arrangements with third parties meaning that ownership and control of such assets is shared with third parties. As a result, these arrangements involve risks that are not present with projects, in which the Group owns a controlling interest, including:

- the possibility that the Group's joint venture partner might at any time have economic or other business interests that are inconsistent with the Group's business interests;
- the possibility that the Group's joint venture partner may be in a position to take action contrary to the Group's instructions or requests, or contrary to the Group's policies or objectives, or frustrate the execution of acts which the Group believes to be in the interests of any particular project;
- the possibility that the Group's joint venture partner may have different objectives from the Group, including with respect to the appropriate timing and pricing of any sale or refinancing of a development and whether to enter into agreements with potential contractors, tenants or purchasers;
- the possibility that the Group's joint venture partners may engage in, or be perceived to engage in, disreputable conduct;
- the possibility that the Group's joint venture partner might become bankrupt or insolvent; and
- the possibility that the Group may be required to provide finance to make up any shortfall due to the Group's joint venture partner failing to provide such equity finance or to furnish collaterals to the financing banks.

Disputes or disagreements with any of the Group's joint venture partners could result in significant delays and increased costs associated with the development of the Group's properties. Even when the Group has a controlling interest, certain major decisions (such as whether to sell, refinance or enter into a lease or contractor agreement and the terms on which to do so) may require joint venture partner or other third party approval. If the Group is unable to reach or maintain agreement with the joint venture partner or other third party on the matters relating to the operation of its business, this may have a material adverse effect on the Group's reputation, business, financial condition and/or results of operations.

Risk mitigation: Plaza has very detailed agreements with all of its partners that contain provisions that are supposed to limit the risks and exposures mentioned above (e.g. deadlock provisions, information and visitation rights provisions, etc.). In respect of Bangalore project in India Plaza has signed an agreement to sell its interest in the SPV holding the project to its local partner subject to certain condition precedent and not later than 30 September 2016. With respect to Chennai project, India following the local partner failure to complete the sale transaction agreement Plaza will exercise its rights to get the Partner's 20% holdings in the SPV holding the project. In addition, Plaza is in negotiations to sell its 50% share in Riga Plaza (Latvia) project to a third party.

- **Casa Radio Project**
  Risk description: In March 2016 Plaza announced that its board had become aware of certain issues with respect to certain agreements that were executed in the past by Plaza in connection with the Casa Radio Project in Romania.

  Risk mitigation: In order to address this matter, Plaza's Board appointed the chairman of its Audit Committee to investigate the matters internally. Plaza's Board also appointed independent law firms to perform an independent review of the issues raised. PC has approached and is co-operating fully with relevant Romanian authorities regarding the matters that have come to its attention in this respect, and it has submitted its findings to the Romanian authorities. As the investigation is ongoing, PC is unable to comment on any details related to this matter.

  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 PC 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.

- **We may have difficulties exercising mortgages/guarantees given 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**
  Although the real estate sector in India is experiencing a challenging downturn, our strategy with respect to our plots in India is to dispose of such assets under the most optimal market conditions. Our plots in India are partially owned by our subsidiary, Elbit Plaza India Real Estate Holdings Limited, or EPI, and by local Indian partners. Due to regulatory , physical and other limitations to develop our project in Bangalore, India, ,on December 2, 2015 we announced that EPI 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 is subject to certain conditions precedent, and closing will take place once these conditions are met and no later than 30 September 2016. In the event the closing conditions aren't met by this date, the local investor would be subject to the terms of an agreed upon separation mechanism under which EPI will be entitled, under certain circumstances, to exercise guarantees placed by the local investor. In the event the separation mechanism isn't properly executed and we are unable to enforce the terms of the separation mechanism on the local investor, we may face regulatory, judicial, and/or legal difficulties in exercising the guarantees placed by the local investor due to, among other things, injunctive relief requested by the local investor or third parties 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.

  Even if we are able to properly execute the separation mechanism 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 due to third party proprietary claims to certain parts of the Bangalore project, and 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

- **We may have difficulties disposing our project in Chennai, India which may significantly affect our ability to complete our strategy relating to our plots in India**
  Due to regulatory and legal restrictions in India which make it difficult to register a transfer of ownership rights in our Indian projects, our ability to secure full title to our projects in India may be significantly restricted. For example, in September 2015 we announced that EPI obtained a backstop commitment for the purchase of our Chennai, India project. The project was

owned 80% by EPI and 20% by a local Indian partner through Kadavanthara Builders Private Limited, a special purpose vehicle. Since the transaction did not close by January 15, 2016, EPI exercised its right to receive the local Indian partner's 20% holdings in Kadavanthara Builders Private Limited and now contractually owns 100% of the Chennai, India project. Due to local regulatory and legal restrictions and a lack of cooperation from our local Indian partners such newly acquired 20% holdings may be difficult to register under applicable Indian regulations.

In addition, there are ongoing court cases with respect to third party proprietary claims to certain parcels of land within the Chennai, India project which further impede our ability to dispose of the asset. Physical and geographical limitations such as lack of an access road leading to the Chennai project territory, theft of sand and destruction of property, and third party holdings throughout the Chennai project territory (which we are unable to purchase from such third parties at all or on reasonable market terms) may also impede our ability to dispose of the Chennai project on optimal commercial terms. Even in the event we are successful in obtaining full title to the Chennai India project, the presence of other limitations described above means that there is no assurance that we will be able to sell such project to third parties which may harm our business strategy and our cash flow.

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 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 of 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 participation 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.

Financial reporting

Plaza prepares an annual budget for each country, which budget is compared with actual results. Investment budgets and cash flow forecasts are also prepared. 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 semi-annual figures are subjected to a limited review by the external auditor.

Internal control and risk management procedures

I) Definition and objectives

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;
- the application of instructions and directions given by the Management Board; and
- the reliability of financial information.

The system is based on the following three 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); and
- separation of tasks: control functions should be independent of operating functions.

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.

II) Four components of internal control procedures

a) Organisation and environment

Plaza's internal control procedures distinguish permanent control from periodic control, which are independent but complementary. Permanent control is the responsibility of all Group employees. It is linked directly to the business sectors, functions and subsidiaries.

Managers of the business functions, 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. Functional departments provide expertise to operational departments. Permanent control procedures require several participants. The involvement of many players necessitates tight coordination of actions and methods. 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; and
- to monitor the development of the procedures in the business functions and subsidiaries.

b) Risk management

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 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.

c) Control activities to meet these risks

The internal control and risk management system is based on two levels of control as follows:

First level – First degree – Permanent control

The first level and first degree of control is exercised by every employee as part of his or her job-related tasks with reference to the applicable procedures. Control is ensured on an ongoing basis by the initiation of a task by operating employees themselves or by automatic systems for carrying out operations.

First level – Second degree – Permanent control

The second level is exercised by the management of the business function. Controls are carried out in the framework of operating procedures.

Second level – Permanent control

The second level of control is intended to ensure that the first level controls have been carried out and respected correctly. It is undertaken by separate functions, specially dedicated to permanent control.

Internal accounting control

A dedicated function within the Accounting Department is charged with checking the smooth functioning of first level accounting controls. See section below "Internal control procedures relating to the preparation and processing of the accounting and financial information".

d) Management and supervision of internal control systems

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 twice per year. 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.

III) Risk management and internal control bodies

The main bodies involved in managing the internal control system are:

a) Management Board

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.

b) Audit Committee
The Audit Committee is informed at least once a year of the status of the Group's entire internal control system, changes made to the system and the findings of the work carried out by the various participants working in the system.

c) Functional management
Business unit management defines the orientation and procedures and provides guidance to employees in their business unit.

d) Group employees
Operating supervisors and line managers are responsible for controlling risks and are the principal actors in permanent control. They exercise first level controls.

Internal control procedures relating to the preparation and processing of the accounting and financial information

I) Definition and objectives
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.

II) Management process for accounting and financial organisation
a) Accounting organisation
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, with particular reference to the internal certification procedure described below;
- preparing and updating the procedures, validation rules and authorisation rules applying to the department; and
- monitoring the implementation of recommendations made by external auditors.

b) Financial risk management
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.

III) Processes contributing to the preparation of accounting and financial information
a) Operational processes used to generate accounting information
The financial statements of Plaza 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.

b) Processes used to prepare the corporate and consolidated financial statements
The financial statements for the entire scope of consolidation are consolidated by the Accounting Department. At the end of each year, the Management 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 hedges. During the year, key financial transaction decisions are submitted individually for approval. The processing and centralisation of cash flows, together with interest rate and exchange rate hedging, are the responsibility of the Investment Committee, which keeps a record of commitments and ensures that they are reflected in the accounting system.

c) The Audit Committee
The clarity of financial information and the relevance of the accounting principles used are monitored by the Audit Committee (whose role has already been specified).

Remuneration report

Re

Remuneration Committee

As stated in the Corporate governance report on pages [ ] to [ ] of this document, the Remuneration Committee meets at least twice each financial year to prepare, among other matters, the decision of the Board relating to the remuneration of directors and any share incentive plans. It is also responsible for preparing an annual report on the Company's remuneration policies and for giving full consideration in all its deliberations to the principles set out in the Combined Code.

Under Dutch corporate law and the Articles of the Company, a General Meeting of Shareholders must determine the principal guidelines governing the remuneration both of executive and non-executive directors. In addition, such a meeting also has to approve the granting to them of options and share incentive plans.

The Board may only determine the remuneration of directors within such guidelines, and no director or manager may be involved in any decisions relating to his or her own remuneration.

Remuneration policy

Plaza Centers' remuneration policy is designed to attract, motivate and retain the high-calibre individuals who will enable the Company to serve the best interests of shareholders over the long term, through delivering a high level of corporate performance. Remuneration packages are aimed at balancing both short term and long term rewards, as well as performance and non-performance related pay.

The Remuneration Committee reviews base salaries annually. Increases for all employees are recommended by reference to cost of living, responsibilities and market rates, and are performed at the same time of year.

The Remuneration Committee believes that senior management's total remuneration should aim to recognise his or her worth on the open market and to this end pays base salaries in line with the market median supplemented by a performance-related element with the capacity to provide more than 50% of total potential remuneration.

2015	Salary and fees €'000	Share option plan[1] €'000	Total remuneration for the year 2015 €'000
Executive directors			
Mr. Nadav Livni[3]	67	-	67
Subtotal	67	-	67
Non-executive directors			
Mr. Sarig Shalhav	67	-	67
Mr. Ron Hadassi[2]	180	-	180
Mr. David Dekel	67	-	67
Mr. Shlomi Kelsi[3]	67	-	67
Mr. Yoav Kfir[3]	67		67
Mr. Marco Wichers	67	-	67
Subtotal	515	-	515
Total – All directors	**582**	**-**	**582**

There were no performance related remuneration in 2015.

1 Accounting non-cash expenses recorded in the Company's consolidated income statement in connection with the share option plan.

2 Mr. Hadassi serves also as the chairman of the Board.

3 Until December 2015.

muneration 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.

Bonuses

The Company has the authority to award discretionary bonuses for senior executives and employees up to certain level based on general achievements.

The shareholder returns performance 2015*

* Source: Bloomberg, as of 31 December 2015. Past performance is not an indication of future returns.

Share options

The Company adopted its share option schemes ("first ESOP") on 26 October 2006 (which was amended on 25 November 2008, 22 November 2011 and 20 November 2012) and on 22 November 2011 ("second ESOP") (refer to note 20 to the consolidated financial statements) the terms and conditions of which (except for the exercise price) are regulated by the share option schemes.

Options will vest in three equal annual portions and have a contractual life of fifteen and ten years following grant date for first ESOP and second ESOP, respectively. In the course of 2014, no options were granted under ESOP. For the exercise and forfeit of options refer to the table below.

For further detailed information about share option schemes refer to note 20 in the consolidated financial statements.

	Number of options granted and unexercised	Number exercisable as at 31 December, 2014 and 2015	Exercise price of options £	Remaining maturity (years)
Mr. Mordechay Zisser	3,907,895	3,907,895	0.43	6.82
Mr. Ran Shtarkman	7,089,151	7,089,151	0.43	6.82
Mr. Shimon Yitzchaki	1,794,361	1,794,361	0,43	6.82
Mr. Marius van Eibergen Santhagens	-	-	-	-
Mr. Sarig Shalhav	-	-	-	-
Mr. Ron Hadassi	-	-	-	-
Mr. David Dekel	-	-	-	-
Mr. Shlomi Kelsi	-	-	-	-
Mr. Yoav Kfir	-	-	-	-
Mr. Nadav Livni	-	-	-	-
Mr. Marco Wichers	-	-	-	-

	Number of options as at 31 December 2015
Total pool	47,834,586
Granted	47,195,174
Exercised	8,420,598
Forfeited	(14,977,203)
Left for future grant	15,616,615

Amsterdam, 28 April 2016

The Board of Directors:

Ron Hadassi Marco Wichers Nadav Livni Sarig Shalhav David Dekel ort

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 2015, 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

Sarig Shalhav
Independent Non-executive Director

28 April 2016

Independent auditors' report

The Board of Directors and Stockholders
Plaza Centers N.V.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Plaza Centers N.V. ("the Company"), which comprise the consolidated statement of financial position as at December 31, 2015, the consolidated statement of profit or loss and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2015 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards adopted by the EU.

Emphasis of matter
Without qualifying our opinion, we draw attention to Notes 2(c), 16 and 27(c) in the consolidated financial statements which disclose, among other matters, important information regarding the Company's cash flow projections for 18 months from the end of the reporting period.

Without qualifying our opinion, we draw attention to Note 8(5) (d) which discloses that the Board and Management have become aware of potential irregularities concerning the Casaradio Project in Romania and Note 8(5) (f) which discloses possible outcomes also related to the Casaradio Project.

Budapest, Hungary
March 29, 2016

KPMG Hungária Kft.
Michael Carlson
Partner

Consolidated statement of financial position

	Note	December 31, 2015 €'000	December 31, 2014 €'000
ASSETS			
Cash and cash equivalents	4	15,659	33,363
Restricted bank deposits	5	4,774	6,886
Held for trading financial assets		-	1,434
Trade receivables	6	1,654	2,719
Other accounts receivable	7a	1,350	2,963
Prepayments	7b	196	767
Total current assets		**23,633**	**48,132**
Trading properties	8	317,758	370,761
Equity accounted investees	10	40,608	36,108
Loan to equity accounted investee	10	4,298	6,121
Property and equipment	9	2,480	4,029
Related parties receivables	29(h)	2,828	-
Deferred taxes	17	406	921
Other non-current assets		-	25
Total non-current assets		**368,378**	**417,965**
Total assets		**392,011**	**466,097**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Interest bearing loans from banks	12	31,891	37,885
Debentures at amortized cost	2(c),16	79,564	-
Trade payables	13	2,223	1,893
Related parties liabilities	14	109	1,161
Derivatives	11	436	430
Other liabilities	15	7,045	13,175
Total current liabilities		**121,268**	**54,544**
Interest bearing loans from banks	12	70,621	112,962
Debentures at amortized cost	16	102,025	162,862
Provisions	8	14,911	15,597
Derivatives	11	318	559
Total non-current liabilities		**187,875**	**291,980**
Share capital	18	6,856	6,856
Translation reserve	18	(27,418)	(36,699)
Capital reserve due to transaction with Non-controlling interests		(20,706)	(20,706)
Other reserves	18	35,376	35,340
Share premium	18	282,596	282,596
Retained losses		(194,602)	(148,486)
Equity attributable to equity holders of the Company		**82,102**	**118,901**
Non-controlling interests		766	672
Total equity		**82,868**	**119,573**
Total equity and liabilities		**392,011**	**466,097**

March 29, 2016
Date of approval of the
financial statements

Roy Linden
Chief Financial
Officer

David Dekel
Director and Chairman of the
Audit Committee

The notes on pages 77 – 136 are an integral part of these consolidated financial statements.

Consolidated statement of profit or loss

	Note	Year ended December 31, 2015 €'000	Year ended December 31, 2014 €'000
Continuing operations			
Revenue from disposal of trading property	29(a)	34,684	38,600
Rental income	21(a)	18,676	22,112
Revenues from entertainment centers	21(b)	728	1,713
Total revenues		**54,088**	**62,425**
Cost of Trading property disposed	29(a)	(34,684)	(38,600)
Cost of operations	22(a)	(6,481)	(8,491)
Cost of operations – entertainment centers	22(b)	(1,019)	(2,169)
Loss from disposal of Trading property SPV	29(a)	(8,802)	-
Gross profit		**3,102**	**13,165**
Loss from disposal of Trading Property plots		-	(573)
Gain from sale of leasehold rights	29(i)	2,589	-
Write-down of Trading Properties	8	(20,322)	(87,489)
Uplift (write-down) of equity-accounted investees, net	10	939	(1,687)
Loss from disposal of equity accounted investees (holding undeveloped Trading Properties)		-	(4,048)
Share in results of equity-accounted investees, net of tax	10	1,043	1,641
Administrative expenses, excluding restructuring costs	23a	(6,999)	(7,434)
Restructuring costs	23b	-	(2,388)
Other income	24	7,307	2,484
Other expenses	24	(1,851)	(2,507)
Loss from operating activities		**(14,192)**	**(88,836)**
Gain from restructuring plan	16	-	3,443
Finance income	25	14,292	1,263
Finance costs	25	(45,195)	(36,839)
Net finance costs		(30,903)	(35,576)
Loss before income tax		**(45,095)**	**(120,969)**
Tax benefit (income tax expense)	26	(1,021)	1,282
Loss for the year		**(46,116)**	**(119,687)**
Loss attributable to:			
Equity holders of the Company		(46,116)	(119,687)
Earnings per share			
Basic and diluted loss per share (in EURO)	19	(0.07)	(0.39)

The notes on pages 77 – 136 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

	Year ended December 31, 2015 €'000	Year ended December 31, 2014 €'000
Loss for the year	**(46,116)**	**(119,687)**
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)	1,738	2,740
Foreign currency translation differences - foreign operations (Trading properties)	1,121	1,278
Other comprehensive income (loss) for the year, net of income tax	9,375	4,018
Total comprehensive loss for the year	(36,741)	(115,669)
Total comprehensive income (loss) attributable to:		
Equity holders of the Company:	(36,835)	(115,735)
Non-controlling interests	94	66
Total comprehensive loss for the year	**(36,741)**	**(115,669)**

The notes on pages 77 – 136 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Attributable to the equity holders of the Company								
	Share capital €'000	Share premium €'000	Share based payment reserves €'000	Translation reserve €'000	Capital reserve from acquisition of non-controlling interests without a change in control €'000	Retained earnings (losses) €'000	Total €'000	Non-controlling interests €'000	Total €'000
Balance at December 31, 2013	**2,972**	**261,773**	**35,133**	**(40,651)**	**(20,706)**	**(28,799)**	**209,722**	**606**	**210,328**
Right issuance (refer to note 18)	3,884	20,823	-	-	-	-	24,707	-	24,707
Share based payment (refer to note 20)	-	-	207	-	-	-	207	-	207
Comprehensive income for the year									
Net loss for the year	-	-	-	-	-	(119,687)	(119,687)	-	(119,687)
Foreign currency translation differences	-	-	-	3,952	-	-	3,952	66	4,018
Total comprehensive loss for the year	**-**	**-**	**-**	**3,952**	**-**	**(119,687)**	**(115,735)**	**66**	**(115,669)**
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**

The notes on pages 77 – 136 are an integral part of these consolidated financial statements.

Consolidated statement of cash flow

	Note	Year ended December 31, 2015 €'000	Year ended December 31, 2014 Restated* €'000
Cash flows from operating activities			
Loss for the year		(46,116)	(119,687)
Adjustments necessary to reflect cash flows used in operating activities:			
Depreciation and impairment of property and equipment	9	200	982
Net finance costs	25	30,903	35,576
Equity-settled share-based payment transaction		36	207
Gain from restructuring plan	16	-	(3,443)
Loss on sale of property and equipment		-	232
Share of gain of equity-accounted investees, net of tax	10	(1,043)	(1,641)
Income tax expense (tax benefit)	26	1,021	(1,282)
Subtotal		**(14,999)**	**(89,056)**
Changes in:			
Trade receivables		644	222
Other accounts receivable		(2,810)	2,566
Trading properties	8	36,640	106,176
Equity Accounted Investees		105	5,122
Trade payables		346	(64)
Other liabilities, related parties liabilities and provisions		(5,680)	3,964
Subtotal		**29,245**	**117,986**
Interest received		290	93
Interest paid		(17,053)	(20,664)
Taxes paid		(118)	(18)
Net cash provided by (used in) operating activities		**(2,635)**	**8,341**
Cash from investing activities			
Purchase of property and equipment	9	-	(12)
Proceeds from sale of property and equipment	29(d)	1,190	1,375
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		**2,592**	**1,363**

The notes on pages 77 – 136 are an integral part of these consolidated financial statements.

Consolidated statement of cash flow

	Note	Year ended December 31, 2015 €'000	Year ended December 31, 2014 €'000
Cash from financing activities			
Proceeds (payments) from hedging activities through sale of options	11	(373)	313
Changes in restricted cash		1,945	(2,019)
Proceeds from right issuance, net of right issuance costs	18	-	18,836
Repayment of debentures	16	(6,585)	(12,057)
Repayment of interest bearing loans from banks	29(c)	(12,921)	(7,527)
Net cash used in financing activities		**(17,934)**	**(2,454)**
Increase (decrease) in cash and cash equivalents during the year		**(17,977)**	**7,250**
Effect of movement in exchange rate fluctuations on cash held		**273**	**(44)**
Cash and cash equivalents as at January 1st		**33,363**	**26,157**
Cash and cash equivalents as at December 31st		**15,659**	**33,363**

The notes on pages 77 – 136 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 centers, 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, starting November 2014, on the Tel Aviv Stock Exchange (“TASE”).

The Company’s immediate parent company is Elbit Ultrasound (Luxembourg) B.V. / S.à r.l. (“EUL”), which holds 44.9% of the Company’s shares, as at the end of the reporting period (December 31, 2014 – 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”).

These consolidated financial statements are not intended for statutory filing purposes. The Company is required to file consolidated financial statements prepared in accordance with The Netherlands Civil Code. At the date of approving these financial statements the Company had not yet prepared consolidated financial statements for the year ended December 31, 2015 in accordance with the Netherlands Civil Code.

The consolidated financial statements were authorized for issue by the Board of Directors on March 29, 2016.

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. Financial 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 terms of the banking facilities and debentures, as disclosed in notes 12 and 16.

Following the closing of the Company’s restructuring plan (as mentioned in note 29(e), “the Plan” in this note), the Company’s consolidated financial statements include liabilities to bondholder’s in the aggregate principal amount of EUR 203 million.

The following table sets forth the cash flow forecast of the Company until mid-2017 in order to achieve the abovementioned repayments, as they fall due.

According to the Plan, if until December 1, 2016 the Company manages to repay its principal of debentures in the amount of NIS 434 million (EUR 102 million), then the remaining principal payments shall be deferred for an additional year (“the Deferral”). Since the Plan entered into effect, until December 31, 2015, the Company has repaid circa NIS 89 million (EUR 19 million) out of the debentures. The remaining NIS 345 million (EUR 81 million) of the bonds principal (through selling of its assets), together with the interest of approximately EUR 13 million are still to be paid up to December 1, 2016, if the Company is to achieve the abovementioned condition in the Plan.

Since parts of series B debentures are held in treasury (refer to note 29(l)), the total required net principal repayment in 2016 in order to achieve the Deferral is NIS 338 million (EUR 80 million). As the Company’s primary objective is to obtain the Deferral, it has therefore reclassified this minimum net amount to current.

The scenario below reflects the Company's approved business plan until June 30, 2017:

	Expected cash flow (in MEUR)	
	In the year ending December 31, 2016	In the six months ending June 30, 2017
Opening balance of consolidated cash[1]	20	37
Sources of cash during the period		
Net proceeds from disposal of operating shopping centers[2]	98	-
Proceeds from disposal of plots held[3]	54	15
Net operating income from shopping centers[4]	14	1
Total sources expected	**186**	**53**
Items added		
Principal repayment of debentures, net[5]	(108)	(11)
Interest repayment of debentures, net	(13)	(3)
Investment in projects under construction[6]	(15)	(1)
Repayment of bank facilities in subsidiaries (principal +interest)	(7)	(1)
General and administrative expenses	(6)	(3)
Total uses expected	**(149)**	**(19)**
Closing balance of consolidated cash[7]	**37**	**34**

1 Opening balance – as appeared in this consolidated statement of financial position, including restricted cash (which will be released upon the disposal of the operating shopping centers).

2 2016 – Expected net payment from the selling of four shopping centers (Riga, Liberec, Suwalki and Torun).

3 2016 – The Company expects extensive disposal of it plots held in CEE and in India. Main 2016 disposal are expected in India and Serbia. 2017 – Main disposal is due to India.

4 As the operating shopping centers are to be disposed of in 2016, in 2017 Net Operating Income is generated from the Belgrade Plaza (Visnijcka) shopping center to be opened in the first half of 2017.

5 2016 – This reflects the gross amount of EUR 110 million to be paid based on forecast disposal proceeds, net of the expected repayment on treasury bonds held in the amount of EUR 2 million.

6 2016 – Main investment in Belgrade Plaza (Visnijcka project) and in Timisoara project (Romania).

7 2016 – Immaterial restricted cash amounts. 2017 – Including restricted cash in Visnjicka of EUR 3 million.

It should be noted, that the projected cash flow is based on the Company's forward-looking plans, assumptions, estimations, predictions and evaluations which rely on the information known to the Company at the time of the approval of these financial statements (collectively, the "Assumptions").

The materialization, 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 realization of the Company's assets and investments or realization at lower price than expected by the Company's, as well as any other deviation from the Company's Assumptions, could have an adverse effect on the Company's cash flow and the Company's ability to service its indebtedness in a timely manner.

If the Company is unable to repay cumulative NIS 434 million (EUR 108 million) by December 1, 2016, then the minimum required principal repayment due December 31, 2016 is NIS 57 million (EUR 13.5 million) (refer to Note 16), plus 75% of the net proceeds from sales of trading properties, which will be paid through the net cash generated out of the disposal program summarized above

d. Investment property vs. trading property classification

The Company has designated its properties into three types (completed trading property projects, plots scheduled for construction and plots under planning stage). In respect of its completed trading property projects, and as written above, the Group has not changed its business model and is actively seeking buyers. Therefore it is clear from the Company's perspective that these completed properties are trading properties, rather than investment properties.

In respect of plots under planning stage held, 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 believe 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 – Suspension of borrowing costs capitalisation
- Note 8 – Classification of trading properties as current vs. non-current
- Note 2(d) – Trading property vs. Investment property
- Note 10 – Classification of the joint arrangement
- Note 16 – Measurement of fair value of new debenture series

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 – Provisions and contingencies
- Note 20 – Measurement of share-based payments
- Note 26 – Recognition of deferred tax assets and availability of future taxable profits against which carry-forward tax loss 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 centers, 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 in 2013 (and reassured this position in both 2014 and 2015) 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 will be reclassified as short term.

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)
- Note 11 – Derivatives
- Note 20 – Employee share option plan
- Note 27 – Financial instruments

NOTE 4 - CASH AND CASH EQUIVALENTS

Bank deposits and cash denominated in	Interest rate as of December 31, 2015	December 31, 2015 €'000	December 31, 2014 €'000
EUR – bank balances		6,595	26,954
Romanian Lei (RON)	Mainly 0.4%	2,739	2,203
United States Dollar (USD) – bank balances		2,069	505
New Israeli Shekel (NIS)	0%	2,017	554
Polish Zlotys (PLN)		1,576	2,248
Other currencies		663	899
Cash and cash equivalents in the statement of financial position		**15,659**	**33,363**

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, 2015	December 31, 2015 €'000	December 31, 2014 €'000
Short-term restricted bank deposits			
In EUR	See below[1]	3,972	5,232
In USD		298	1,037
In other currencies (2015 - PLN)	See below[1]	504	617
Total short-term		**4,774**	**6,886**

1 As of December 31, 2015, EUR 4.5 million is restricted mainly in respect of bank facilities agreements signed to finance Projects in Poland. These amounts carry an annual interest rate of mainly Overnight rates.

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, 2015 €'000	December 31, 2014 €'000
Trade receivables	3,064	4,255
Less – Allowance for doubtful debts	(1,410)	(1,536)
Total	**1,654**	**2,719**

NOTE 7 - OTHER ACCOUNTS RECEIVABLE, PREPAYMENTS AND ADVANCES

a. Other receivables	December 31, 2015 €'000	December 31, 2014 €'000
VAT and tax receivables	1,061	2,502
Others	289	461
Total	**1,350**	**2,963**

b. Prepayments and advances	December 31, 2015 €'000	December 31, 2014 €'000
Advance payments to suppliers	137	275
Prepaid expenses	59	492
Total	**196**	**767**

NOTE 8 - TRADING PROPERTIES

	December 31, 2015 €'000	December 31, 2014 €'000
Balance as at 1 January	370,761	495,174
Acquisition and construction costs[1]	6,649	7,520
Write-down of trading properties, net[3]	(20,322)	(87,489)
Effect of movements in exchange rates	4,756	3,713
Trading properties disposed (refer to note 29(a) and 29(b))	(44,086)	(48,157)
Balance as at 31 December	**317,758**	**370,761**
Completed trading properties (operating shopping centers)	129,483	170,189
Plots scheduled for construction[4,5]	161,183	164,930
Plots under planning stage	27,092	35,642
Total	**317,758**	**370,761**

1. 2015 - Including EUR 6 million due to construction activities in Serbia and Romania.

2. Regarding accounting policy of capitalizing borrowing costs refer to note 34 (e). The Company temporarily suspended capitalization of borrowing costs starting July 1, 2013, following temporary suspension of active development of the majority of its trading properties due to the Group's liquidity position.

3. Breakdown of write -down (uplift) of trading properties:

Project name (location)	The year ended December 31, 2015 €'000	The year ended December 31, 2014 €'000
Koregaon Park (Pune, India)	1,540	10,059
Helios Plaza (Athens, Greece)	450	10,901
Liberec (Liberec, Czech Republic)	6,225	2,080
Belgrade Plaza Visnjicka (Belgrade, Serbia)	(5,601)	175
Lodz Plaza (Lodz, Poland)	2,225	829
Lodz residential (Lodz, Poland)	2,133	664
Casa radio (Bucharest, Romania)	8,500	33,583
Zgorzelec (Zgorzelec, Poland)	1,466	3,868
Constanta (Constanta, Romania)	400	3,813
Arena Plaza extension (Budapest, Hungary)	1,111	-
Krusevac (Krusevac, Serbia)	800	-
Ciuc (Ciuc, Romania)	-	3,653
Kragujevac (Kragujevac, Serbia)	-	3,395
Timisoara (Timisoara, Romania)	261	2,027
Iasi (Iasi, Romania)	-	4,280
Belgrade Plaza (Belgrade, Serbia)	-	2,500
Kielce (Kielce, Poland)	170	(323)
Other, aggregated	642	5,985
Total	**20,322**	**87,489**

The 2015 write downs were caused mainly by the following factors:

- There were significant decreases in Net Realizable Values of certain projects below the carrying amount due to deteriorating market condition in certain countries in which the Group operates.

  Moreover, affecting the valuations (in respect of plots under planning stage) are delays in the execution and commencement of construction of projects by the Company, increase in the risks inherent in the Company's developments projects which cause an increase in the discounts rate and the exit yields of the undeveloped projects. In certain cases, changes were performed according to schemes of projects (e.g Casa radio, below mentioned) which triggered additional significant impairments.

  Koregaon Park write-down (refer to note 29(a)) was performed due to delays in executing a sale transaction of the shopping center.

  In case of Liberec Plaza in Czech Republic, write-down was recorded as a result of a decrease in the NOI of the shopping center (mainly due to an increase of the non-recoverable expenses) and an increase of 0.5% in the exit yield compared to last year.

  In the case of Belgrade Plaza (Visnjicka) project an appreciation was performed as the development of the project has already started, and the project is expected to start generating income within 15 months following year-end.

  In the case of Casa radio project in Romania write-down was performed due to a significant change in the estimated date of construction commencement of the project (construction commencement is now scheduled to mid-2018), triggered mainly by permitting issues as described in the note below.

4. Including carrying amount of Casa radio and Timisoara projects in Romania, and also the Belgrade Plaza (Visnjicka) and Belgrade Plaza (both 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 under a Public-Private Partnership agreement ("PPP") with the Government of Romania is 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 another 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. 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 were performed on the construction site which amounted to circa EUR 85 million until 2010, when current construction and development were put on hold due to lack of progress in the renegotiation of the PPP Contract with the Authorities (refer to point c below) and the Global financial crisis. These circumstances (and mainly the avoidance of the Romanian Authorities to deal with the issues specified below) caused the Project SPV to not meet the development timeline of the Project, as specified in the PPP. However, the Company is in the opinion that it has sufficient justifications for the delays in this timeline, as generally described 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 13 December 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

As a result of point b above, following the Court decision, 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.

However, due to substantial differences between the approved PUD and stipulations in the PPP Contract as well as changes in the EU directives concerning buildings used by Public Authorities, and in order to ensure a construction process that will be adjusted to current market conditions, the Project SPV started preliminary discussions with the Romanian Authorities (which are both shareholders of the Project SPV and a party to the PPP) regarding the future development of the project.

The Project SPV also officially notified the Romanian Authorities its wish to renegotiate the existing PPP contract on items such as time table, structure and milestones (e.g., the construction of the Public Authority Building ("PAB"), whose' estimated costs are provisioned for in these financial statement – refer to paragraph e below). The Company estimates that although there is no formal obligation from the Romanian Authorities to renegotiate the PPP agreement, such obligation is expressly provided for the situation when extraordinary economic circumstances arise.

d) Co-operation with the Romanian Authorities re potential irregularities

The Board and Management have become 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 has appointed the chairman of the Audit Committee to investigate the matters internally and have also appointed independent law firms to perform an independent review of the matters raised.

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 findings to the Romanian Authorities. 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 (based on legal advice received) any impact on the carrying value of the Project potentially resulting from this matter.

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 Company had recorded a provision in the amount of EUR 17.1 million in respect of the construction of the PAB.

The Company utilized the amount of EUR 1.5 million out of this provision, and in 2015 a reduction in the provision in the amount of EUR 0.6 million (recorded as other income) was performed in order to reflect updated budget changes in respect of the PAB.

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

f) The circumstances described in subsection a through e above might lead to future claims, penalties, sanctions and/or, in extreme circumstances, termination of the PPP and annulment of the Company's rights in the Project by the Authorities.

6. Security over trading properties

As of December 31, 2015, a total carrying amount of EUR 123 million (December 31, 2014 – EUR 170 million) which represents mainly operating shopping centres is pledged against secured bank loans of approximately EUR 103 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, 2015, amounted to EUR 230 million or 42% percent of outstanding trading properties original cost (December 31, 2014 – EUR 274 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, 2015, 98% of the value of trading properties was based on valuations done by the independent third party valuation service (2014 - 98%).

The remaining properties were valued internally. On an annual basis (and in certain cases during the year), the Company reviews 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 centers 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 centers. Independent valuation reports are prepared by Cushman & Wakefield 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 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.

8. 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.

9. 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 Bangalore 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.

10. 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 cost of the completed development.

All of the trading properties were valued using the Residual technique (or the Discounted Cash Flows technique for operating shopping centres) except the one project in a value of EUR 10.7 million. In 2014: the same with the exception of one project with a total amount of EUR 0.8 million using the comparative method.

All the trading properties carrying amounts equals their net realizable values with the exception of Torun and Suwalki in Poland (2014: Torun and Suwalki in Poland and Arena extension in Hungary), where the carrying amount reflects the cost.

11. Significant estimates

The following table shows the valuation techniques used in measuring the net realizable values of trading properties, including those held by joint ventures 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
Operating shopping centers – Poland	Discounted cash flows: The valuation model considers the present value of the net cash flows expected to be generated by the shopping centers. 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 (EUR 3–47.0, weighted average EUR 10.5). • Estimated exit yield is between 7.15% and 9.4%. • Discount rate is between 8.85% to11.1%. • Based on 100% occupancy rate to be achieved within 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 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 6.00 to EUR 30.00. • The Estimated Exit Yield for the projects are between 7.75% and 11%. • The construction cost of the projects are between 275 EUR/sqm to 1,200 EUR /sqm for the malls. • The development finance rate is between 5.00% to 10%. • The occupancy rate of the projects at opening are estimated at 95%. • Developers profit – 17%-25%.	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 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 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.

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 rental prices per SQM is EUR 27.00 for the mall and EUR 16.50 for offices. • The Estimated Exit Yield is 7.50% for the mall and 8.00% for the office component. • The construction cost of the project is 850 EUR/sqm for the mall; 1000 EUR/sqm for the offices; 500 EUR/sqm for the parking. • The development finance rate is 7.50%. • The occupancy rate of the project at opening is estimated at 95%. • The scheme would compose the following components: (i) retail; (ii) offices. • Developers profit – 20%.	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)	Bangalore- Residual method was used as well as follows: 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 Chennai- Comperable.	For residual approach: • The sales price per sqm for the development is between INR 100,000 and INR 138,000 subject to the size, location and the quality of the asset class. • The construction cost per sqm for the development is INR 34,000 to INR 41,000 subject to location and the quality of the asset class. • Developers profit – 20%.	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 of the project were shorter (longer); • the characteristics of the project would be changed; • the developer's profit provision for the project were lower (higher).

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
Polish operating shopping centers	164,050	158,350	153,025	148,100	143,425

	Increase in exit yields (base points)					Delay in construction commencement day (months)				
	0	+15bps	+25bps	+40bps	+50bps	0	+6	+12	+18	+24
Belgrade Plaza visnjicka	29,630	28,480	27,730	26,650	25,490	29,630	28,450	27,310	26,220	25,170
Belgrade Plaza (MUP)	13,630	12,090	11,100	9,660	8,740	13,630	12,880	12,160	11,480	10,830
Timisoara Plaza	9,410	8,710	8,250	7,580	7,150	9,410	9,050	8,690	8,360	8,030
Casa Radio	108,590	101,410	96,780	90,040	85,680	108,590	104,730	101,010	97,430	93,970

	Construction costs for all phases					Rental income for all the phases				
	-10%	-5%	0	+10%	+5%	-10%	-5%	0	+10%	+5%
Belgrade Plaza visnjicka	32,680	31,160	29,630	28,100	26,580	23,530	26,580	29,630	32,680	35,730
Belgrade Plaza (MUP)	20,020	16,820	13,630	10,430	7,230	5,870	9,750	13,630	17,510	21,390
Timisoara Plaza	13,060	11,240	9,410	7,590	5,760	4,720	7,060	9,410	11,760	14,110
Casa Radio	135,010	121,800	108,590	95,380	82,170	71,310	89,950	108,590	127,230	145,870

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12. Below is a summary table for main projects status:

Project	Location	Purchase year	Holding Rate (%)	Nature of rights	Permit status	Planned Gross Lettable Area (sqm)	Carrying amount December 31, 2015 (MEUR)	Carrying amount December 31, 2014 (MEUR)
Suwalki Plaza	Poland	2006	100	Ownership	Operating shopping center (starting Q2 2010)	20,000	39.7	39.2
Zgorzelec Plaza	Poland	2006	100	Ownership	Operating shopping center (starting Q1 2010)	13,000	12.1	13.5
Torun Plaza	Poland	2007	100	Ownership	Operating shopping center (starting Q4 2011)	40,000	68.1	68.0
Lodz residential	Poland	2001	100	Ownership/ Perpetual usufruct	Planning permit valid	24,700*	2.1	4.8
Lodz plaza	Poland	2009	100	Perpetual usufruct	Planning permit pending	35,000	5.5	7.4
Kielce Plaza	Poland	2008	100	Perpetual usufruct	Planning permit valid	33,000	3.3	3.5
Leszno Plaza	Poland	2008	100	Perpetual usufruct	Planning permit valid	16,000	0.8	0.8
Liberec Plaza	Czech Republic	2006	100	Ownership	Operating shopping center (starting Q1 2009)	17,000	9.6	15.7
Koregaon Park	India	2006	100	Ownership	Operating shopping center (starting Q1 2012)	41,000	Sold	33.8
Casaradio	Romania	2007	75	Leased for 49 years	Detailed Zoning Plan ("PUD") valid	467,000**	108.6	116.1
Iasi Plaza	Romania	2007	100	Ownership	Zoning Plan ("PUZ") valid	58,000	Sold	7.3
Slatina Plaza	Romania	2007	100	Ownership	Detailed Zoning Plan ("PUD") valid	17,000	0.6	1.1
Timisoara Plaza	Romania	2007	100	Ownership	Zoning Plan ("PUZ") valid	40,000	9.4	8.9
Constanta Plaza	Romania	2009	100	Ownership	Existing building	18,000	2.2	2.5
Miercurea Ciuc Plaza	Romania	2007	100	Ownership	No valid permit (Building Permit expired)	14,000	2.0	2.0
Belgrade Plaza visnjicka	Serbia	2007	100	Ownership	Building Permit obtained	32,000	29.6	18.9
Belgrade Plaza	Serbia	2007	100	Ownership	Approval of DRP pending	63,000**	13.5	13.7
Shumen Plaza	Bulgaria	2007	100	Ownership	Planning permit valid	20,000	0.8	1.0
Arena Plaza Extension	Hungary	2005	100	Land use rights	-	40,000	2.5	3.4
Piraeus Plaza	Greece	2002	100	Ownership	-	38,270	4.0	4.4
Other small plots, grouped							3.4	4.8
Total							**317.8**	**370.8**

* Gross area of the plot

** GBA (sqm)

NOTE 9 - PROPERTY AND EQUIPMENT

	Land and buildings €'000	Equipment €'000	Fixtures and fittings €'000	Airplane[1] €'000	Total €'000
Cost					
Balance at January 1, 2014	**7,181**	**3,542**	**1,397**	**4,737**	**16,8572**
Additions	-	12	-	-	12
Disposals	-	(208)	-	(4,737)	(4,945)
Exchange rate effect	-	54	-	-	54
Balance at December 31, 2014	**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**
Accumulated depreciation and impairment					
Balance at January 1, 2014	**2,776**	**3,220**	**1,071**	**3,270**	**10,337**
Depreciation	85	197	-	-	282
Impairment**	700	-	-	-	700
Disposals	-	(66)	-	(3,270)	(3,336)
Exchange rate effect	-	(34)	-	-	(34)
Balance at December 31, 2014	**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**
Net carrying amounts					
At December 31, 2015	2,252	104	124	-	2,480
At December 31, 2014	3,620	83	326	-	4,029
At January 1, 2014	4,405	322	326	1,467	6,520

* Disposal of Palazzo duCale building in Romania – refer to note 29 (d).

** 2014 depreciation – includes impairment of EUR 0.7 million due to office 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, 2015 and 2014:

Company name	Country	Activity	Interest of holding (percentage) as at December 31, 2015	Interest of holding (percentage) as at December 31, 2014
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 Kochin Ltd.	Cyprus	Inactive	40%	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.

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

	2015 €'000	2014 €'000
Balance as at 1 January	42,229	40,141
Investments in (repayment from) equity-accounted investees, net	(1,043)	463
Share in results of equity-accounted investees, net of tax	1,043	1,641
Uplift (write-down) of Equity-accounted investees[1]	939	(1,687)
Effect of movements in exchange rates	1,738	2,740
Equity-accounted investees disposed	-	(1,069)
Balance as at 31 December[2]	44,906	42,229

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, 2015 €'000	The year ended December 31, 2014 €'000
Bangalore (held by EPI)	-	557
Chennai (held by EPI)	-	(2,463)
Riga Plaza (held by Diksna)	939	420
Elbit Kochin Ltd.	-	(201)
Total	**939**	**(1,687)**

2 As of December 31, 2015, the loan to equity accounted investee Diksna totalled circa EUR 4.3 million bearing interest of 3 months EURIBOR +2.5% per annum (December 31, 2014 – EUR 6.1 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 center held through a joint venture). The summarized financial information of the material joint ventures is as follows:

	December 31, 2015 EPI €'0000	December 31, 2015 Diksna €'000	December 31, 2014 EPI €'000	December 31, 2014 Diksna €'000
Current assets*	338	2,408	3,168	2,696
Trading properties-non current	51,661	93,400	48,475	90,000
Other current liabilities	(187)	(1,930)	(709)	(2,414)
Interest bearing loans from banks	-	(55,990)	-	(56,884)
Group loan to Diksna	-	(8,596)	-	(12,242)
Net assets (100%)	51,812	29,292	50,934	21,156
Group share of net asset (50%)**	25,906	14,646	25,467	10,578
Carrying amount of interest in joint venture	**25,906**	**14,646**	**25,467**	**10,578**

* Including cash and cash equivalents in Diksna the amount of EUR 0.4 million (2014 - EUR 0.8 million).

** Refer to remark on EPI holding rate.

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	The year ended December 31, 2015 EPI €'000	The year ended December 31, 2015 Diksna €'0000	The year ended December 31, 2014 EPI €'000	The year ended December 31, 2014 Diksna €'000
Revenue	-	11,762	-	11,244
Cost of operations	-	(4,412)	-	(4,291)
Interest expenses	-	(1,908)	-	(2,018)
Uplift (write-downs)	-	1,878	(3,812)	840
Total net profit (loss) and comprehensive income (100%)	(3,510)	7,320	(4,730)	5,092
Group share of Profit (loss) and comprehensive income (50%)	(1,755)	3,660	(2,365)	2,546
Interest income on Diksna loan	-	77	-	82
Total results from investee	**(1,755)**	**3,737**	**(2,365)**	**2,628**

Immaterial joint ventures information

With the exception of EPI and Diksna, all other December 31, 2015 and 2014 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, 2015 €'000	December 31, 2014 €'000
Current assets	56	63
Carrying amount of interest in joint venture	56	63

	The year ended December 31, 2015 €'000	The year ended December 31, 2014 €'000
Revenues	-	23
Write-downs (refer to impairment table above)	-	(201)
Loss and comprehensive income	**-**	**(309)**

NOTE 11 - DERIVATIVES

The table below summarizes the results of the 2015 and 2014 derivatives activity (none of the abovementioned activities qualified for hedge accounting), as well as the outstanding derivatives as of December 31, 2015 and 2014:

Derivative type	Nominal amount as of December 31, 2015	Fair value of derivatives at December 31, 2015	Gain (loss) in 2015	Fair value of derivatives at December 31, 2014	Gain (loss) in 2014	Maturity date of derivative
Currency options[1]	N/A	N/A	(586)	(95)	217	N/A
Interest Rate Swap ("IRS") 1[2]	N/A	N/A	N/A	N/A	220	N/A
IRS 2[3]	N/A	N/A	N/A	N/A	20	N/A
IRS 3[4]	EUR 35.5 million	(754)	-	(894)	(689)	December 2017
Total		**(754)**	**(586)**	**(989)**	**(232)**	

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 Suwalki project loan. The project company paid EUR fixed interest rate of 2.13% and receives three months Euribor on a quarterly basis, until June 30, 2014.

3 In respect of Kragujevac project loan. The project company paid EUR fixed interest rate of 1.85% and receives three months EURIBOR on a quarterly basis, until December 31, 2014.

4 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. Regarding pledges in respect of derivative activity refer to note 28(d)(2).

Fair value measurement

Fair values of the SWAP may be determined in whole or in part using valuation techniques based on assumptions that are not supported by prices from current market transactions or observable market data, where current prices or observable market data are not available.

Factors such as bid-offer spread, credit profile, collateral requirements and model uncertainty are taken into account, as appropriate, when fair values are calculated using valuation techniques. Valuation techniques incorporate assumptions that other market participants would use in their valuations, including assumptions about interest rate yield curves, and middle exchange rates, as determined by relevant central banks at each cut-off dates.

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, 2015 €'000	December 31, 2014 Carrying amoung €'000
Torun project secured bank loan[1,6]	3M Euribor+3%	EUR	2017	45,516	46,735
Liberec project secured bank loan[2]		EUR	2018	-	20,468
Suwalki project secured bank loan[6]	3M Euribor+1.65%	EUR	2020	27,571	29,886
Zgorzelec project secured bank loan[3]	3M Euribor+2.75%	EUR	2014	21,225	21,993
Koregaon Park project secured bank loan[4]		INR	2021	-	22,065
Valley view (bas) project secured bank loan[5]	3M EURIBOR+5.5%	EUR	2014	8,200	9,700
Total interest bearing liabilities				**102,512**	**150,847**

1 IRS on bank loans – refer to note 11.

2 Refer to note 29(c) for the purchase of the loan.

3 Zgorzelec loan – mostly non-recourse loan (except a component of a EUR 1.2 million which is recourse). The loan has expired during 2014 – the Company is negotiating with the financing bank on signing new facility. The Company has also pledged its plot in Leszno, Poland (valued at EUR 0.8 million, refer also to note 10) in favour of the financing bank. In March 2016 the Company received a debt repayment call for the outstanding loan balance and the accrued interest due to it (refer also to note 15) in a total amount of EUR 22.9 million, and currently reclassifies the loan as short termed. If the bank would exercise its rights and take over the asset (valued at EUR 12 million, refer also to note 10), the management expects the procedure to result in an accounting gain of circa EUR 9 million. Management believes that the company still controls the Polish SPV and therefore continues to consolidate it.

4 Koregaon Park loan – refer to note 29(a) regarding the sold project.

5 The outstanding loan as of December 31, 2015 has expired, and the Company is currently negotiates with the financing bank new terms and conditions for the loan. The loan is with recourse on interest payments (not principal) and was reclassified as short term.

6 2015 – Including EUR 2.7 of current maturities of long term loans.

Covenants on loan

The below table summarise the main covenants (Loan to Value ("LTV") and Debt Service Coverage Ratio ("DSCR")) on group loans:

Bank facility	Actual LTV	Contractual LTV	Actual DSCR	Contractual DSCR
Torun project secured bank loan	47%	70%	1.93	1.25
Suwalki project secured bank loan	64%	70%	1.76	1.20
Zgorzelec project secured bank loan[1]	N/A	N/A	N/A	N/A

1 The Zgorzelec loan has expired, without new covenants established; therefore no DSCR and LTV comparative figures are available.

NOTE 13 - TRADE PAYABLES

	Currency	December 31, 2015 €'000	December 31, 2014 €'000
Construction related payables		776	-
Other trade payables	Mainly in PLN, EUR	1,447	1,893
Total		**2,223**	**1,893**

NOTE 14 - RELATED PARTIES PAYABLES

	Currency	December 31, 2015 €'000	December 31, 2014 €'000
EI Group- ultimate parent company – expenses recharged	EUR, USD	76	457
Other related parties in EI group	EUR	33	704
Total		**109**	**1,161**

For payments (including share based payments) to related parties refer to note 30. In respect of the related party receivables refer to note 29(h).

NOTE 15 - OTHER LIABILITIES

Short-term	Currency	December 31, 2015 €'000	December 31, 2014 €'000
Advanced payment in respect of selling of trading property	INR, RON	-	5,868
Obligations to tenants	EUR	1,385	2,401
Accrued bank interest[1]	Mainly EUR	2,807	2,265
Obligation in respect of plot purchase	Mainly EUR	1,380	1,380
Government institutions and fees		974	529
Loan from non-controlling interest	EUR	-	215
Salaries and related expenses		264	180
Accrued expenses and commissions		44	50
Other		191	287
Total		**7,045**	**13,175**

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

NOTE 16 - DEBENTURES AT AMORTISED COST

New debentures following the conclusion of the restructuring plan in 2014

In 2014, in view of the significant change in the terms of the Debentures, the Company de-recognized all of its outstanding debentures, and recognized new debentures at fair value (with subsequent measurement at amortized cost) determined based on the market quote at the end of the trade date of December 10, 2014.

Table 1

Following the above, a value of EUR 170.2 million was deemed to be the fair value of the principal of new debentures upon restructuring date (December 10, 2014).

Short-term	Principal fair value determined	Effective interest rate	Quote deemed as fair Value of Debenture (in NIS or PLN cents)
Series A Debentures*	54,119	12.6%	112
Series B Debentures*	101,476	15.2%	105.34
Polish Debentures**	14,562	13.8%	96.5
Total	**170,157**		

* In respect of Israeli bonds, market quote of December 10, 2014 was inclusive of accrued interest due to the year 2014, therefore, and in order to reach a clean quote of the principal, accrued interest in the amount of EUR 3.5 million and EUR 7.9 million had to be deducted from the fair value derived from the quote of debentures A, and B, respectively.

** See below in respect of general information on Polish bonds. Fair value of Polish debentures (untraded) was determined using the known effective interest rates determined for Israeli debentures, and the value of the Polish debentures was derived from it.

Gain from de-recognition and re-recognition (restructuring plan gain)

Table 2

As a result of the above, the Company recorded a gain of EUR 3.4 million from eliminating the old debentures and recording of the new debentures. The gain is calculated as follows:

	Carrying amount recognised (de-recognised) €'000
Items de-recognised	
Total Israeli debentures at fair value through profit or loss (refer to note 16)	(116,671)
Total Israeli debentures at amortised costs (refer to table 1 above)	(55,175)
Total Polish debentures	(14,425)
Old accrued interest due debentures at amortised cost as of December 10, 2014	(6,097)
Total amounts de-recognised	**(192,368)**
Items added	
Fair value of new bonds (refer to table 2 above)	170,157
New accrued interest due debentures at amortised cost as of December 10, 2014	12,614
Value of new shares issued to bondholders (share premium – refer to note 19)	6,154
Total amounts recognised	**188,925**
Gain recorded at December 10, 2014	**3,443**

As part of the restructuring plan (refer to note 29(e)), and as interest due up and until December 31, 2013 was added to the principal of the debentures, an additional NIS 5.5 million par value debentures series A and net NIS 13.3 million par value debentures series B were issued. Also additional PLN 2.8 million were added to the original principal.

Table 3

Following the additional issuance, the total par value and adjusted par value (in EUR thousands) outstanding were as follows:

	Par Value €'000	Adjusted par value €'000	Fair value determined €'000	Discount Created* €'000
Series A Debentures	51,447	62,108	54,119	7,989
Series B Debentures (Net of treasury bonds)	103,813	121,535	101,476	20,059
Polish Bonds	15,090	15,090	14,562	528
Total		**198,733**	**170,157**	**28,576**

* The discount created is recognized as finance cost across the remaining maturity of the debentures, using the effective interest rate method, subject to asset disposals.

Following the disposal of several assets by the Company in 2015 (refer to notes 29(b) and 29(d)), the Company made principal repayment to Bondholders a total amount of EUR 6.6 million (2014 – EUR 12.1 million due to 2014 disposals), representing 75% of the total proceeds obtained from asset disposal (except the Koregaon park disposal (refer to note (29(a)). The table below describes the movement in the carrying amount of the debentures between December 10, 2014 and December 31, 2015:

	Fair value As at December 10, 2014 €'000	Amortization Of discount in 2014 €'000	Repayment Of principal 2014 €'000	Forex and inflation 2014 €'000	Carrying Amount as at December 31. 2014* €'000	Amortization Of discount in 2015 €'000	Repayment Of principal 2015 €'000	Forex and inflation 2015 €'000	Carrying Amount as at December 31. 2015[1,2] €'000
Series A Debentures	54,119	216	(2,615)	1,537	53,257	1,923	(1,428)	5,320	59,072
Series B Debentures (net of treasury bonds held)	101,476	488	(8,406)	2,820	96,378	8,399	(4,588)	9,371	109,560
Polish Debentures	14,562	55	(1,036)	(354)	13,227	294	(569)	5	12,957
Total	**170,157**	**759**	**(12,057)**	**4,003**	**162,862**	**10,616**	**(6,585)**	**14,696**	**181,589**

1 Carrying amount (net of treasury bonds) as at December 31, 2015 is composed of EUR 203,047 thousand net debentures obligation and EUR 21,458 thousand of discount outstanding (2014 - Carrying amount as at December 31, 2014 is composed of EUR 191,545 thousand net debentures obligation and EUR 28,683 thousand of discount outstanding).

2 In view of the probable planned selling of the four shopping centers (refer to note 2(c), and see also below), the Company is planning to generate sufficient cash flow which will enable it to repay by December 1, 2016 a cumulative amount of NIS 434 million (EUR 102 million) of the Unsecured Debt, and by that the remaining principal payments shall be deferred for an additional year. The Company has repaid circa NIS 88 million (EUR 19 million) during 2015 and therefore has reclassified accordingly EUR 79.6 million (EUR 81.3 million, less treasury bonds expected repayment of EUR 1.6 million) of its unsecured debt as short term. Refer to note 2(c) for further information.

Debentures covenants are included in note 28 (b).

As a result of the restructuring plan, new interest rates and maturities were applied to the debentures as follows:

	Interest rate Before	Interest rate After	Principal final maturity Before	Principal final maturity After*
Series A Debentures	4.5%+ CPI	6%+ CPI	2017	2019
Series B Debentures	5.4%+ CPI	6.9%+ CPI	2015	2018
Polish Debentures	4.5%+ 6M WIBOR	6%+ 6M WIBOR	2013	2017

* Principal repayments are subject to 75% mandatory prepayment (refer to notes 2(c) and 29(e)). Also, if until December 1, 2016 the Company succeeds to repay NIS 434 million (EUR 102 million) of the Unsecured Debt, then the remaining principal payments shall be deferred for an additional year.

The below is a summary table of contractually required net principal repayments of all debentures, assuming the deferral of payment is obtained, and in comparison when such deferral is not obtained. This table does not consider the impact of timing of disposals.

Year falling due	Principal repayment With Deferral €'000	Principal repayment Without Deferral €'000
2016	79,564	13,220
2017	-	101,475
2018	26,976	75,132
2019	82,409	13,220
2020	14,098	-
Total	**203,047**	**203,047**

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

Bonds issued in Poland

In November 2010, the Company completed a bond offering to Polish institutional investors. The Company raised a total of PLN 60 million (approximately EUR 15.2 million). Following the completion of the restructuring plan (refer also to note 29(e)), the terms and conditions of the bonds were changed, as described above.

NOTE 17 - RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred taxes recognized are attributable to the following items:

Assets/(liabilities) 2014	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 liability, net	**921**	**(515)**	**406**

Assets/(liabilities) 2014	December 31, 2013 €'000	Recognised in Profit or loss 2014 €'000	December 31, 2014 €'000
Property, equipment and other assets	(379)	1,300	921
Debentures	(9,248)	1,914	(7,334)
Tax value of loss carry-forwards recognized*	9,248	(1,914)	7,334
Deferred tax liability, net	**(379)**	**1,300**	**921**

* 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 151,845 thousand (2014: EUR 135,580 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, 2015 the expiry date status of tax losses to be carried forward is as follows:

Total tax losses carried forward		2016	2017	2018	2019	2020	After 2020
167,021	6,541	7,521	10,308	18,352	10,951	113,384	113,384

Tax losses are mainly generated from operations in the Netherlands. Tax settlements may be subjected 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, 2015 Number of shares	December 31, 2014 Number of shares
Authorised ordinary shares of par value EUR 0.01 each		1,000,000,000	1,000,000,000
Issued and fully paid:			
At the beginning of the year		685,560,275	297,186,138
Issuance of shares in respect of right issuance	See below[1]	-	282,326,830
Issuance of shares to bondholders	See below[2]	-	106,047,307
At the end of the year		**685,560,275**	**685,560,275**

1 Right issuance - as part of the implementation of the restructuring plan, certain shareholders participated in a right issuance process, following of which EUR 20 million were injected to the Company, and the Company has issued a total of 282,326,830 shares to these shareholders for a share price 0.0675 EUR per share. The premium resulted from the share issuance in a total amount of EUR 16.2 million was attributed to share premium. Legal, prospectus related, and other expenses associated with the issuance of shares in a total amount of EUR 1.6 million was also attributed to share premium. For more details on the right issuance process refer to note 29(e).

2 Issuance of shares to bondholders - as part of the implementation of the restructuring plan, a total of 106,047,307 shares were issued to the debentures holders, for which the bondholders have paid the par value of the shares. As a result of the above, a total deemed premium of EUR 6.2 million was contributed to the share premium of the entity, based on the market value of the shares granted at the closing of the day of trading December 10, 2014.

As a result of the abovementioned two processes, the holding rate of EI in the Company was reduced from 62.25% to 44.9%.

Share based payment reserve

Other capital reserve is in respect of Employee Share Option Plans (“ESOP”) in the total amount of EUR 35,556 thousand as of December 31, 2015 (2014 – EUR 35,520 thousand).

Translation reserve

The translation reserve comprises, as of December 31, 2015, all foreign currency differences arising from the translation of the financial statements of foreign operations in India. Refer to note 29(A) in respect of realization of foreign exchange differences due to transaction 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, 2015 was based on the loss attributable to ordinary shareholders of EUR 46,116 thousand (2014: loss of EUR 119,687 thousand) and a weighted average number of ordinary shares outstanding of 685,560 thousand (2014: 309,955 thousand).

Weighted average number of ordinary shares (for both EPS and EPS from continuing operations)

In thousands of shares with a EUR 0.01 par value	December 31, 2015 €'000	December 31, 2014 €'000
Issued ordinary shares at 1 January	685,560	297,186
Issuance of shares due to restructuring plan	-	12,769
Weighted average number of ordinary shares at 31 December	**685,560**	**309,955**

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 0.01 par value	December 31, 2015 €'000	December 31, 2014 €'000
Weighted average number of ordinary shares (basic)	685,560	309,955
Effect of share options on issue	-	-
Weighted average number of ordinary shares (diluted) at 31 December	**685,560**	**309,955**

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 33,834,586 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 2. 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	13,218,073	15 years
Option grant to employees at October 27, 2006	1,858,589	15 years
Total granted in 2006	15,076,662	15 years
Total granted in 2007[2]	1,016,156	15 years
Total granted in 2008[2]	763,887	15 years
Total granted in 2009[2]	391,668	15 years
Total granted in 2011[2]	120,000	15 years
ESOP No.2[3]		
Total granted in 2011[2]	4,584,000	10 years
Total granted in 2012[2]	860,000	10 years
Total granted in 2013[2]	985,000	10 years
Total share options Granted	**23,797,373**	

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 – 100,000 share options; 2008 – 260,000 share options; 2009 - 73,334 share options; 2011- 3,225,000 share options (ESOP No. 2); 2012 – 450,000 share options; 2013 – 150,000 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 3.24, the opening price shall be set at GBP 3.24 (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* 2015 GBP	Number of options 2015	Weighted average exercise price* 2014 GBP	Number of options 2014
Outstanding at the beginning of the year	0.43	24,442,373	0.43	25,061,138
Forfeited during the period - back to pool**	0.36	(645,000)	0.42	(618,765)
Outstanding at the end of the year	**0.43**	**23,797,373**	**0.43**	**24,442,373**
Exercisable at the end of the year		**23,469,040**		**23,115,706**

* The options outstanding at 31 December 2015 have an exercise price in the range of GBP 0.28 to GBP 0.54 (app. EUR 0.38 - EUR 0.74), and have weighted average remaining contractual life of five years.

** The total accumulated share based payment costs due to options exercise and forfeiture were 13,284 thousand as of December 31, 2015 (December 31, 2014 – EUR 13,216 thousand, December 31, 2013 – 13,073 thousand).

The maximum number of shares issuable upon exercise of all outstanding options as of the end of the reporting period is 35,460,414. The estimated fair value of the services received is measured based on a binomial lattice model.

During 2015 the total employee costs for the share options granted was EUR 36 thousand (2014 - EUR 207 thousand).

NOTE 21 - RENTAL INCOME

a. Shopping malls and plots

	Year ended December 31, 2015 €'000	Year ended December 31, 2014 €'000
Rental income from operating shopping centers[1]	18,085	21,343
Other rental income[2]	591	769
Total	**18,676**	**22,112**

1 2015 – four operating shopping centers presented as part of trading properties, 2014 – five, following the sale Koregaon shopping center in May 2015 (refer to note 29(a)).

2 2015 and 2014 – Small scale rental fees charged on plots held by the Group.

b. Entertainment centers

Revenue from operation of entertainment centers is attributed to a subsidiary of the Company known as "Fantasy Park" which provided gaming and entertainment services in operating shopping centers. As of December 31, 2015, this subsidiary operate in one shopping centre held by the group (December 31, 2014 – in one shopping center).

NOTE 22 - COST OF OPERATIONS

a. Shopping malls and plots

	Year ended December 31, 2015 €'000	Year ended December 31, 2014 €'000
Operating shopping centers[1]	5,353	7,669
Other cost of operations[2]	1,128	822
Total	**6,481**	**8,491**

1 Refer to note 21 above.

2 2015 and 2014 - Attributed to small scale costs on plots held by the Group.

b. Entertainment centers

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

NOTE 23 - ADMINISTRATIVE EXPENSES AND RESTRUCTURING COSTS

a. Administrative expenses, excluding restructuring costs

	Year ended December 31, 2015 €'000	Year ended December 31, 2014 €'000
Salaries and related expenses*	3,842	3,594
Professional services	2,433	2,961
Offices and office rent	260	281
Travelling and accommodation	260	266
Depreciation and amortization	102	133
Others	102	199
Total	**6,999**	**7,434**

* 2015 – including retirement payments to two former CEO's in a total amount of EUR 0.5 million (refer to note 29(M).

b. Restructuring costs

The Company incurred restructuring cost in 2014 as a result of the restructuring process completion during 2014 (refer to note 29(e)).

NOTE 24 - OTHER INCOME AND OTHER EXPENSES

	Year ended December 31, 2015 €'000	Year ended December 31, 2014 Restated* €'000
Insurance indemnity payment – Koregaon Park Plaza	-	2,287
Gain from equity accounted investee EPI – credit balances waiver	1,174	-
Waiver of advanced payments obtained from potential buyer in India	725	-
Changes in provision PAB (refer to note 8)	686	-
Kochi advanced payment (refer to note 29(h))	4,653	-
Other income	69	197
Total other income	**7,307**	**2,484**
Impairments of other receivables and assets[1]	(892)	(1,014)
Loss from selling turbines, airplane and other[2]	(631)	(852)
Other expenses	(328)	(641)
Total other expenses	**(1,851)**	**(2,507)**
Other expense, net	**5,456**	**(23)**

1 2015 – Includes impairment of receivables associated with abandoned projects in a total amount of EUR 0.9 million.
2014 – Including impairment of Palazzo Du Calle office building in Romania in the amount of EUR 0.7 million.

2 2015 – Including loss from selling Palazzo Du Calle office building (refer to note 29(d) – EUR 0.2 million.

NOTE 25 - NET FINANCE COSTS

Recognised in profit or loss	Year ended December 31, 2015 €'000	Year ended December 31, 2014 €'000
Gain from settlement of bank debt (refer to note 29 (b) and (c))	13,481	622
Finance income from hedging activities through sale of options	-	217
Foreign currency gain on bank deposits and bank loans	366	202
Interest income on bank deposits	26	69
Finance income from held for trading financial assets	104	80
Interest from loans to related parties	315	73
Finance income	**14,292**	**1,263**
Interest expense on debentures	(13,910)	(4,566)
Amortization of discount*	(9,720)	(759)
Loss from early repayment of bonds	(896)	-
Interest expense on bank loans	(5,102)	(9,557)
Changes of fair value in debentures measured at fair value through profit or loss**	-	(21,290)
Finance costs from hedging activities through currency options sale	(586)	-
Foreign currency losses on debentures	(14,696)	(469)
Other finance expenses	(285)	(198)
Finance costs	**(45,195)**	**(36,839)**
Net finance costs	**(30,903)**	**(35,576)**

* As the Company's primary objective is to obtain the Deferral, the amortization of the discount is taking into account the repayment in 2016 of the minimum net amount, as mentioned in note 2(c).

** Credit risk of the entity could not be reliably measure in 2014, as the Company started the year at a state of default in its payments, and no reliable cash flow projection could have been measured.

NOTE 26 - INCOME TAXES

Amounts recognized in profit or loss	Year ended December 31, 2015 €'000	Year ended December 31, 2014 €'000
Current year tax expenses	(506)	(18)
Tax benefit (deferred tax expense) (refer to note 17)	(515)	1,300
Total	**(1,021)**	**1,282**

Deferred tax (expense) benefit	Year ended December 31, 2015 €'000	Year ended December 31, 2014 €'000
Origination and reversal of temporary differences	(515)	1,300

Reconciliation of effective tax rate:

	%	Year ended December 31, 2015 €'000	Year ended December 31, 2014 €'000
Dutch statutory income tax rate		25%	25%
Loss from continuing operations before income taxes		(45,095)	(120,969)
Tax benefit at the Dutch statutory income tax rate	25%	(11,274)	(30,242)
Recognition of previously unrecognized tax losses		(1,021)	(981)
Effect of tax rates in foreign jurisdictions		(995)	6,356
Current year tax loss for which no deferred tax asset is provided[1]		12,775	18,695
Non-deductible expenses (exempt income)		1,536	4,890
Tax Expense (Tax benefit)		**1,021**	**(1,282)**

1 2015 and 2014 – 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:

- Motive Test, the investee company is not held as passive investment;
- 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.

Czech Republic

Companies resident in the Czech Republic are subject to corporate income tax at the general rate of 19% (possible exemption in certain cases). Tax losses may be carried forward for five years, subject to certain limitations. Dividends and interest paid to non-resident are subject to 15% withholding tax unless the rate is reduced under an applicable treaty. Dividend paid to EU member state is exempt upon fulfilling certain criteria. 4% transfer tax is levied on real estate transfers.

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 centers (collected deposits from tenants totalled EUR 1.4 million and EUR 2.4 million as at December 31, 2015 and 2014, respectively).

Cash and deposits and other financial assets.

The Group limits its exposure to credit risk in respect to cash and deposits, including held for sale financial assets (debt instruments) 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 and forwards effective October 2015 in order to maintain liquidity. Regarding currency and risk hedging of the debentures refer also to note 11.

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 (but are presented at their fair value) 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 2015 -1%; 2014 -0.2%), 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. 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. Refer also to note 18 on dividend policy.

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 behavior and extensive 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, 2015 €'000	Carrying amount as at December 31, 2014 €'000
Cash and cash equivalents	4	Mainly Baa3	15,659	33,363
Restricted bank deposits – short term	5	Mainly BBB+	4,774	6,886
Held for trading financial assets		Mostly BB+	-	1,434
Trade receivables, net	6	N/A	1,654	2,719
Other accounts receivable	7	N/A	1,350	2,963
Loan to Diksna	10	N/A	4,298	6,121
Restricted bank deposits – long term			-	25
Total			**27,735**	**53,511**

As of December 31, 2015 and 2014, all debtors without credit quality have a relationship of less than five years with the Group. At 31 December 2015, the aging of trade and other receivables that were not impaired was as follows:

	Carrying amount December 31, 2015 €'000	Carrying amount December 31, 2014 €'000
Neither past due nor impaired	1,151	1,160
Past due 1–90 days	578	1,130
Past due 91–120 days	1,275	3,392
Total	**3,004**	**5,682**

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, 2015 €'000	Carrying amount December 31, 2014 €'000
Banks and financial institutions	20,433	41,683
Tenants	1,654	2,719
Governmental institutions	1,061	2,502
Loan to Diksna	4,298	6,121
Related parties and other	289	486
Total	**27,735**	**53,511**

Liquidity risk*,***

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

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)**

* 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 44.6 million expected for the next six months, the Company expects contractual cash flows due to secured bank loans in the amount of EUR 29.4 million and trade and other payables in the amount of EUR 5.4 million to be revolved.

*** As the Company's primary objective is to obtain the Deferral, this liquidity risk note is taking into account the repayment in 2016 of the minimum net amount, as mentioned in note 2(c).

December 31, 2014	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	989	(1,053)	(263)	(163)	(319)	(308)	-
Non-derivative financial liabilities							
Secured bank loans	150,847	(173,058)	(39,616)	(5,697)	(10,202)	(86,362)	(31,181)
Debentures issued	162,862	(238,451)	(6,228)	(6,602)	(25,466)	(200,155)	-
Trade and other payables	15,068	(15,068)	(15,068)	-	-	-	-
Related parties	1,161	(1,161)	(1,161)	-	-	-	-
Total	**329,938**	**(427,738)**	**(62,073)**	**(12,299)**	**(35,668)**	**(286,517)**	**(31,181)**

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	Average rate 2015	Average rate 2014	Reporting date Spot rate 2015	Reporting date Spot rate 2014
NIS 1	**0.232**	**0.211**	**0.235**	**0.212**

PLN denominated debentures – A change of 6 percent in EUR/PLN rates at the reporting date would have increased/(decreased) profit or loss by EUR 0.8 million, as a result of having issued PLN linked bonds.

NIS denominated debentures – A change of 11 percent in EUR/NIS rates at the reporting date would have increased/(decreased) profit or loss by EUR 18.5 million (2014: EUR 14.8 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 2015 €'000	Carrying amount 2014 €'000
Fixed rate instruments		
Financial assets	20,433	41,683
Variable rate instruments		
Debentures	(181,589)	(162,862)
Other financial liabilities	(102,512)	(150,847)
Total	**(284,101)**	**(313,709)**

Cash flow sensitivity analysis for variable rate instruments

A change of 53 basis points in Euribor interest rates (2014 – 5 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 2014.

Variable Interest rate effect (excluding debentures)

Variable Interest rate effect (excluding debentures)	Profit or Loss Increase	Profit or Loss Decrease
December 31, 2015	(500)	500
December 31, 2014	(75)	75

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 2014) 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 increase effect
2015	168,632	(5,059)	5,059
2014	149,635	(4,489)	4,489

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.

	Carrying amount 2015	Carrying amount 2014	Fair value 2015	Fair value 2014
Debentures at amortized cost – Polish bonds	12,957	13,227	11,569	12,699
Debentures A at amortized cost – Israeli bonds	59,072	53,257	50,172	47,148
Debentures B at amortized cost – Israeli bonds	109,560	96,378	91,614	92,666

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, 2015 €'000	Carrying amount as at December 31, 2014 €'000
Financial assets not measured at fair value				
Cash and cash equivalents	4		15,659	33,363
Restricted bank deposits – short term	5		4,774	6,886
Held for trading financial assets		Level 1	-	1,434
Trade receivables, net	6		1,654	2,719
Other receivables	7a		1,350	2,963
Loan to Diksna	10		4,298	6,121
Restricted bank deposits – long term			-	25
Total			**27,735**	**53,511**

	Note	Fair value hierarchy	Carrying amount as at December 31, 2015 €'000	Carrying amount as at December 31, 2014 €'000
Financial liabilities not measured at fair value				
Interest bearing loans from banks	12	Level 2	102,513	150,847
Debentures at amortized cost	16	Level 2	181,589	162,862
Trade and other payables			9,268	15,068
Related parties	14		109	1,161
Total			**293,479**	**329,938**

	Note	Fair value hierarchy	Carrying amount as at December 31, 2015 €'000	Carrying amount as at December 31, 2014 €'000
Financial liabilities measured at fair value				
Derivatives	11	Level 3	754	989
Total			**754**	**989**

NOTE 28 - CONTINGENT LIABILITIES AND COMMITMENTS

a. Contingent liabilities and commitments to related parties

1. In October 2006, the Company and EI entered into an agreement, pursuant to which with effect from 1 January 2006 the Company will pay commissions to EI in respect of all and any outstanding corporate and first demand guarantees which have been issued by EI in favour of the Company up to 0.5% of the amount or value of the guarantee, per annum. As of the end of the reporting period the Group has no outstanding guarantees from EI and no consideration was paid in this respect.

2. 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.

3. The Company maintains Directors' and Officers' liability cover, presently at the maximum amount of USD 60 million for a term of 12 months commencing on 29 April 2015. 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 29 (e)), 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.

   c. **Coverage Ratio Covenant ("CRC")** – the CRC 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. For the December 31, 2015 calculated CRC refer to note 29 (k). 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 group of (i) Series A Debentures holders, (ii) Series B Debentures holders, (iii) Polish Debentures holders, and (iv) guarantee and other creditors shall, each as a separate group acting by majority vote, be entitled to declare by written notice to the Company 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, 2015.

   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-default as of December 31, 2015.

(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** – Refer to note 18 on Dividend Policy.

i. **75% mandatory early repayment** – Refer to note 29(e) 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 no less than EUR 70 million. In case no Disposal Event occurs 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 shopping malls not sold (according to the valuation deducting the specific debt to banks) is no less than EUR 70 million, deducting the net cash flows received from previous Disposal Events and deducting the net cash flows from the special purpose Disposal Event.

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

In the framework of the transactions for the sale of the Group's real estate assets, the Group has undertaken to indemnify the respective purchasers for any losses and costs incurred in connection with the sale transactions. The indemnifications usually include: (i) Indemnifications in respect of completeness of title on the assets and/or the shares sold (i.e that the assets and/or the shares sold are owned by the Group and are clean from any encumbrances and/or mortgage and the like). Such indemnifications generally survived indefinitely and are capped to the purchase price in each respective transaction; and (ii) Indemnifications in respect of other representation and warranties included in the sales agreements (such as: development of the project, responsibility to defects in the development project, tax matter and others).

Such indemnifications are limited in time (generally 3 years from signing a closing agreement) and are generally capped to 25% to 50% of the purchase price. No indemnifications were provided by the Group till the date of the statement of financial position.

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"). In respect of two of the former subsidiaries of the Company, the tax authorities decision of reducing the tax base by and imposed a penalty in the sum of HUF 428.5 Million (circa EUR 1.4 million), were challenged by the previously held entities at the competent courts.

Klepierre has submitted an indemnification request claiming that the tax assessed in the described procedures falls into the scope of the Framework Agreement 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. As of the reporting date the procedure is still undergoing, the last hearing was held on February 29, 2016, while the decision of the arbitrary court is expected in the third quarter of 2016.

The Company's management estimates that no significant costs will be borne thereby, in respect of these indemnifications.

3. Tesco - The Company is liable to the buyer of its previously owned shopping center in the Czech Republic ("NOVO") – sold in June 2006 - in respect to one of its tenants ("Tesco"). Tesco leased an area within the shopping center for a period of 30 years, with an option to extend the lease period for an additional 30 years, in consideration for EUR 6.9 million which was paid in advance. According to the lease agreement, the tenant has the right to terminate the lease agreement subject to fulfilment of certain conditions as stipulated in the agreement. The Company's management believes that it is not probable that this commitment will result in any material amount being paid by the Company.

4. 4. The Company is retaining a 100% holding in all its projects in Serbia after it was decided to discontinue the negotiations with a Serbian developer. The Company has a contingent obligation to pay the developer in any case there is major progress in the projects. The total remaining potential obligation is EUR 0.8 million.

5. Apart from point 4 above, the Company has contractual commitments in respect of its project in Serbia (Visnjicka) in a total amount of EUR 2 million in respect of construction activities, to be paid during 2016 and 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 130 million, as of December 31, 2015) awarded by financing banks (for projects in Poland and Latvia), 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. In respect of breach of covenants, refer to note 12.

   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. Commitment in respect of derivative transaction

   Within the framework of derivative transactions (refer to note 11), executed between the Group and commercial banks (the "Banks"), the Group agreed to provide the Banks with collaterals or cash deposits.

   Accordingly, and in respect of Torun IRS the project company also established a bail mortgage up to EUR 5.4 million encumbering the real estate project.

NOTE 29 - SIGNIFICANT EVENTS

A. Selling of the SPV holding Koregaon park shopping center in Pune, India

On May 13, 2015, the Company signed an agreement to sell the SPV holding Koregaon Park Plaza, the retail, entertainment and office scheme located in Pune, India for circa EUR 35 million (2,500 million INR). The net cash proceeds received (after repayment of the related bank loan, other liabilities and transaction costs) from the sale totalled EUR 7.4 million (525 million INR). In line with the Company stated restructuring plan, all the net cash proceeds from the transaction were retained within the Company. The Company recorded a loss of EUR 6.5 million from this transaction due to realization of foreign currency translation reserve accumulated relating to the SPV. An additional loss of EUR 2.3 million was recorded mainly due to impairment of related various receivables.

B. Selling of undeveloped plots in Romania

On June 24, 2015, the Company reached an agreement to sell its 46,500 sqm development site in Iasi, Romania in two separate transactions (one for the sale of 37,334 sqm and the other for the sale of 9,166 sqm), for a gross consideration of EUR 7.3 million. There was neither bank debt secured against the property, nor profit or loss was recorded as a result of the transaction.

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

In June 2015 the Company concluded an additional sale (by Plaza Bas) of an SPV holding circa 1,200 sqm plot in Ploiesti, Romania for a total consideration of EUR 240 thousand. The proceeds were used to repay a bank loan outstanding and no proceeds were obtained by the Group. A waiver was obtained for the remaining of the unpaid bank loan facility in a total amount of EUR 1.4 million and the Company recorded accordingly a gain, included as finance income in these reports.

In line with the Company stated restructuring plan, 75% of the net cash proceeds from the abovementioned transactions (where applicable) were distributed to the Company's bondholders as an early repayment in late September 2015.

C. Liberec Plaza – settlement with financing bank

On September 29, 2015 one of the Company's wholly owned subsidiaries won a tender to buy the bank loan to the wholly owned SPV of Liberec Plaza shopping and entertainment centre in the Czech Republic.

A EUR 20.4 million bank facility was provided by two commercial banks to which the Company agreed to pay and paid an amount of EUR 8.5 million, reflecting a discount of 58%. The Company recorded a EUR 11.9 million profit on the discount in these financial statements, included as finance income.

D. Selling of an office building in Romania

In September 2015 the Company sold Palazzo Ducale, its wholly owned office building of 823 sqm GLA in Bucharest, Romania, for circa EUR 1.1 million, and recorded a small impairment of EUR 0.2 million.

In line with the Company stated restructuring plan, 75% of the net cash proceeds from the abovementioned transaction were distributed to the Company's bondholders as an early repayment in late September 2015.

E. Restructuring plan

On November 14, 2013, the Company announced that its board of directors has concluded that the Company will withhold payment on the upcoming maturities of its bonds and approach its creditors with a restructuring plan. The restructuring plan was approved on June 26, 2014 by the vast majority of the creditors, and subsequently approved by the Court on July 9, 2014, becoming an irrevocable decision on July 21, 2014. The company announced publication of prospectus in respect of Rights offering on October 16, 2014. The Shareholders approved the rights offering on November 28, 2014 followed by capital injection of EUR 20 million by existing shareholders of the company on that date. All conditions precedent of the restructuring plan were fulfilled till November 30, 2014.

Actual first payment of both principal and interest to Debentures occurred on January 7, 2015, with the Company transferring all funds already effective December 23, 2014 to governing authorities.

The following are material commercial features of the restructuring plan:

- An injection of a EUR 20 million into the Company at a price per-share of EUR 0.0675, ("Equity Contribution", refer also to note 18).

- 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) for payment of par value of shares. 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 NIS 434 million (EUR 102 million) of the principal of the debentures, excluding linkage differentials within a period of two years before 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 until and including December 31, 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 shall be increased by 1.5%.

- The Company paid to the holders of the Unsecured Debt an amount of EUR 13.8 million of 2014 interest payments.

- The Company, its directors and officers and its controlling shareholder are fully released from claims.

- The net cash flow received by the Company following an exit or raising new FI (except if taken for the purpose of purchase, investment or development of real estate asset) or refinancing of REA's after the full repayment of the asset's related debt that was realized or in respect of a loan paid in case of debt recycling (and in case where the exit occurred in the subsidiary – amounts required to repay liabilities to the creditors of that subsidiary) and direct expenses in respect of the asset (any sale and tax costs, as incurred) , will be used for repayment of the accumulated interest till that date in all of the series (in case of an exit which is not one of the four shopping centers only 50% of the interest) and 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.

- The restructuring plan also includes, inter alia: (i) certain limitations on distribution of dividends, actual investments and incurring of new indebtedness (refer to note 18); (ii) negative pledge on direct and indirect holdings of the Company on real estate assets (refer also to note 28 (b)); (iii) financial covenants and undertakings of the Company with respect to the sale and financing of certain projects and investment in new projects (refer also to note 28(b) and to note 29(k) below); (iv) compliance with financial covenants CRC and MCRC (refer to note 28(b) and (v) commitment to publish quarterly financial statements as long as the Unsecured Debt is outstanding.

F. Update in respect of the Bangalore and Chennai projects

Bangalore

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

As of December 31, 2015, the SPV holds joint development rights in approximately 54 acres of the Property for a total aggregate consideration of approximately INR 2,843 million (EUR 40 million). In addition, the SPV has paid to the Partner advances of approximately INR 2,536 million (EUR 35 million) on account of future acquisitions by the SPV of a further 51.6 acres.

On December 2, 2015 EPI has signed an agreement to sell 100% of its interest in the SPV to the Partner. The total consideration for the sale upon completion of the transaction is INR 321 Crores (approximately EUR 45.4 million, the Company part is expected to be 50% of this amount, i.e EUR 22.7 million) which will be paid at transaction closing.

The transaction is subject to certain conditions precedent, and closing will take place once these conditions are met and no later than 30 September 2016. The Investor has provided certain security in order to guarantee the aforementioned deadline.

Chennai

In December 2007, EPI executed agreements for the establishment of a special purpose vehicle ("Chennai Project SPV") together with a local developer in Chennai ("Local Partner"). The Chennai Project SPV acquired 74.3 acres of land situated in the Sipcot Hi-Tech Park in Siruseri District in Chennai, India in consideration of a total of INR 2,367 million (EUR 31 million) (EPI share). In addition, as of December 31, 2015, EPI paid advances in the amount of INR 564 million (EUR 7 million) in order to secure acquisition of an additional 8.4 acres.

EPI holds 80% of the equity and voting rights in the Chennai Project SPV, while the Local Partner holds the remaining 20%.

The Chennai Project was designated at the end of 2014 as project for development. During 2015, due to changes in the Group's activities and objectives, Management has decided not to develop the Chennai project but rather to dispose it in its current situation. In this respect, on September 16, 2015, EPI has obtained a backstop commitment for the purchase of Chennai, India Scheme.

EPI which has been in discussions regarding the sale of Chennai Project SPV, has obtained a commitment that, subject to the fulfilment of certain conditions precedent, the sale transaction will be completed by 15th of January 2016 (the "Long Stop Date") for the consideration of approximately EUR 21.6 million (INR 1,617 millions), net of all transaction related costs. If completion does not take place by the Long Stop Date, then EPI's stake in the Chennai Project SPV will be increased to 100%.In line with the Sale Transaction agreement, since the local Indian partner (the "Partner") failed to complete the transaction by the Long Stop Date, EPI's shall exercise its right to get the Partner's 20% holdings in the Indian company, Kadavanthara Builders Private Limited.

G. Additional write-downs

For additional write-downs information refer to note 8.

H. 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 default 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, included as other income in the statement of profit or loss. Group liabilities towards EI in the amount of EUR 0.8 million) were offset from this balance, with partial repayment of EUR 1 million performed in late September 2015, thus balance as of December 31, 2015 is EUR 2.8 million (including accrued interest on remaining balance).

I. Sale of Cina property in Bucharest

On March 13, 2015, one of the Company's subsidiaries in Romania, having a 49 years leasehold rights over a plot in Bucharest, Romania ("Property" and "Rights", respectively), signed a pre-agreement for waiving its Rights for a certain consideration to be further agreed with the owner of the Property (a subsidiary of EI) and approved by the relevant organs of these entities.

On December 14, 2015 the Romanian subsidiary concluded the transaction to waive its leasing rights to the Cina property in Bucharest, which has been sold by the owner. The gross cash proceeds due to Plaza's subsidiary was EUR 2.7 million (out of a total consideration of EUR 4 million) and the net proceeds, after related taxes and transaction costs, was circa EUR 2.2 million. The Company recorded a gain of EUR 2.6 million in its income statement.

In line with the Company's stated restructuring plan, 75% of the net cash proceeds from the transaction will be distributed to the Company's bondholders by the end of March 2016 as an early principal repayment.

J. Advance payment settlement in Koregaon park shopping center in Pune, India

In respect of one of the advances provided in 2013 and 2014 to the sold SPV in Pune (refer to note 29(a)) in the amount of INR 200 million (EUR 2.6 million), the Company has reached a settlement in February 2015 with the potential buyer to settle the liability, in view of the cancellation of the signed pre-agreements, to refund the potential buyer with INR 150 (EUR 1.9 million) of advances received. The Company recorded a gain of INR 50 million (EUR 0.7 million) as a result of this settlement, included as part of other income in the statement of profit or loss.

K. Update on covenants

In respect of covenants update on bank facilities, refer to note 12. In respect of the CRC, as defined in the restructuring plan, as of December 31, 2015 the CRC was 129%, in comparison with 118% minimum ratio required.

L. Treasury bond held

As of December 31, 2015, the Company holds through its wholly owned subsidiary 14.7 million NIS par value bonds in series B debentures (adjusted par value of NIS 17.0 million (EUR 4.0 million).

M. Key management personnel compensation

As a result of the termination of the services of the Group's CEO, the CEO received his retirement entitlement. Accordingly, the Group has recognised an expense of EUR 400 thousand for the year ended December 31, 2015 (2014: nil).

N. Building permits obtained

In July 2015 the Company received the building permit to develop Timisoara Plaza, a circa 40,000 sqm GLA shopping and entertainment centre in Timisoara, western Romania. A binding financing offer has also been agreed with a commercial bank for circa 65% of the project cost.

Also in July 2015, the Company received the building permit to develop Belgrade Plaza (Visnjicka), a circa 32,000 sqm GLA shopping and entertainment centre in Belgrade, Serbia.

ts NOTE 30

NOTE 30 - RELATED PARTY TRANSACTIONS

Related party transactions

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

The Company has currently five directors. The annual remuneration of the directors in 2015 amounted to EUR 0.6 million (2014 – EUR 1 million) and the annual share based payments expenses was nil in 2015 (2014- EUR 20 thousands). There was no change in the number of Company share options granted to key personnel in 2015. There are no other benefits granted to directors. For information about related party balances as of December 31, 2015 and 2014 refer to notes 14 and in respect of details of the Kochi transaction, refer to note 29(h). In respect of the CIna transaction, refer to note 29(i).

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, 2015 €'000	For the year ended December 31, 2014 €'000
Income		
Interest on balances with EI	181	-
Costs and expenses		
Recharges - EI	264	194
Previous executive director[1]	-	115
Compensation to key management personnel[2]	469	-
Lease agreement on plot in Bucharest[3]	45	60
Lease agreement for office in Bucharest	30	30

1 The Executive director, who is also the former controlling shareholder of the ultimate parent company, was receiving an annual salary of USD 300 thousand, until July 2014.

2 Due to termination of agreements with former Chief Executive officers (refer also to note 29(m)).

3 The Company signed in 2007 a 49 years lease agreement with a subsidiary of EI for monthly fees of EUR 5 thousands on a plot located in Bucharest, Romania. Refer also to note 29(i) regarding the waiver of lease rights.

As of December 31, 2015 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.

DK and York are holding, as of December 31, 2015, 22% out of the total Israeli debentures debt of the Company.

NOTE 31 - OPERATING SEGMENTS

The Group comprises the following main reportable geographical segments: CEE and India. 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. The Group's CEO reviews the internal management reports of each segment at least quarterly. In presenting information on the basis of geographical segments, segment revenue is based on the revenue resulted from either the selling or operating of assets geographically located in the relevant segment. 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, 2015	Central & Eastern Europe €'000	India €'000	Total €'000
NOI[1]	16,420	(41)	16,379
Sale of properties (Koregaon Park/Cina)	2,589	(8,802)	(6,213)
Income from operation/selling	**19,009**	**(8,843)**	**10,166**
Net finance costs[2]	(5,094)	(846)	(5,940)
Net expenses from operation of other CEE assets (plots, Fantasy park)	(838)	-	(838)
Other expenses, net	(527)	1,330	803
Write-downs[3]	(17,843)	(1,540)	(19,383)
Share in results of equity-accounted investees	-	(1,755)	(1,755)
Reportable segment loss before tax	**(5,293)**	**(11,654)**	**(16,947)**
Less - general and administrative			(6,999)
Other income – Dutch level (refer to note 29(h))			4,653
Unallocated finance costs (Dutch corporate level- mainly debentures finance cost)			(25,802)
Loss before income taxes			(45,095)
Income tax expense			(1,021)
Loss for the year			**(46,116)**
Assets and liabilities as at December 31, 2015			
Total segment assets[3]	341.849	25,779	367,628
Unallocated assets (Mainly Cash and other financial instruments held on Dutch level)			24,383
Total assets			**392,011**
Segment liabilities	126,372	54	126,426
Unallocated liabilities (Mainly debentures)			182,717
Total liabilities			**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 11.9 million.

2 CEE – Including net finance cost of EUR 0.8 due to equity accounted investee Diksna.

3 Refer to note 8 for the breakdown of trading properties impairments by location.

ts NOTE 31

Year ended December 31, 2014	Central & Eastern Europe €'000	India €'000	Total €'000
NOI[1]	18,903	(1,135)	17,768
Sale of properties (Bas)	(4,048)	-	(4,048)
Income from operation/selling	**14,855**	**(1,135)**	**13,720**
Net finance costs[2]	(6,747)	(3,165)	(9,912)
Net expenses from operation of other CEE assets (plots, Fantasy park)	(266)	-	(266)
Other expenses, net	(2,310)	2,287	(23)
Write-downs[3]	(77,211)	(11,965)	(89,176)
Share in results of equity-accounted investees	-	(2,365)	(2,365)
Reportable segment loss before tax	**(71,679)**	**(16,343)**	**(88,022)**
Less – general and administrative			(7,434)
Other income/expenses – restructuring costs and gain			1,055
Unallocated finance costs (Dutch corporate level- mainly debentures finance cost)			(26,568)
Loss before income taxes			(120,969)
Income tax expense			1,282
Loss for the year			**(119,687)**
Assets and liabilities as at December 31, 2014			
Total segment assets[3]	362,910	62,584	425,494
Unallocated assets (Mainly Cash and other financial instruments held on Dutch level)			40,603
Total assets			**466,097**
Segment liabilities	153,547	29,523	183,070
Unallocated liabilities (Mainly debentures)			163,454
Total liabilities			**346,524**

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 11.8 million

2 CEE – Including net finance cost of EUR 0.9 due to equity accounted investee Diksna.

3 Refer to note 8 for the breakdown of trading properties impairments by location.

NOTE 32 - EVENTS AFTER THE REPORTING PERIOD

A. Disposal of a shopping center in the Czech Republic

On March 4, 2016 the Company agreed to sell its subsidiary holding Liberec Plaza, a shopping and entertainment centre in the Czech Republic, for EUR 9.5 million. In line with the terms of the agreement, the buyer has deposited 15% of the consideration in escrow.

The due diligence process, final closing and settlement is expected to conclude by the end of March.

The disposal follows an agreement announced by the Company in September 2015 (refer to note 29(C)) whereby a wholly owned subsidiary of the Company ("PCE") won a tender to buy the loan to the holding and operating company for Liberec Plaza for EUR 8.5 million.

Upon completion of the Liberec Plaza disposal, PCE will receive EUR 8.5 million on account of the bank loan it previously purchased. Out of the remaining proceeds, at least 75% will be distributed to the Company's bondholders by the end of June this year, in line with the Company's stated restructuring plan.

B. Disposal of a plot in Romania

On March 24, 2016 the Company sold its 23,880 sqm site in Slatina, Romania, to a third party developer for EUR 0.66 million, consistent with the asset's last reported book value.

In line with the Company's stated restructuring plan, 75% of the cash proceeds will be distributed to the Company's bondholders by the end of June 2016 as an early repayment.

C. Change in remuneration of Chairman of the Board

Effective February 2016 the monthly remuneration of the Chairman of the Board of the Company was reduced from USD 20 thousands to USD 18 thousands.

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
Held for trading financial assets (2014)	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.

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. 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 not translated.

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.

Held for trading financial assets

These assets are initially recognised at fair value. Subsequent to initial recognition, they are measured at fair value and changes therein, are recognised in statement of profit or loss.

3. Non-derivative financial liabilities

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.

Financial Liabilities at fair value through profit or loss

Financial Liabilities at fair value through profit or loss included in 2014 selected unsecured non-convertible Debentures series A and series B (refer to note 16).

Upon initial recognition a financial liability may be designated by the Company at fair value through profit or loss. Financial instruments are designated at fair value through profit or loss if the Group manages such instruments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy, or to eliminate or significantly reduce a measurement or recognition inconsistency. Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

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, net of any tax effect. 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 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 downs 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 accounting policy 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 investment property, 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.

Restructuring plan

A provision for restructuring is recognised when a detailed and formal Restructuring plan was approved by all relevant bodies, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

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.

q. New standards not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2015; 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:

- Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations.
- Amendments to IAS 1.
- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation.
- Amendments to IAS 16 Property Plant and Equipment and IAS 41 Agriculture.
- Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions.

NOTE 35 - LIST OF GROUP ENTITIES

As of December 31, 2015, 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 es Vezetesi Kft.	Management company	
Plaza House Ingatlanfejelsztesi Kft.	Office building	David House
Plaza Centers Establishment B.V.	Inactive	
Szombathely 2002 Ingatlanhasznosito es Vagyonkezelo Kft.	Inacitve	
Tatabanya Plaza Ingatlanfejlesztesi Kft.	Inacitve	
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
Leszno Plaza Sp. z o.o.	Owns plot of land	Leszno Plaza project
Lodz Centrum Plaza Sp. z o.o.	Owns plot of land	Lodz (Residential) project
Wloclawek Plaza Sp. z o.o.	Mixed-use project	Lodz Plaza project
O2 Fitness Club Sp. z o.o.	Fitness	O2 Fitness Club project
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.	Inactive	
Bielsko-Biala Plaza Sp. z o.o.	Inactive	
Bydgoszcz 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	
Gorzow Wielkopolski Plaza Sp. z o.o.	Inactive	
Jelenia Gora Plaza Sp. z o.o.	Inactive	
Katowice Plaza Sp. z o.o.	Inactive	
Legnica Plaza Sp. z o.o.	Inactive	
Opole Plaza Sp. z o.o.	Inactive	
Radom Plaza Sp. z o.o.	Inactive	
Rzeszow Plaza Sp. z o.o.	Inactive	
Szczecin Plaza Sp. z o.o.	Inactive	
Tarnow Plaza Sp. z o.o.	Inactive	
Tychy Plaza Sp. z o.o.	Inactive	
Indirectly or jointly owned		
Legnica Plaza Spolka z ograniczona odpowiedzialnoscia S.K.A.	Operating shopping center	100% held by Plaza Centers Polish Operations B.V. Torun Plaza project
Suwalki Plaza Sp. z o.o.	Operating shopping center	100% held by Plaza Centers Polish Operations B.V. Suwalki Plaza project
Zgorzelec Plaza Sp. z o.o.	Operating shopping center	100% held by Plaza Centers Polish Operations B.V. Zgorzelec Plaza project
EDP Plaza 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.	Inactive	100% held by Mulan B.V.
Fantasy Park Suwalki Sp. z o.o.	Inactive	100% held by Mulan B.V.
Fantasy Park Torun Sp. z o.o.	Inactive	100% held by Mulan B.V.
Fantasy Park Zgorzelec Sp. z o.o.	Inactive	100% held by Mulan B.V.
Fantasy Park Bytom Sp. z o.o.	Inactive	100% held by Mulan 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		
Diksna SIA	Operating shopping center	Equity accounted investee 50% held by Plaza Centers N.V. 50% held by JV partner Riga Plaza project.
Fantasy Park Latvia SIA	Entertainment	100% held by Mulan B.V.

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 center project	Timisoara Plaza project
S.C. North Eastern Plaza S.R.L.	Shopping center project	Constanta Plaza project
S.C. North Gate Plaza S.R.L.	Shopping center project	Csiki Plaza (Miercurea Ciuc) project
S.C. Eastern Gate Plaza S.R.L.	Inactive	
S.C. South Gate Plaza S.R.L.	Shopping center project	Slatina Plaza project
S.C. Palazzo Ducale S.R.L.	Inactive	
S.C. Plaza Centers Management Romania S.R.L.	Management company	
S.C. Blue Plaza S.R.L.	Inactive	
S.C. South Eastern Plaza S.R.L.	Inactive	
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
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

SERBIA	ACTIVITY	REMARKS
Directly wholly owned		
Plaza Centers (Estates) B.V.	Holding company	
Plaza Centers (Ventures) B.V.	Holding company	
Plaza Centers Management D.O.O.	Management company	
Plaza Centers Holding B.V.	Inactive	
Indirectly or jointly owned		
Leisure Group D.O.O.	Shopping center project	100% held by Plaza Centers (Estates) B.V. Belgrade Plaza (Visnjicka) project Krusevac Plaza project
Orchid Group D.O.O.	Shopping center project	100% held by Plaza Centers (Ventures) B.V. Belgrade Plaza (MUP) project
Accent D.O.O.	Inactive	100% held by Plaza Centers Logistic B.V.

CZECH REPUBLIC	ACTIVITY	REMARKS
Directly wholly owned		
P4 Plaza S.R.O.	Operating shopping center	Liberec Plaza project
Plaza Centers Czech Republic S.R.O.	Management company	

BULGARIA	ACTIVITY	REMARKS
Directly wholly owned		
Shumen Plaza EOOD	Shopping center project	Shumen Plaza project
Plaza Centers Management Bulgaria EOOD	Management company	
Plaza Centers Development EOOD	Inactive	

GREECE	ACTIVITY	REMARKS
Directly wholly owned		
Helios Plaza S.A.	Shopping center project	Pireas Plaza project
Indirectly or jointly owned		
Elbit Cochin Island Ltd.	Inactive	40% held by Plaza Centers N.V.

CYPRUS – UKRAINE	ACTIVITY	REMARKS
Directly wholly owned		
Tanoli Enterprises Ltd.	Finance activity	
PC Ukraine Holdings Ltd.	Inactive	
Plaza Centers Ukraine Ltd.	Inactive	100% held by PC Ukraine Holdings Ltd.
Nourolet Enterprises 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 Administrations B.V.	Inactive	
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	

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.
Spiralco Holdings Ltd.	Inactive	100% held by PC India Holdings Public Company Ltd.
Rebeldora Ltd.	Inactive	100% held by PC India Holdings Public Company Ltd.
Rosesmart Ltd.	Inactive	100% held by PC India Holdings Public Company Ltd.
Xifius Services Ltd.	Inactive	100% held by PC India Holdings Public Company Ltd.
Dezimark Ltd.	Inactive	100% 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.
Kadavanthra Builders Pvt. Ltd.	Mixed-use project	80% 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
Elbit India Architectural Services Ltd.	Inactive	100% held by Elbit Plaza India Real Estate Holdings Ltd.

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 2014 and 2015

HUNGARY	ACTIVITY	REMARKS
Szeged 2002 Ingatlanhasznosito es Vagyonkezelo Kft.	Inactive	Liquidated

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
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

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

INDIA	ACTIVITY	REMARKS
Anuttam Developers Pvt. Ltd.	Operating shopping center	99.99% held by Permindo Ltd. Koregaon Park Plaza project

SERBIA	ACTIVITY	REMARKS
Sek D.O.O.	Operating shopping center	100% held by Plaza Centers Holding B.V. Kragujevac Plaza project

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