

Plaza Centers N.V.
Condensed Consolidated Interim Financial Information
September 30, 2016

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Independent Auditors' Report on Review of Interim Financial Information

Board of Directors
Plaza Centers N.V.

Introduction

We have reviewed the accompanying condensed consolidated interim financial information of Plaza Centers N.V. ("the Company") as at September 30, 2016, which comprises the condensed consolidated interim statement of financial position as at September 30, 2016, the condensed consolidated interim statements of profit or loss and comprehensive income for the nine and three month period then ended, the statement of changes in equity and cash flows for the nine month period ended September 30, 2016, and notes to the condensed consolidated interim financial information. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the EU. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at September 30, 2016 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the EU.





Emphasis of matters

Without qualifying our conclusion, we draw attention to Note 4 and Note 13(e) in the condensed consolidated interim financial information which discloses, amongst other things, important information regarding the Company's cash flow projections for 15 months from the end of the reporting period.

Those Notes also disclose that 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 and the assumption that the Series B bondholders will approve the correction of the clerical error described in more details in Note 4, although assessed by the Company as 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 and collection of proceeds thereof or realization at lower prices than expected by the Company, as well as any other deviation from the Company's assumptions, could have an adverse effect on the Company's cash flows and the Company's ability to service its indebtedness in a timely manner. A combination of the abovementioned conditions indicate the existence of a material uncertainty that casts significant doubt about the Company's ability to continue as a going concern.

Without qualifying our conclusion, we draw attention to Note 5 which discloses information on potential irregularities concerning the Casaradio Project in Romania and the possible outcomes of such irregularities.

Budapest, December 2, 2016

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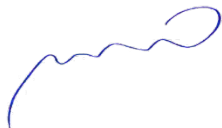


Plaza Centers N.V.
Condensed consolidated interim statement of financial position

	Note	September 30,	December 31,
		2016	2015
		€'000	€'000
		Unaudited	Audited
ASSETS			
Cash and cash equivalents		20,226	15,659
Restricted bank deposits		8,988	4,774
Trade receivables	12(c),12(f)	7,491	1,654
Other receivables		1,208	1,350
Prepayments and advances		618	196
Total current assets		<u>38,531</u>	<u>23,633</u>
Trading property	5,12	294,754	317,758
Equity accounted investees	12(b),12(k),12(l), 12(s),13(f)	41,277	40,608
Loan to equity accounted investees		-	4,298
Property and equipment		2,409	2,480
Related parties receivables	11	2,889	2,828
Deferred taxes		23	406
Total non-current assets		<u>341,352</u>	<u>368,378</u>
Total assets		<u><u>379,883</u></u>	<u><u>392,011</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Interest bearing loans from banks	12(j)	10,509	31,891
Debentures at amortized cost	4,9,12(i)	67,660	79,564
Loan from equity accounted investees	12(b)	14,391	-
Trade payables		4,781	2,223
Related parties liabilities	11	246	109
Derivatives		397	436
Other liabilities		6,012	7,045
Total current liabilities		<u>103,996</u>	<u>121,268</u>
Non-current liabilities			
Interest bearing loans from banks		73,341	70,621
Debentures at amortized cost	4,9,12(i)	114,124	102,025
Provisions	5	14,911	14,911
Long term payables	12(o)	1,484	-
Derivatives		168	318
Total non-current liabilities		<u>204,028</u>	<u>187,875</u>
Equity			
Share capital		6,856	6,856
Translation reserve		(28,183)	(27,418)
Capital reserve due to transaction with Non-controlling interests		(20,706)	(20,706)
Other reserves		35,376	35,376
Share premium		282,596	282,596
Retained losses		(204,846)	(194,602)
Equity attributable to owners of the Company		<u>71,093</u>	<u>82,102</u>
Non-controlling interests		766	766
Total equity		<u>71,859</u>	<u>82,868</u>
Total equity and liabilities		<u><u>379,883</u></u>	<u><u>392,011</u></u>

December 2, 2016

**Date of approval of the
financial statements**



Dori Keren
Acting Chief Executive officer



David Dekel
Director and Chairman of the
Audit Committee

The notes on pages 9 - 26 are an integral part of this condensed consolidated interim financial information.

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

	Note	For the three months ended September 30		For the nine months ended September 30,	
		2016	2015	2016	2015
		€'000	€'000	€'000	€'000
		Unaudited	Unaudited	Unaudited	Unaudited
Revenue from disposal of Shopping Centers	12(a)	-	-	9,632	34,684
Rental income		3,842	4,417	12,251	14,202
Revenues from entertainment centers		-	136	-	504
		3,842	4,553	21,883	49,390
Cost of Shopping Centers disposed	12(a)	-	-	(9,632)	(34,684)
Cost of operations		(1,274)	(1,511)	(3,796)	(5,056)
Cost of operations – entertainment centers		-	(145)	-	(631)
Loss from disposal of Trading property SPV	12(a)	-	-	(355)	(8,802)
Gross profit		2,568	2,897	8,100	217
Write-down of Trading Property	12(t)	(3,641)	(1,734)	(3,641)	(8,495)
Share in results of equity-accounted investees, net of tax	12(b)	(930)	498	214	669
Administrative expenses		(1,429)	(1,328)	(4,485)	(5,271)
Other income	12(c), 12(d), 12(f)	10,497	331	13,329	6,898
Other expenses	12(o)	(24)	-	(2,345)	(748)
Results from operating activities		7,041	664	11,172	(6,730)
Finance income		90	16,629	3,459	20,423
Finance costs	12(e)	(11,111)	(7,780)	(24,408)	(39,920)
Net finance costs		(11,021)	8,849	(20,949)	(19,497)
Profit (loss) before income tax		(3,980)	9,513	(9,777)	(26,227)
Income tax expense		(201)	(99)	(467)	(352)
Profit (loss) for the period		(4,181)	9,414	(10,244)	(26,579)
Profit (loss) attributable to:					
Owners of the Company		(4,181)	9,414	(10,244)	(26,579)
Earnings per share					
Basic and diluted earnings (loss) per share (in EURO)	12(r)	(0.61)	1.37	(1.49)	(3.88)

The notes on pages 9 - 26 are an integral part of this condensed consolidated interim financial information.

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
	Unaudited	Unaudited	Unaudited	Unaudited
Profit (loss) for the period	(4,181)	9,414	(10,244)	(26,579)
Other comprehensive income				
<u>Items that are or may be reclassified subsequently to profit or loss:</u>				
Foreign currency translation differences - foreign operation (Equity accounted investees)	84	(1,023)	(765)	1,258
Foreign currency translation differences- foreign operations (trading properties) – reclassified to profit or loss	-	-	-	6,516
Foreign currency translation differences - foreign operation (trading property)	-	-	-	1,077
Other comprehensive income (loss) for the period, net of income tax	84	(1,023)	(765)	8,851
Total comprehensive income (loss) for the period, net of tax	(4,097)	8,391	(11,009)	(17,728)
Total comprehensive income (loss) attributable to:				
Owners of the Company	(4,097)	8,391	(11,009)	(17,822)
Non-controlling interests	-	-	-	94

The notes on pages 9 - 26 are an integral part of this condensed consolidated interim financial information.

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

	Attributable to owners of the Company								
	Share capital	Share Premium	Other capital reserves	Translation Reserve	Capital reserve from acquisition of Non-controlling interests without a change in control	Retained losses	Total	Non- controlling interests	Total equity
	€'000								
Balance at December 31, 2015 (audited)	6,856	282,596	35,376	(27,418)	(20,706)	(194,602)	82,102	766	82,868
Total comprehensive loss	-	-	-	(765)	-	(10,244)	(11,009)	-	(11,009)
Balance at September 30, 2016 (unaudited)	6,856	282,596	35,376	(28,183)	(20,706)	(204,846)	71,093	766	71,859
Balance at December 31, 2014 (audited)	6,856	282,596	35,340	(36,699)	(20,706)	(148,486)	118,901	672	119,573
Total comprehensive income (loss)	-	-	-	8,757	-	(26,579)	(17,822)	94	(17,728)
Balance at September 30, 2015 (unaudited)	6,856	282,596	35,340	(27,942)	(20,706)	(175,065)	101,079	766	101,845

The notes on pages 9 - 26 are an integral part of this condensed consolidated interim financial information.

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

**For the nine months
ended September 30,**

	2016	2015
	€'000	€'000
	Unaudited	Unaudited
Cash flows from operating activities		
Loss for the period	(10,244)	(26,579)
<u>Adjustments necessary to reflect cash flows used in operating activities:</u>		
Depreciation and impairment of property and equipment	50	177
Net finance costs	20,949	19,497
Share of profit of equity-accounted investees, net of tax	(214)	(669)
Income tax expense	467	352
	<u>11,008</u>	<u>(7,222)</u>
<u>Changes in:</u>		
Trade receivables	(4,480)	381
Other accounts receivable	(448)	(3,715)
Trading property	455	26,239
Equity accounted investees – net investments	17,755	526
Trade payables	4,148	(528)
Other liabilities and related parties liabilities	2,660	(4,219)
	<u>20,090</u>	<u>18,684</u>
Interest received	34	68
Interest paid	(11,788)	(13,883)
Taxes paid	(84)	(82)
Net cash from operating activities	<u>19,260</u>	<u>(2,435)</u>
Cash flows from investing activities		
Purchase of property and equipment	-	(3)
Proceeds from sale of property and equipment	23	1,198
Sale of held for trading marketable debt securities	-	2,227
Purchase of held for trading marketable debt securities	-	(825)
Net cash from (used in) investing activities	<u>23</u>	<u>2,597</u>
Cash flows from financing activities		
Cash inflow (outflow) from foreign exchange derivatives	510	(342)
Changes in restricted cash	(4,688)	866
Repayment of debentures at amortized cost	(12,622)	(6,585)
Proceeds from loans from banks and financial institutions	4,350	-
Repayment of interest bearing loans from banks	(2,266)	(11,901)
Net cash used in financing activities	<u>(14,716)</u>	<u>(17,962)</u>
Increase (Decrease) in cash and cash equivalents	4,567	(17,800)
Cash and cash equivalents at 1 of January	15,659	33,363
Effect of exchange rate fluctuations on cash held	-	272
Cash and cash equivalents at 30 of September	<u><u>20,226</u></u>	<u><u>15,835</u></u>

The notes on pages 9 - 26 are an integral part of this condensed consolidated interim financial information.

Plaza Centers N.V.

Notes to the condensed consolidated interim financial information

1. Reporting entity

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

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

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

The condensed consolidated interim financial information of the Company as at September 30, 2016 and for the nine months then ended comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in joint ventures.

The consolidated financial statements of the Group as at and for the year ended December 31, 2015 are available on the Company's website (www.plazacenters.com) and also upon request from the Company's registered office.

During the nine months' period ended September 30, 2016, no changes occurred in the Company's holdings, with the exceptions as described in notes 12(a), 12(c) and 12(d) of this report.

2. Basis of accounting

This condensed consolidated interim financial information has been prepared in accordance with IAS 34 *Interim Financial Reporting*, as adopted by the EU. It does not include all of the information required for a complete set of IFRS financial statements, and should be read in conjunction with the annual Consolidated Financial Statements of the Group as at and for the year ended December 31, 2015.

However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended December 31, 2015.

This condensed consolidated interim financial information was authorized for issue by the Company's Board of Directors on December 2, 2016.

3. Use of judgements and estimates

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

In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were principally the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2015. Refer also to note 4 below for significant estimations performed.

Plaza Centers N.V.

Notes to the condensed consolidated interim financial information

4. Going concern and liquidity position of the Company

The condensed consolidated interim financial information has been prepared on a going concern basis, which assumes that the Group will be able to meet the mandatory repayment terms of its banking facilities and its debentures. Following the closing of the Company's restructuring plan ("the Plan" in this note), the Company's condensed consolidated interim financial information includes liabilities to bondholders in the aggregate principal amount of EUR 192 million.

Status as of September 30, 2016

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 103 million), then the remaining principal payments shall be deferred for an additional year ("the Deferral"). Since the Plan entered into effect, until September 30, 2016, the Company has repaid circa NIS 143 million (EUR 34 million at September 30, 2016 exchange rate) out of the debentures to its bondholders. The remaining NIS 291 million (EUR 69 million) of the bonds principal, together with the interest of approximately NIS 13.5 million (EUR 3.2 million) are still to be paid up to December 1, 2016, in order for the Company to achieve the abovementioned condition in the Plan.

Since part of the series B debentures are held in treasury (refer to note 12(i)), the total required net principal repayment in 2016 in order to achieve the Deferral would be NIS 284 million (EUR 68 million). Accordingly, the amount of EUR 68 million is presented as part of current liabilities in the condensed consolidated interim statement of financial position as events after the reporting period are not affecting the presentation of the liabilities to bondholders.

Developments after the reporting period

The Company is in active negotiations on several disposal transactions with a total estimated EUR 71 million of expected net proceeds to the Company and, although there is no certainty that the transactions will be completed, it is expected that the closing of these transactions will take place within a few months after December 1, 2016.

As the accelerated repayment schedule would have added significant pressure to the Company's liquidity, in light of the delays in the realization of certain assets, the Company sought and received from its bondholders a relaxation of the terms of the early prepayment required to maintain the extended repayment schedule. On November 29, 2016, the amendments were approved by the bondholders ("Amended Plan"). Refer to note 13(e) for further details on the terms of the Amended Plan.

As described in note 13(e) the Company intends to amend the clerical error in the Series B notes ("Proposed Revised Amended Plan"), and to bring it to the votes of Series B bondholders. The Company believes that such amendment will be approved by the Series B bondholders. Accordingly, the Company's plans are based on the "Proposed Revised Amended Plan" in terms of which, if until April 1, 2017 the Company manages to repay its principal of debentures in the amount of NIS 382 million (EUR 91 million), then the remaining principal payments shall be deferred for an additional year ("the Deferral"). Since the Plan entered into effect, until September 30, 2016, the Company has repaid circa NIS 143 million (EUR 34 million) out of the debentures.

Plaza Centers N.V.

Notes to the condensed consolidated interim financial information

4. Going concern and liquidity position of the Company (cont.)

The remaining NIS 239 million (EUR 57 million) of the bonds principal, together with the interest of approximately NIS 27 million (EUR 6.5 million) are still to be paid up to April 1, 2017, if the Company is to achieve the abovementioned condition in the proposed revised Amended Plan.

Achieving this condition depends on the Series B bondholders approving the correction of the clerical error and, to a considerable degree, on the Group's ability to dispose assets and collect cash proceeds to have available at least of EUR 45.7 million by April 1, 2017 ("the Minimum Net Amount"), as described below.

If the Company does not receive the approval for the correction of the clerical error from the Series B bondholders, the company would have to repay NIS 251 million (EUR 60 million) of the bonds principal, together with the interest of approximately EUR 6.5 million by April 1, 2017 in order for the Company to achieve the abovementioned condition in the Proposed Revised Amended Plan.

If the Company is unable to achieve the abovementioned Deferral by April 1, 2017, then the mandatory principal repayment and interest due in April 2017 through June 2017 and December 2017 will be EUR 43 and 69 million respectively (these amounts do not consider any early repayments due to future asset sales).

Management of the Company estimates that without the achievement of the abovementioned target, it is doubtful whether such flow of payments can be performed.

The Company's primary objective is to obtain the Deferral, and to collect the Minimum Net Amount.

The following table reflects the Company's approved business plan until December 31, 2017 and sets forth the cash flow forecast of the Company in order to achieve the abovementioned repayments as they fall due:

	<u>Expected cash flow (in MEUR)</u>	
	<u>In the three months ending December 31, 2016</u>	<u>In the year ending December 31, 2017</u>
<u>Opening balance of consolidated cash (1)</u>	29.2	15.8
<u>Sources of cash during the period</u>		
Net proceeds from disposal of operating shopping centers (2)	-	91.9
Proceeds from disposal of plots held (3)	3.6	22.1
Net operating income from shopping centers (4)	3.1	6.8
Other Income	-	1.1
Total sources expected	35.9	137.7
<u>Uses of cash during the period</u>		
Principal repayment of debentures (5)	(12.6)	(90.4)
Interest repayment of debentures	(3.3)	(9.8)
Expected liabilities to be settled	(1.5)	-
Repayment of bank facilities in subsidiaries (principal +interest)	(1.2)	(3.1)
General and administrative expenses	(1.5)	(4.0)
Total uses expected	(20.1)	(107.3)
<u>Closing balance of consolidated cash (6)</u>	15.8	30.4

Plaza Centers N.V.

Notes to the condensed consolidated interim financial information

4. Going concern and liquidity position of the Company (cont.)

- (1) Opening balance – as appears in this condensed consolidated interim statement of financial position, including restricted cash (which will be released upon the disposal of the operating shopping centers).
- (2) 2017 - expected from the sale of Suwalki Plaza, Torun Plaza and Belgrade Plaza (Visnjicka project).
- (3) 2017 - The Company expects extensive disposal of its plots held in CEE.
- (4) In 2017 Net Operating Income is generated from the Torun Plaza shopping center until its estimated sale in the second half of 2017.
- (5) 2016 - amount is based partially on the Riga proceeds, and partially on forecast disposal proceeds, from which the Company is obliged to pay 75% to bondholders. 2017 – including the necessary amount of EUR 44.4 million to be paid by the Company by April 1, 2017 for achieving the one year principal repayment deferral according to the agreement with bondholders.
- (6) 2016 – Circa EUR 10 million of restricted cash. 2017 – immaterial restricted cash amounts.

It should be noted, that the projected cash flow is based on the assumption that the Series B bondholders will approve the correction of the clerical error referred to above and that therefore the company will be able to reduce the minimum early prepayment amount as described above as well as on the Company's other forward-looking plans, assumptions, estimations, predictions and evaluations which rely on the information known to the Company at the time of the approval of this condensed consolidated interim financial information (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 and the assumption that the Series B bondholders will approve the correction of the clerical error referred to above, although assessed by the Company as 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 and collection of proceeds thereof or realization at lower prices than expected by the Company, as well as any other deviation from the Company's Assumptions, could have an adverse effect on the Company's cash flows and the Company's ability to service its indebtedness in a timely manner.

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

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.

Plaza Centers N.V.

Notes to the condensed consolidated interim financial information

5. Casa radio note (cont.)

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 is both a shareholder 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 of 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 this interim financial information- refer to paragraph e below). The Company estimates that although there is no formal obligation for 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 regarding 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 in March 2016 to the Romanian Authorities. As this process is still on-going, the Company is unable to comment on any details related to this matter. Management is currently unable to estimate (based on legal advice received) any impact on the carrying value of the Project potentially resulting from this matter.

Plaza Centers N.V.

Notes to the condensed consolidated interim financial information

5. Casa radio note (cont.)

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 was recorded 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. Summary

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. Significant accounting policies

The accounting policies applied by the Group in this condensed consolidated interim financial information are the same as those applied by the Group in its consolidated financial statements as at and for the year ended December 31, 2015.

Plaza Centers N.V.

Notes to the condensed consolidated interim financial information

7. Operating segments

The Group comprises one main geographical segment: CEE. India ceased to be a geographical segment, following the sale of Koregaon park shopping center in 2015. The Group does not have reportable segments by product and services. In presenting information on the basis of geographical segments, segment revenue is based on the revenue resulting from either selling or operating of Trading Property geographically located in the relevant segment. None of the Group's tenants is accounting for more than 10% of the total revenue. Also, no revenue is derived in the Netherlands, where the Company is domiciled. Data regarding the geographical analysis in the nine months period ended September 30, 2016 and 2015 is as follows:

	September 30	
	<u>2016</u>	<u>2015</u>
NOI in CEE (1)	11,437	12,426
Sale of properties (Liberec – refer to note 12(a))	(355)	-
Income from operation/selling	<u>11,082</u>	<u>12,426</u>
Net finance costs	(3,541)	(3,918)
Net expenses from operation of other CEE assets (plots)	(550)	(832)
Other income, net	9,724	4,251
Write-downs	<u>(3,641)</u>	<u>(6,953)</u>
Reportable CEE segment profit before tax	<u>13,074</u>	<u>4,974</u>
Less - general and administrative	(4,485)	(5,271)
Results India	(349)	(10,567)
Unallocated finance costs (Dutch corporate level- mainly debentures finance cost)	<u>(18,017)</u>	<u>(15,363)</u>
Loss before income taxes	<u>(9,777)</u>	<u>(26,227)</u>
Income tax expense	(467)	(352)
Loss for the period	<u><u>(10,244)</u></u>	<u><u>(26,579)</u></u>
<u>Assets and liabilities as at September 30, 2016</u>		
Total CEE segment assets	325,362	
Assets India	25,136	
Unallocated assets (Mainly Cash and other financial instruments held on Dutch level)	<u>29,385</u>	
Total assets	<u>379,883</u>	
Segment liabilities	123,517	
Unallocated liabilities (Mainly debentures)	<u>184,507</u>	
Total liabilities	<u>308,024</u>	
(1)Out of which Poland – EUR 8.9 million (2015 -EUR 9.0 million).		

8. Financial risk management

During the nine months' period ended September 30, 2016 there were no changes in the Group's financial risk management. Objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended December 31, 2015.

Plaza Centers N.V.

Notes to the condensed consolidated interim financial information

9. Financial instruments

a. Carrying amounts and fair values

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

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

	Carrying amount		Fair value	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
€000'				
<u>Statement of financial position</u>				
Debentures at amortized cost – Polish bonds	11,801	12,957	11,139	11,569
Debentures A at amortized cost – Israeli bonds	58,986	59,072	51,366	50,172
Debentures B at amortized cost – Israeli bonds	110,997	109,560	91,927	91,614
Total	181,784	181,589	154,432	153,355

The total contractual liability of the Debentures was EUR 192 million as at September 30, 2016. In respect of most of other non-listed borrowings, as most financing facilities are backed by real estate assets, and they bear floating interest rate, the Company has a basis to believe that the fair value of non-listed borrowings approximates the carrying amount.

b. Fair value hierarchy

The table below analyses fair value measurements as at September 30, 2016 for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

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

	Level 1	Level 2	Level 3	Total
	€000'			
<u>Short term liabilities</u>				
Derivative	-	-	397	397
<u>Long term liabilities</u>				
Derivative	-	-	168	168

10. Income tax

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

The Group's consolidated effective tax rate in respect of continuing operations for the nine months period ended September 30, 2016 was -5% (nine months period ended September 30, 2015: -1%).

Plaza Centers N.V.

Notes to the condensed consolidated interim financial information

11. Related parties

	September 30, 2016	December 31, 2015
	€000'	
<u>Statement of financial position</u>		
Long term receivables - EI	2,889	2,828
Trade and other payables	246	109
For the nine months period ended September 30,		
	2016	2015
	€000'	€000'
<u>Statement of profit or loss</u>		
Related parties – interest income on balance with EI	61	35
Related parties – recharges from EI	(246)	(155)
Related parties – rental fees charged by EI subsidiary in Romania	(23)	(68)

12. Significant events during the period

a. Disposal of a shopping center in the Czech Republic

On March 4, 2016, the Company signed an agreement to sell its subsidiary holding Liberec Plaza shopping center in the Czech Republic, for EUR 9.5 million in cash. The Company recorded a loss of EUR 350 thousand due to this transaction. The disposal followed an agreement announced by the Company in September 2015 whereby a wholly owned subsidiary of the Company ("PCE") won a tender to buy the loan given to the holding and operating company for Liberec Plaza for EUR 8.5 million.

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

b. Sale of a shopping center in Latvia

On May 16, 2016 one of the Company's subsidiaries, in which it has a 50% stake, has entered into a business sale agreement with respect to the sale of Riga Plaza shopping and entertainment centre in Riga, Latvia (Riga Plaza), to a global investment fund. The agreement reflected a value for the business of EUR 93.4 million, which is in line with the last reported carrying amount. On September 15, 2016, the transaction was completed.

Following a price adjustment mechanism and costs incurred in respect of the completion of the sale, the Company received EUR 17.8 million in cash after repayment of banks loan (representing Plaza's share of the sale of the business), with an additional EUR 1.4 million expected to be received within the next 25 months. In line with the Company's stated restructuring plan, 75% of the net cash proceeds from the Company's share of the sale of the business, will be distributed to the Company's bondholders in the fourth quarter of 2016.

As of the date of statement of financial position, the Company had a EUR 14.4 million short term loan from its 50% held subsidiary. This loan is expected to be offset with a Dividend declared from the subsidiary to its shareholder in a process which will be concluded before the end of 2016.

Plaza Centers N.V.

Notes to the condensed consolidated interim financial information

12. Significant events during the period (cont.)

c. Disposal of a plot in Belgrade, Serbia

On May 17, 2016, the Company signed an agreement to sell its wholly owned subsidiary, which holds the “MUP” plot and related real estate in Belgrade, Serbia, for EUR 15.9 million in cash. The Company has recorded a gain of EUR 2.3 million from this transaction, included as other income in these reports.

Following the fulfilment of certain technical conditions that were met during June 2016, the purchaser paid EUR 11 million in cash to the Company. An additional EUR 0.3 million were paid on November 30, 2016 and the remaining EUR 4.6 million will be due within 15 months from the transaction closing date. Furthermore, the Company will also be entitled to an additional pending payment of EUR 0.6 million, on top of the abovementioned EUR 15.9 million, once the purchaser successfully develops at least 69,000 sqm above ground.

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

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

On June 30, 2016, the Company signed a Debt Repayment Agreement (“DRA”) with the financing bank (the “Bank”) of Zgorzelec Plaza Shopping Center in Poland.

As part of the DRA, the Company paid EUR 1.1 million (in escrow) to the financing bank of the Shopping Center and the financing bank deposited (in escrow) Release Letters for:

- (i) releasing a mortgage in favour of the Bank from a plot of land of the Company in the city of Leszno, Poland;
- (ii) releasing of a recourse right obligation (of EUR 1.1 million) under the corporate guarantee of the Company and an additional subsidiary of the Company;
- (iii) subordination agreement; and
- (iv) submission for enforcement on the loan

The DRA stated that the Company is obliged to make its best effort and cooperate with the Bank in trying to sell Zgorzelec Plaza Shopping Center. Simultaneous with this, the financing bank would seek a third party to be an Appointed Shareholder to purchase the shares of Zgorzelec Plaza Shopping Center for EUR 1.

On September 14, 2016, the Company signed a Share Purchase Agreement with an Appointed Shareholder nominated by the Bank, after which the remainder of the DRA process was completed, including delivery of the Release Letters to the Company, and removing a mortgage over the asset of the Company in Leszno, Poland (valued at EUR 0.8 million), as described above.

The Company recognized an accounting profit of EUR 9.2 million (included as other income in these reports), stemming from the release of EUR 23.0 million of the outstanding (and partially recourse) loan (including accrued interest thereof), against asset’s book value of at EUR 12.7 million as of September 2016.

Plaza Centers N.V.

Notes to the condensed consolidated interim financial information

12. Significant events during the period (cont.)

e. Development credit facility agreed for Belgrade Plaza (Visnjicka)

On June 21, 2016, the Company signed a EUR 42.5 million loan agreement to support the development of Belgrade Plaza (Visnjicka) in the Serbian capital, Belgrade, from a consortium of banks led by the Hungarian bank OTP Bank Plc.

Belgrade Plaza is being developed on a 31,000 sqm plot of land owned by Plaza in Belgrade, the Capital of Serbia. Construction is already in advanced stages on the new shopping and entertainment centre and it is on schedule to open in the first half of 2017. Belgrade Plaza will comprise circa 32,000 sqm of GLA and will be anchored by a supermarket, a multi-screen cinema complex and major international brands.

In respect of Visnjicka project, the Company resumed the capitalization of non-specific borrowing costs as defined in IAS 23, and capitalized in the first nine months of 2016 EUR 4.2 million of borrowing costs to the carrying amount of the project.

f. Disposal of a plot in Lodz, Poland

On September 28, 2016, the Company completed the sale of a 20,700 sqm plot of land in Lodz, Poland, to a residential developer, for EUR 2.4 million.

Located in Lodz city centre, the plot represents 63% of a wider 33,000 sqm site. 26% of the site was previously sold in two separate transactions completed in 2015 and 2016 for a total value of EUR 1.2 million. Following these transactions, the Company still owns 4,000 sqm of space for future value realisation.

On transfer, the Company received an initial payment of EUR 1.04 million, and is expected to receive EUR 0.23 million in December 2016 and a final instalment of EUR 1.13 million in June 2017.

In line with the Company's stated restructuring plan, 75% of the net cash proceeds from the sale of the plot, will be distributed to the Company's bondholders within the quarter following the receipt of each cash payment.

g. Disposal of a plot in Romania

On March 24, 2016, the Company sold its 23,880 sqm site in Slatina, Romania for EUR 0.66 million, consistent with the asset's last reported carrying amount. No gain or loss was recorded from this transaction.

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

h. Pre-agreement to sell a plot in Greece

On April 7, 2016, the Company signed a pre-agreement to sell its development land in Piraeus, near Athens, Greece, for EUR 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. The purchaser has been provided in October 2016 with an extension to complete the transaction till the end of 2016. The purchaser has placed a corporate guarantee to secure the transaction for 10% of the consideration. Upon completion of the disposal, in line with the Company's stated restructuring plan, 75% of the net cash proceeds will be distributed to the Company's bondholders.

Plaza Centers N.V.

Notes to the condensed consolidated interim financial information

12. Significant events during the period (cont.)

i. Debentures held in treasury

As of September 30, 2016, the Company held through its wholly owned subsidiary NIS 13.6 million par value of series B debentures (adjusted par value of NIS 15.8 million (EUR 3.8 million).

In November 2016, all debentures held in treasury were sold to the Company and deleted from trading.

j. Update on covenants

In respect of the Coverage Ratio Covenant (“CRC”), as defined in the restructuring plan, as at September 30, 2016 the CRC was 122%, in comparison with 118% minimum ratio required.

As at the end of the reporting period, all of the group’s companies are in compliance with the entire loan covenants, with the exception of one bank facility in Romania totalling EUR 8.2 million, in which the Company negotiates with financial institution for obtaining of waiver, on all outstanding breaches.

k. Business update on Bangalore project – India

On September 30, 2016, and further to its announcement of December 2, 2015, regarding an agreement to sell 100% of its interest in a special purpose vehicle which holds a site in Bangalore, India by Elbit Plaza India Real Estate Holdings Limited (in which the Company holds a 50% stake with its joint venture partner, EI) (“EPI”) to a local investor (the “Purchaser”), The Company has not completed the sale of the project in Bangalore by the long stop date (the “LSD”).

As a result, the Company and the Purchaser has reached these preliminary understandings:

1. Upon payment of certain cash advances, the LSD may be gradually prolonged (if all advances are received), until September 15, 2017. EPI received to date advances in a total amount of EUR 0.65 million and the LSD was prolonged till November 15, 2016.
2. If the Purchaser fails to execute any of the advance payments, EPI will be able to enforce its rights under the Sale Agreement including the execution of the Securities.
3. At this preliminary stage, there is no definitive agreement between EPI and the Purchaser and there is no certainty that any of the aforementioned understandings will be executed
4. In the event that the involved parties do not reach such a final agreement, EPI will consider its options with respect to the Sale Agreement, including, inter alia, the execution of the Securities.

For further developments after September 30, 2016, refer to note 13(f).

Plaza Centers N.V.

Notes to the condensed consolidated interim financial information

12. Significant events during the period (cont.)

1. Environmental update on Bangalore project - India

In addition to the above, the National Green Tribunal (“NGT”), an Indian governmental tribunal established for dealing with cases relating to the environment, passed general directions on May 04, 2016 with respect to areas that should be treated as “no construction zones” due to its proximity to water reservoirs and water drains (“Order”)

The restrictions in respect of the “no construction zone” are applicable to all construction projects.

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

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

Accordingly, the impact of the Order on the Bangalore Project cannot be fully determined until the Supreme Court of India adjudicates upon the matter. It should also be noted that based on the Company's legal advice the Order only affects the setback from the storm-water drain, and would not in itself affect the floor space index available to developers to construct a project. As of September 30, 2016, and according with the Company's best estimate there will be no material effect on the carrying amount of the Bangalore Project as a result of the Order.

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

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

n. Details of negotiations on two assets disposal in Poland

In the end of July 2016, the Company signed a non-binding Letter of Intent (“LOI”) with a global investment fund (the “Potential buyer”) regarding the sale of the Torun Plaza and Suwałki Plaza shopping and entertainment centres in Poland (together the “Portfolio”).

As the potential buyer failed to meet the agreed terms of the transaction and, therefore, its exclusivity on the sale expired in October 2016. Regarding sale efforts of Polish shopping centers in the fourth quarter refer to note 13 (a).

o. International Court of Arbitration ruling update

On July 7, 2016, and further to the reference in the Company's 2015 annual report, following an extensive and lengthy legal procedure relating to a transaction agreement undertaken with Klepierre S.A. (“Klepierre”) in 2004, the International Court of Arbitration has ruled that Plaza is liable for an indemnification claim totalling circa EUR 2 million, including costs arising from the legal process. A provision for such amount was made in these reports, and circa EUR 0.6 million were paid already. The Company did not recognize any provision in respect to such claim in previous periods.

Plaza Centers N.V.

Notes to the condensed consolidated interim financial information

12. Significant events during the period (cont.)

o. International Court of Arbitration ruling update (cont.)

Since Klepierre is deemed a creditor under the Company's ongoing Restructuring Plan, payment of the principal amount due by the Company under the indemnification claim is deferred to July 2018. In the interim, the Company will continue to pursue the legal channels available to it in an effort to minimise the basis for such an indemnification claim.

p. Sale of plot in Romania

On July 14, 2016, the Company disposed of an 18,400 sqm plot in a suburb of Ploiesti, Romania to a local investor for EUR 280 thousand. In line with the Company's stated restructuring plan, 75% of the net cash proceeds were distributed to the Company's bondholders in September 2016.

q. Sale of plot in Leszno, Poland

On September 15, 2016, the Company signed a preliminary sale agreement for the disposal of a 1.8-hectare plot in the centre of Leszno, Poland for EUR 810 thousand.

The sale is conditional on the purchaser securing a permit for the development of the site and, on that basis, the purchaser has the right to withdraw from the transaction within a window of eight months. As per the agreement, after eight months the Company will receive a payment of EUR 230 thousand and the remaining EUR 580 thousand will be due within the following 12 months.

This sale was enabled and executed following the release of the mortgage on the Leszno plot associated to the Zgorzelec transaction (refer to note 12(d) above).

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

r. Completion of share consolidation process

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

The Company, to avoid the adverse consequences of the Alert List, has decided to implement the Share Capital Consolidation so as to ensure that its Ordinary Shares are removed from the Alert List. Consolidation of the Company's share capital on the basis of one New Ordinary Share/New Depository Interest for every 100 Existing Ordinary Shares/Existing Depository Interests

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

Plaza Centers N.V.

Notes to the condensed consolidated interim financial information

12. Significant events during the period (cont.)

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

On August 2, 2016, a subsidiary ("SPV") of EPI, has signed a Joint Development Agreement ("JDA") relating to its 74.7 acre plot in Chennai, India.

Under the terms of the JDA, the SPV will confer the property development rights to a reputable local developer (the "Developer") who will carry full responsibility for all of the project costs and liabilities, as well as for the marketing of the scheme. The JDA also stipulates specific project milestones, timelines and minimum sale prices.

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

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

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

In line with its statement in the 2015 year-end financial statements, EPI continues its efforts to exercise its right to get the Partners' 20% holding in the Indian company Kadavanthara Builders Private Ltd.

t. Write-down of trading property in the period

During the Course of the first nine months of 2016 the Company recorded a total of EUR 3.6 million of write-downs. The main write-downs (as write-down of Trading Property in the statement of profit or loss) were as follows:

- 1) EUR 1.1 million of write-down to its Kielce plot, in view of preliminary sale agreement (refer to note 13(b)).
- 2) EUR 0.9 million of write-down to its Arena Extension project, in Budapest, Hungary.
- 3) EUR 0.7 million of write-down to its Helios Plaza asset, in Pireaus, Greece, due to uncertainty in respect of the estimated value in the planned transaction (refer to note 12(h)).

Plaza Centers N.V.

Notes to the condensed consolidated interim financial information

13. Events after the reporting period

a. Potential disposal of Suwalki Plaza

On October 18, 2016, the Company's wholly owned subsidiary, Plaza Centers Polish Operations B.V., signed a new non-binding Letter of Intent (the "LOI") with an investment fund (the "Purchaser") regarding the sale of Suwalki Plaza shopping and entertainment centre in Poland.

The LOI, which binds the Purchaser (which is connected to an ex-employee of the company) to a set of strict timelines in order for the transaction to conclude during the fourth quarter of this year, values the asset at EUR 42.3 million. Should the transaction complete as planned, following the repayment of the existing bank loan, the expected net proceeds to the Company are estimated at circa EUR 15 million.

b. Sale of plot in Poland

On October 13, 2016, the Company signed a preliminary sale agreement for the disposal of a 2.47 hectare plot in the centre of Kielce, Poland, for EUR 2.28 million. As part of the sale process, the Company has received a down payment of EUR 465 thousand, while the remaining EUR 1,815 thousand will be paid within eight months of this agreement. On completion of the transaction, in line with the Company's stated restructuring plan, 75% of the net cash proceeds will be distributed to Plaza's bondholders.

c. Possible forward sale of Belgrade Plaza

On November 3, 2016, the Company signed a non-binding Letter of Intent ("LOI") with BIG Shopping Centers Ltd., a publicly traded company listed in the Tel Aviv Stock Exchange, (with or without affiliates, the "Purchaser") regarding a possible forward sale of Belgrade Plaza shopping and entertainment center ("Belgrade Plaza") in Belgrade, Serbia.

The LOI binds the Purchaser to a strict timeline for committing a comprehensive Due Diligence and finalizing a detailed binding agreement which determines that the transaction should conclude by the end of 2016.

Should the transaction proceed to a signed share sale agreement, following the due diligence process, the Company will receive up to EUR 28 million from the Purchaser upon the signing of the agreement as a first instalment, and will be due further payments during the first year of operation, subject to certain targets and milestones being met. The Purchaser will provide a guarantee to secure such further payments.

The final agreed value of Belgrade Plaza will be calculated based on a cap rate of 8.25% and the sustainable NOI after 12 months of operation (estimated NOI by the Company at that time stage is circa EUR 7.5 million per year). The Company has a line of credit from a financing bank for the development of Belgrade Plaza in a maximum amount of EUR 42.5 million. While it is expected that the disposal of Belgrade Plaza will be finalized in the fourth quarter of this year, at this point in time there is no certainty that the transaction will be completed.

d. Unsuccessful Possible forward sale of Belgrade Plaza

On September 29, 2016, the Company signed a non-binding Letter of Intent ("LOI") with a third party (the "Purchaser") regarding a possible forward sale of the Belgrade Plaza shopping and entertainment centre in Belgrade, Serbia. Under the terms of the LOI, upon the closing of the definitive agreement, the Company would have received up to EUR 35 million from the Purchaser and would have been entitled to an additional payment of approximately EUR 15 million upon the opening of the shopping centre.

On October 26, 2016, the negotiations were terminated with the Purchaser. Refer to note 13 (c) on new LOI signed in respect of the Belgrade project.

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Notes to the condensed consolidated interim financial information

13. Events after the reporting period (cont.)

e. Approved amendment to an early prepayment term under the restructuring plan

As previously announced, the Company has implemented the restructuring plan that was approved by the Dutch court on July 9, 2014 (the “Restructuring Plan”).

Under the Restructuring Plan, principal payments under the notes (both those that are traded on the Tel Aviv Stock Exchange and those held by Polish investors) issued by the Company and originally due in the years 2013 to 2015 were deferred for a period of four and a half years, and principal payments originally due in 2016 and 2017 were deferred for a period of one year (the “Extended Repayment Schedule”).

The Restructuring Plan further provides that, if the Company does not prepay an aggregate amount of at least NIS 434 million (circa EUR 103 million) on the principal of the notes on or before December 1, 2016 (the “Early Prepayment”), the principal payments due under the Extended Repayment Schedule will be advanced by one year (the “Accelerated Repayment Schedule”).

The enforcement of the Accelerated Repayment Schedule would have added significant pressure to the Company’s liquidity and would have resulted in an acceleration of the asset sales, which was likely to have an adverse impact upon the value achieved on any disposals.

Accordingly, the Company had a strong preference to continue operating on the basis of the Extended Repayment Schedule. In order to ensure that the Extended Repayment Schedule remains applicable, in the event that the closing of the aforementioned transactions takes longer than anticipated, the Company sought from its bondholders, a relaxation of the terms of the Early Prepayment required to maintain the Extended Repayment Schedule.

The proposed amendments sought by Plaza comprised of the postponement of the Early Prepayment date by up to four months and the reduction of the total amount of the required Early Prepayments to at least NIS 382 million (EUR 91 million) (a reduction of 12% on the original amount).

In addition to the above, the Company announced that as part of the approval of the proposed amendment by holders of the Company's Series A Notes, Series B Notes and Polish notes (collectively, the "Notes"), and subject to such approval, the Company will pay on March 31, 2018 a one-time consent fee in the amount of Circa EUR 488 thousand (which is equal to 0.25% from the Company's outstanding debt under the Notes at that time) (the "Consent Fee"). The consent Fee shall be paid to the Company's Noteholders on a pro rata basis.

Also, in addition to the above, the following features were introduced to the restructuring plan:

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

Plaza Centers N.V.

Notes to the condensed consolidated interim financial information

13. Events after the reporting period (cont.)

e. Approved amendment to an early prepayment term under the restructuring plan (cont.)

- 2) Non-compliance with payment - in the event that the Company has not repaid until March 31, 2017 the amount of NIS 382 million Principal, then a forced early redemption of the outstanding principal of Series A debentures shall take place in a manner in which said principal shall be repaid in five equal payments whereas the first payment shall be made on April 25, 2017 and the remaining outstanding principal will be due according to the Accelerated Repayment Schedule.
- 3) Deferred Debt Ratio of Bonds B series - will be reduced to 68.24% from the current 70.44%, following the cancelation of treasury bonds (refer to note 12(i)). The ratio has been changed for Bonds series B₇ in order to maintain a distribution ratio between the three series.
- 4) Registering of Polish bonds for trade – The Company has committed to register the Polish bonds for trading within the next few months.

Apart from the above amendments, the Company intends to otherwise fully comply with the repayment schedule of the notes.

On November 29, 2016, the abovementioned amendments were approved by the bondholders.

Subsequent to the approval of the Amended Plan the Company discovered a clerical error in the calculation of the minimum early prepayment amount of the principal of Series B Notes which had been approved by the Series B bondholders. As a result of this the actual minimum Early Prepayment the Company will have to make to all bondholders in total to achieve Deferral is NIS 394 million rather than the intended NIS 382 million described above. The Company intends to seek a correction of this error through a vote of the Series B bondholders.

f. Business update on Bangalore project – India

On November 14, 2016, the Purchaser informed EPI that it will be unable to execute the rest of advanced payments due in the fourth quarter of 2016 under the Sale Agreement. EPI is currently considering its options with respect to the Sale Agreement, including, inter alia, the execution of the Securities provided under the sale agreement.

g. Credit rating update

On November 8, 2016, Standard & Poor's Maalot ("S&P Maalot"), the Israeli credit rating agency which is a division of Standard & Poor's International, has updated its credit rating for the Company's series of two Notes traded on the Tel Aviv Stock Exchange from "ilBBB-" to "ilCCC" on the local Israeli scale and putting the rating into the Credit Watch with negative implications.

The update follows the Company's announcement dated November 7, 2016 (refer to note 13 (e)), outlining a proposed amendment (refer to note 13(e) above) to an early prepayment term under the Restructuring Plan that was approved by the Dutch court on July 9, 2014.