29 March 2016

PLAZA CENTERS N.V.

Preliminary results for the year ended 31 December 2015

FOCUS ON OPERATIONAL PERFORMANCE, KICK STARTING DEVELOPMENT PROJECTS AND DISPOSING OF NON-CORE ASSETS

Plaza Centers N.V. ("Plaza" / the "Company" / the "Group"), a leading property developer and investor with a focus on operations in Central and Eastern Europe ("CEE"), today announces its preliminary full year results for the year ended 31 December 2015.

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%).
    - 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 will become 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.

Commenting on the results, Roy Linden, CFO and Acting CEO of Plaza Centers, said:

"Having completed the restructuring process in the prior year, 2015 was very much about delivering on our plan to create a more streamlined, better performing business. With the successful sale of non-core assets and subsequent delivery of proceeds to bondholders, together with a stronger operational performance across the shopping and entertainment centres portfolio and several development and asset management milestones achieved, in particular two new building permits in Belgrade and Timisoara, we are pleased with what we have accomplished during the year.

"There is still plenty more progress to be made, but our portfolio and underlying business is now in a stronger position and the new management team has a clear mandate for further development in 2016 and beyond."

Ron Hadasi, Chairman of Plaza Centers said: "On behalf of the Board of Directors and our shareholders, I would like to thank Roy Linden sincerely for his many years of hard work and dedication to the Company in his role as CFO, and his significant efforts during the last several months as Acting CEO. We wish him the very best of luck in the next stage of his career.

“Roy leaves the Company in good hands as we welcome the new management team of Dori Keren and Izzie Elias to Plaza. Under their guidance we look to the remainder of the year with confidence as we continue with an orderly disposal of non-core or mature assets, work hard to reduce debt levels and bring our development projects to fruition. The progress being made at Belgrade Plaza, which is currently the biggest commercial construction site in Serbia, as well as the sale of Liberec Plaza and the negotiation for the disposal of our share in Riga Plaza are all reflective of the opportunities we have to deliver the strategy and meet our objectives.”

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Notes to Editors

Plaza Centers N.V. (www.plazacenters.com) is a leading property developer and investor with a significant presence across Central and Eastern Europe. It focuses on constructing new shopping and entertainment centres and, where there is significant potential, redeveloping existing centres in both capital cities and important regional centres. The Company is listed on the Main Board of the London Stock Exchange, the Warsaw Stock Exchange and, as of 27 November 2014, the Tel Aviv Stock Exchange (LSE: “PLAZ”, WSE: “PLZ/PLAZACNTR”; TASE: “PLAZ”). Plaza Centers N.V. is an indirect subsidiary of Elbit Imaging Ltd. (“EIL”), an Israeli public company whose shares are traded on both the Tel Aviv Stock Exchange in Israel and the NASDAQ Global Market in the United States. It has been active in real estate development in emerging markets for over 20 years.

Forward-looking statements

This press release may contain forward-looking statements with respect to Plaza Centers N.V. future (financial) performance and position. Such statements are based on current expectations, estimates and projections of Plaza Centers N.V. and information currently available to the company. Plaza Centers N.V. cautions readers that such statements involve certain risks and uncertainties that are difficult to predict and therefore it should be understood that many factors can cause actual performance and position to differ materially from these statements. Plaza Centers N.V. has no obligation to update the statements contained in this press release, unless required by law.

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 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 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 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, themain 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.

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:

	EUR Million
Net Financial Debt	**(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:

	Number of assets (CEE and India)		
Location	**Active**	**Under development/ planning/land bank**	**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 and 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 Centres					
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
Belgrade Plaza	Belgrade, Serbia	Apartment-hotel and business centre 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 commenced 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	18,000	100	Planning and feasibility examination
Lodz (Residential)	Lodz, Poland	Residential scheme	24,700	100	Planning and feasibility examination
Arena Plaza Extension	Budapest, Hungary	Office scheme	22,000 (land use right)	100	Planning and feasibility examination
Csiki 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

(*) 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%

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:

<u>Bangalore</u> - 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**	**January 1, 2017 till December 31,2017**
		(MEUR)	**(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	**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
Repayment bank loan in subsidiaries	(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 Land and Project 31 December 2014	Market Value of Land and Project 31 December 2015	Market Value upon Completion 2014	Market Value upon Completion 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	Varthur Park Bangalore	14,206,000	15,089,000	109,646,000	116,457,000
	SIPCOT Park 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.

PLAZA CENTERS N.V.

CONSOLIDATED FINANCIAL STATEMENTS

AUDITED

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

PLAZA CENTERS N.V.

CONSOLIDATED FINANCIAL STATEMENTS

AUDITED

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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

PLAZA CENTERS N.V.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION IN ‘000 EUR

	Note	December 31, 2015	December 31, 2014
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		
	Roy Linden	**David Dekel**
Date of approval of the financial statements	**Chief Financial Officer**	**Director and Chairman of the Audit Committee**

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

PLAZA CENTERS N.V.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS IN ‘000 EUR

	Note	Year ended December 31, 2015	2014
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
		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 are an integral part of these consolidated financial statements.

PLAZA CENTERS N.V.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME IN '000 EUR

	Year ended December 31, 2015	Year ended December 31, 2014
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)

PLAZA CENTERS N.V.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY IN '000 EUR

	Attributable to the equity holders of the Company								
	Share capital	**Share Premium**	**Share based payment reserves**	**Translation Reserve**	**Capital reserve from acquisition of non-controlling interests without a change in control**	**Retained earnings (losses)**	**Total**	**Non-controlling interests**	**Total**
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 are an integral part of these consolidated financial statements.

PLAZA CENTERS N.V.

CONSOLIDATED STATEMENT OF CASH FLOWS IN '000 EUR

	Note	Year ended December 31, 2015	2014
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)
		(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
		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
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**

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 23, 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.

NOTE 2 - BASIS OF PREPARATION (Cont.)

c. Financial position of the Company (cont.)

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.

NOTE 2 - BASIS OF PREPARATION (Cont.)

c. Financial position of the Company (cont.)

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 2 - BASIS OF PREPARATION (cont.)

- Note 8 - Suspension of borrowing costs capitalization
- 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 debentures series

e. Use of estimates and judgments (cont.)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

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	December 31, 2014
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	December 31, 2014
Short term restricted bank deposits			
In EUR	See (1) below	3,972	5,232
In USD		298	1,037
In other currencies (2015 - PLN)	See (1) below	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 6 - TRADE RECEIVABLES

	December 31, 2015	December 31, 2014
Trade receivables	3,064	4,255
Less - Allowance for doubtful debts	(1,410)	(1,536)
	1,654	2,719

NOTE 7 - OTHER ACCOUNTS RECEIVABLE, PREPAYMENTS AND ADVANCES

a. Other receivables

	December 31, 2015	December 31, 2014
VAT and tax receivables	1,061	2,502
Others	289	461
	1,350	2,963

b. Prepayments and advances

	December 31, 2015	December 31, 2014
Advance payments to suppliers	137	275
Prepaid expenses	59	492
	196	767

NOTE 8 - TRADING PROPERTIES

	December 31, 2015	December 31, 2014
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 8 - TRADING PROPERTIES (Cont.)

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

	The year ended December 31,	
Project name (location)	2015	2014
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
	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 (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).

NOTE 8 - TRADING PROPERTIES (Cont.)

(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.

NOTE 8 - TRADING PROPERTIES (Cont.)

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. At the current stage the Company, based on a legal advice received, cannot determined the consequences of such matter. As for the fair value of the Project as of December 31, 2015 refer to the summary table below.

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) Write-down of trading properties

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

Actual results could be significantly different than the Company's estimates and could have a material effect on the Company's financial results. Trading Properties accumulated write-downs from cost as of December 31, 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%).

NOTE 8 - TRADING PROPERTIES (Cont.)

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 – Comparable method

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

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

- Adjustment due to the time of the transaction. Market conditions at the time of the sales transaction of a comparable property may differ from those on the valuation date of the property being valued. Factors that impact market conditions include rapidly appreciating or depreciating property values, changes in tax laws, building restrictions or moratoriums, fluctuations in supply and demand, or any combination or forces working in concert to alter market conditions from one date to another.
- Adjustment due to asking price and condition of payment. The special motivations of the parties to the transaction in many situations can affect the prices paid and even render some transactions as non-market. Examples of special conditions of sale include a higher price paid

NOTE 8 - TRADING PROPERTIES (Cont.)

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 betweenthe 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.

<u>b2 – Residual method</u>

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 costs) = 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 8 - TRADING PROPERTIES (Cont.)

(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;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 8 - TRADING PROPERTIES (Cont.)

11. Significant estimates (cont.)

Group of assets	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
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 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 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)

NOTE 8 - TRADING PROPERTIES (Cont.)

11. Significant estimates (cont.)

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	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*	*+5%*	*+10%*	*-10%*	*-5%*	*0*	*+5%*	*+10%*
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	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

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

PLAZA CENTERS N.V.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 8 - TRADING PROPERTIES (Cont.)

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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 9 - PROPERTY AND EQUIPMENT

	Land and buildings	Equipment	Fixtures and fittings	Airplane	Total
Cost					
Balance at January 1, 2014	**7,181**	**3,542**	**1,397**	**4,737**	**16,857**
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	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN ‘000 EUR

NOTE 10 - EQUITY ACCOUNTED INVESTEES (cont.)

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

	2015	2014
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:

	The year ended December 31,	
Project name (holding company name)	2015	2014
Bangalore (held by EPI)	-	557
Chennai (held by EPI)	-	(2,463)
Riga Plaza (held by Diksna)	939	420
Elbit Kochin Ltd.	-	(201)
	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		2014	
	EPI	Diksna	EPI	Diksna
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 10 - EQUITY ACCOUNTED INVESTEES (cont.)

Material joint ventures (cont.)

	The year ended December 31,			
	2015		2014	
	EPI	Diksna	EPI	Diksna
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	2014
Current assets	56	63
Carrying amount of interest in joint venture	56	63

	The year ended December 31,	
	2015	2014
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	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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 11 - DERIVATIVES (cont.)

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:

				December 31,	
				2015	2014
	Nominal interest rate	Currency	Year of maturity	Carrying amount	
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 term. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 12 - INTEREST BEARING LOANS FROM BANKS (cont.)

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	December 31, 2014
Construction related payables		776	-
Other trade payables	Mainly in PLN, EUR	1,447	1,893
		2,223	1,893

NOTE 14 - RELATED PARTIES PAYABLES

	Currency	December 31, 2015	December 31, 2014
EI Group- ultimate parent company – expenses recharged	EUR, USD	76	457
Other related parties in EI group	EUR	33	704
		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	December 31, 2014
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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

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).

	Principal fair value determined	Effective interest rate	Quote deemed as fair Value of Debenture (in NIS or PLN cents)
Series A Debentures(*)	54,119	11.6%	112
Series B Debentures(*)	101,476	13.8%	105.34
Polish Debentures (**)	14,562	10.8%	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 recognized (de-recognized)
Items de-recognized	
Total Israeli debentures at fair value through profit or loss	(116,671)
Total Israeli debentures at amortized costs	(55,175)
Total Polish debentures	(14,425)
Old accrued interest due debentures at amortized cost as of December 10, 2014	(6,097)
Total amounts de-recognized	(192,368)
Items added	
Fair value of new bonds (refer to table 1 above)	170,157
New accrued interest due debentures at amortized cost as of December 10, 2014	12,614
Value of new shares issued to bondholders (share premium- refer to note 18)	6,154
Total amounts recognized	188,925
Gain recorded at December 10, 2014	3,443

NOTE 16 - DEBENTURES AT AMORTISED COST (cont.)

New debentures following the conclusion of the restructuring plan (cont.)

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	Adjusted par value	Fair value determined	Discount Created (*)
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	Amortization Of discount in 2014	Repayment Of principal 2014	Forex and inflation 2014	Carrying Amount as at December 31, 2014 (*)	Amortization Of discount in 2015	Repayment Of principal 2015	Forex and Inflation 2015	Carrying Amount as at December 31, 2015 (1),(2)
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 an 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.

NOTE 16 - DEBENTURES AT AMORTISED COST (cont.)

Debentures covenants are included in note 28 (b).

New debentures following the conclusion of the restructuring plan (cont.)

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

	Interest rate		Principal final maturity	
	Before	After	Before	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	Principal repayment Without Deferral
	TEUR	TUER
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 17- RECOGNIZED DEFERRED TAX ASSETS (LIABILITIES)

Deferred taxes recognized are attributable to the following items:

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

Assets/(liabilities) 2014	December 31, 2013	Recognized in Profit or loss 2014	December 31, 2014
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 asset (liability), net	(379)	1,300	921

(*) Due to tax losses created at the Company level.

Unrecognized 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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 18 - EQUITY

	Remarks	December 31, 2015	December 31, 2014
		Number of shares	
Authorized 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 (1) below	-	282,326,830
Issuance of shares to bondholders	See (2) below	-	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	**2014**
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	**2014**
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	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 20 - EMPLOYEE SHARE OPTION PLAN (cont.)

(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 (*)	Number of options	Weighted average exercise price	Number of options
	2015	**2015**	**2014**	**2014**
	GBP		GBP	
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	Year ended December 31, 2014
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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 22 - COST OF OPERATIONS

a. Shopping malls and plots

	Year ended December 31, 2015	2014
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	2014
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	2014
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 income (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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 25 - NET FINANCE COSTS

	Year ended December 31,	
Recognized in profit or loss	2015	2014
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 TAXE

Amounts recognized in profit or loss

	Year ended December 31,	
	2015	2014
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

	For the year ended December 31,	
	2015	2014
Origination and reversal of temporary differences	(515)	1,300

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 26 - TAXES (Cont.)

Reconciliation of effective tax rate:

	Year ended December 31,		
	%	2015	2014
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:

I. Motive Test, the investee company is not held as passive investment;
II. Tax Test, the investee company is taxed locally at an effective rate of at least 10% (calculated based on Dutch tax accounting standards);
III. 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 27 - FINANCIAL INSTRUMENTS (cont.)

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:

			Carrying amount as at December 31,	
	Note	Credit quality	2015	2014
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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 27 - FINANCIAL INSTRUMENTS (cont.)
Credit risk (cont.)

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	Carrying amount December 31, 2014
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	Carrying amount December 31, 2014
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)	-	-	-	-
	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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 27 - FINANCIAL INSTRUMENTS (cont.)

Liquidity risk (cont.)

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)	-	-	-	-
	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:

	Average rate		Reporting date Spot rate	
EUR	**2015**	**2014**	**2015**	**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	**2014**
Fixed rate instruments		
Financial assets	20,433	41,683
Variable rate instruments		
Debentures	(181,589)	(162,862)
Other financial liabilities	(102,512)	(150,847)
	(284,101)	(313,709)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 27 - FINANCIAL INSTRUMENTS (cont.)

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)

	Profit or Loss	
	Increase	**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.

		Profit (loss) effect	
For the year ended December 31,	Carrying amount of debentures	CPI increase effect	CPI decrease 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		Fair value	
	2015	**2014**	**2015**	**2014**
Statement of financial position				
Debentures at amortized cost – Polish bonds	12,957	13,227	11,569	12,699
Debentures A at amortized cost – Israeli	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 27 - FINANCIAL INSTRUMENTS (cont.)

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	2014
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	2014
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	2014
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.

NOTE 28 - CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

a. Contingent liabilities and commitments to related parties (cont.)

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.

NOTE 28 - CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

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:

NOTE 28 - CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

(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. <u>No distribution policy -</u> Refer to note 18 on Dividend Policy.

i. <u>75% mandatory early repayment –</u> Refer to note 29(e) and to other sections in this note.

j. <u>Permitted Disposals - provisions with respect to the four shopping malls</u> – 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.

<u>2. General commitments and warranties in respect of trading property disposals.</u>

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.

NOTE 28 - CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

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.

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.

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.

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.

NOTE 28 - CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

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

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.

NOTE 29 - SIGNIFICANT EVENTS (cont.)

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

NOTE 29 - SIGNIFICANT EVENTS (cont.)

E. Restructuring plan (cont.)

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.

NOTE 29 - SIGNIFICANT EVENTS (cont.)

F. Update in respect of the Bangalore and Chennai projects (cont.)

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).

NOTE 29 - SIGNIFICANT EVENTS (cont.)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN ‘000 EUR

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	**2014**
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

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	India	Total
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 31 - OPERATING SEGMENT (cont.)

Year ended December 31, 2014:

	Central & Eastern Europe	India	Total
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)
Tax benefit			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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

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.

NOTE 34 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

NOTE 34 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

<u>Cash and cash equivalents and restricted bank deposits</u>

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.

<u>Loans and receivables</u>

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.

NOTE 34 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

c. Financial instruments (cont.)

(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.

NOTE 34 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(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.

NOTE 34 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

e. Trading properties (cont.)

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

NOTE 34 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

g. Impairment (cont.)

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.

NOTE 34 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

g. Impairment (cont.)

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.

NOTE 34 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

i. Revenue (cont.)

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.

NOTE 34 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

NOTE 34 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

l. Income tax (cont.)

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.

NOTE 34 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

o. 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

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):

	ACTIVITY	REMARKS
HUNGARY		
Directly wholly owned		
HOM Ingatlanfejlesztesi és Vezetesi Kft.	Management company	
Plaza House Ingatlanfejelsztesi Kft.	Office building	David House
Plaza Centers Establishment B.V.	Holding company	Arena Plaza extension
Szombathely 2002 Ingatlanhasznosito es Vagyonkezelo Kft.	Inactive	
Tatabanya Plaza Ingatlanfejlesztesi Kft.	Inactive	
Indirectly or jointly owned		
Kerepesi 5 Irodaepulet Ingatlanfejleszto Kft.	Holder of land usage rights	100% held by Plaza Centers Establishment B.V. Arena Plaza Extension project
POLAND		
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		
Indirectly or jointly owned		
Diksna SIA	Operating shopping center	Equity accounted investee,50% held by Plaza Centers N.V. 50% held by JV partnerRiga Plaza project.
Fantasy Park Latvia SIA	Entertainment	100% held by Mulan B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

ROMANIA		
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		
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		
Directly wholly owned		
P4 Plaza S.R.O.	Operating shopping center	Liberec Plaza project
Plaza Centers Czech Republic S.R.O.	Management company	
BULGARIA		
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		
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		
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		
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		
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		
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		
Szeged 2002 Ingatlanhasznosito es Vagyonkezelo Kft.	Inactive	Liquidated
ROMANIA		
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		
Dreamland Entertainment N.V.	Inactive	
INDIA		
Anuttam Developers Pvt. Ltd.	Operating shopping center	99.99% held by Permindo Ltd. Koregaon Park Plaza project
SERBIA		
Sek D.O.O.	Operating shopping center	100% held by Plaza Centers Holding B.V. Kragujevac Plaza project