15 May 2017

PLAZA CENTERS N.V.

Results for the year ended 31 December 2016

CONTINUING TO FULFILL BOND OBLIGATIONS AND ADVANCING ASSET SALES

Plaza Centers N.V. ("Plaza" / the "Company" / the "Group"), a property developer and investor with a focus on operations in Central and Eastern Europe ("CEE"), today announces its full year results for the year ended 31 December 2016. The full financial statement is announced separately and includes the Independent Auditors' report with a Disclaimer of opinion.

Financial highlights:

- Reduction in total asset value to €322 million (31 December 2015: €392 million) mainly due to the impairment of trading property and repayment of interest and principal of bonds according to the restructuring plan.
- Book value of the Company's trading properties decreased by 17% (€54 million) over the period, primarily due to the sale of Liberec Plaza and Zgorzelec Plaza shopping centres, and MUP plot in Belgrade and a significant impairment of Casa Radio project.
- The Net Operating Income ("NOI") performance of current operational shopping centres (excluding Riga shopping centre) slightly decreased in 2016 to €11.4 million (in 2015: €12.7 million), mainly due to the disposal of the Liberec Plaza shopping centre which became effective on 31 March 2016, as well as discounts granted to new and renewed tenants. The total NOI of Plaza's five malls including Riga Plaza (Latvia) was circa €13.8 million (three shopping centres out this five were sold during the year).
- Loss in 2016 totalled €46.5 million (in 2015: loss of €46.1 million) mainly due to a significant impairment of the Casa Radio project in Romania totalling €32.2 million as well as non-cash finance costs of €13.7 million (as a result of bonds discount amortisation). Basic and diluted loss per share reduced to €6.78 (in 2015: loss per share of €6.73) following the conclusion of a Reverse Share Split with a 1:100 ratio.
- Consolidated cash position as at 31 December 2016 (including restricted bank deposits and short term deposits) of €12.8 million (31 December 2015: €20.4 million) and current cash position of circa €10.3 million (of which €2.3 million is restricted).
- Gearing increased to 89% (31 December 2015: 79%) mainly due to non-cash finance costs mentioned above.

Further progress in portfolio rationalisation:

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

- Disposal of a 23,880 sqm site in Slatina, Romania, in March 2016 for €0.66 million, consistent with the asset's last reported book value.
- Sale of a subsidiary holding in Liberec Plaza, in the Czech Republic, on 31 March 2016 for €9.5 million. Following net asset value adjustments related to the subsidiary's balance sheet, the Company received a net amount of €9.37 million. The majority of the proceeds from the sale (€8.5 million, reflecting 100% of the outstanding loan) were repaid to Plaza Centers Enterprises B.V. ("PCE"), a wholly owned subsidiary of Plaza, on account of the bank loan PCE acquired in September 2015 (the bank loan was provided to the SPV, the holding and operating company of Liberec Plaza). Almost €1 million of surplus cash flow was delivered by the disposal.
- A pre-agreement to sell a 15,000 sqm development plot in Piraeus, near Athens, Greece, for €4.7 million was signed in April 2016 and was later on in December 2016 revised to be on €3.5 million with possible upside depending on building rights. Final agreement has not signed yet and the long stop date of this transaction has been recently set at the end of May 2017.
- On 16 May 2016, a subsidiary of Plaza, in which the Company has a 50% stake, entered into a business sale agreement with respect to the disposal of Riga Plaza shopping and entertainment centre in Riga, Latvia, to a global investment fund. The agreement had reflected a value for the business of circa €93.4 million (reflecting 100% of the asset value), which was in line with the last reported book value. The net cash proceeds from Plaza's 50% share of the sale of the business were €17.8 million after repayment of bank loan, with an additional €0.6 million expected to be received within the next 25 months. The transaction was completed on 15 September 2016.
- Disposal of the Company's wholly owned subsidiary which held the "MUP" plot and related real estate in Belgrade, Serbia, for €15.75 million (to be received in several tranches), above the book value of circa €13.5 million. The sale was completed on 29 June 2016. In addition to the €15.75 million transaction consideration, Plaza will also be entitled to an additional pending payment of €600,000 once the purchaser successfully develops at least 69,000 sqm above ground. In February 2017 the Company agreed with the buyer to bring forward the payment of €4.2 million out of the third scheduled payment amount of €4.6 million in a discount transaction with a present value of circa €4.05 million. The remainder of the purchase price will be paid as originally agreed between the parties at end of September 2017.
- On 28 June 2016 the Company signed a preliminary agreement for the sale of a 20,700 sqm plot which is 62% of the whole owned land in Lodz, Poland, to a residential developer, for €2.4 million. On 28 September 2016 the final agreement was signed with payment due in three instalments of which the last one is in June 2017. 26% of another part of the site was previously sold in two separate transactions completed in 2015 and 2016 for a total value of €1.2 million. Following these transactions Plaza still owns 4,017 sqm which is 12% of the whole land for future value realisation. Plaza received an initial payment of €1.04 million, which was followed by €180,000 in November 2016 and €220,000 in December 2016, and is due to receive a final instalment of €0.96 million in June 2017.

- On 30 June 2016 Plaza signed a Debt Repayment Agreement (“DRA”) with the financing bank (the “Bank”) of Zgorzelec Plaza in Poland. On 14 September 2016, Plaza completed the sale of its shares in Zgorzelec Plaza. A Share Purchase Agreement was signed with an Appointed Shareholder nominated by the Bank, after which the DRA process was completed and a mortgage over the asset of the Company in Leszno, Poland, (valued at €0.8 million) was settled. Plaza recognised a profit of circa €10 million, stemming from the release of €23.0 million of the outstanding (and partially recourse) loan (including accrued interest thereof), against an outstanding asset value of €12 million as of 30 June 2016.
- Disposal of an 18,400 sqm plot in a suburb of Ploiesti, Romania, to a local investor for €280,000.
- An Indian subsidiary ("SPV") of Elbit Plaza India Real Estate Holdings Limited (in which Plaza holds a 50% stake with its joint venture partner, Elbit Imaging Ltd.) signed a Joint Development Agreement relating to its 74.7-acre plot in Chennai, India, to transfer the property development rights to a reputable local developer. The SPV will receive 73% of the total revenues from the plotted development and 40% of the total revenues from the eventual sale of the fully constructed residential units in instalments subject to development milestones.
- On 13 October 2016 Plaza signed a preliminary sale agreement for the disposal of a 2.47 hectare plot in Kielce, Poland, for €2.3 million. As part of the sale process, Plaza has received a down payment of €465,000, while the outstanding amount will be paid within eight months of the date of the agreement at June 2017.

Operational highlights

- At Torun Plaza, Poland, following a process of extending lease agreements following five years since the mall opened,, the occupancy slightly decreased to 95% (2015: 96.8%) while turnover and footfall remained stable.
- Suwalki Plaza was sold after the end of the period having been 98.7% leased (YE 2015 96.5%), and with a 18% increase in turnover in 2016 and 10% increase in footfall, compared to 2015 year.
- The letting process and construction of Belgrade Plaza has been continued to expectations. On opening 97% of the mall was let and the successful opening occurred in line with the planned schedule on 20 April 2017.

Key highlights since the period end:

- Since the year end, Dori Keren officially became Chief Executive Officer on 1 January 2017, having been Acting CEO since April 2016.
- On 26 January 2017 Plaza announced that one of its subsidiaries signed a binding share purchase agreement with BIG Shopping Centers Ltd., a publicly traded company in Tel Aviv Stock Exchange (the “Purchaser”), for the sale of the Belgrade Plaza shopping and entertainment centre. Belgrade Plaza (Visnjicka) has been the largest development underway in Serbia. Plaza is still responsible for accounting for the final development cost and leasing of the asset until the adjustment date. Upon completion of the transaction, Plaza received an initial advance payment of €28 million (plus €3.7 million customary NAV adjustments) from the Purchaser for the sale of 100% of the SPV, which will be followed

by further payments during the first year of operation subject to certain operational targets and milestones being met. The Purchaser provided a guarantee to secure these future payments. The final agreed value of Belgrade Plaza, which will comprise circa 32,300 sqm of GLA, will be calculated based on a general cap rate of 8.25% on the basis of cash collected as well as the sustainable NOI after 12 months of operation, which the Company estimates will be approximately €7.2-7.5 million per annum. The sustainable NOI will be re-examined again after 24 months and 36 months of operation, which may lead to an upward adjustment of the final purchase price. Plaza has a line of credit from a financing bank for the development of Belgrade Plaza to a maximum amount of €42.5 million. On 20 April 2017 the construction of the centre was completed and the shopping centre was 97% let and is expected to be fully leased in the coming months. Plaza has received €2 million for fulfilling its conditions around the successful leasing milestone at the opening of the centre. Belgrade Plaza is the 34th shopping centre built by Plaza and its second scheme in Serbia.

- On 1 February 2017 Plaza announced that one of its subsidiaries ("SPV") completed the sale of Suwałki Plaza shopping and entertainment centre in Poland to an investment fund for €42.3 million, which is in line with the last reported book value. Having completed the transaction, the Company received circa €16 million net cash, after the repayment of the bank loan (circa €26.6 million) and other working capital adjustments in accordance with the balance sheet of the SPV.
- On 17 February 2017 Plaza announced the sale of David House, a 2,297 sqm office building in Budapest, Hungary, for circa € 3.2 million, which is above book value. On 23 February 2017 Plaza concluded the sale of a 26,057 sqm plot of land in Shumen, Bulgaria, for circa €1 million, which is slightly above book value.
- On 23 February 2017 Plaza concluded the sale of a 26,057 sqm plot of land in Shumen, Bulgaria, for circa €1 million, which is slightly above book value.
- Compliance of the Early prepayment term – On March 15, 2017 the company paid its bondholders a total amount of NIS 191.74 million (EUR 49.2 million) as early redemption and accordingly, upon such payment the Company complied with the early redemption at the total sum of at least NIS 382,000,000 and thus obtained a deferral of one year for the remaining contractual obligations of the debentures.
- On 21 April 2017 Plaza Centers regarding its Romania project Casa Radio has received immunity from certain potential criminal charges from the relevant Romania Authorities and was assured that the mentioned investigation should have no effect on the Company's existing legal rights to the Project and the Public-Private Partnership Agreement signed with respect thereto. As the investigation of the Romanian authorities is still on-going Plaza is still co-operating fully with the relevant Romanian Authorities. The Company is unable to elaborate any further in this respect due to restrictions coming from of a self-disclosure process.
- On 4 May 2017, further to its announcement dated 15 September 2016, regarding the preliminary sale agreement to dispose of the Leszno plot in Poland, announced the completion of the final sale agreement has been postponed by 2 months. In line with the signed agreement, the purchaser had the right to withdraw from the transaction within a window of eight months which was due to end on 28 April 2017. The purchaser recently requested that the decision is postponed by two months which extends the agreement to 30 June 2017. Plaza has signed an annex to the sale agreement which has allowed this extension to take place.

Commenting on the results, Dori Keren CEO of Plaza Centers, said:

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

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

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

The full year results for the year ended 31 December 2016 are available for viewing on the Company's website at http://plazacenters.com/index.php?p=financial_reports_2016

For further details please contact:

Plaza

Dori Keren CEO +48 22 231 99 00

FTI Consulting

Dido Laurimore / Claire Turvey / Tom Gough +44 20 3727 1000

Notes to Editors

Plaza Centers N.V. (www.plazacentres.com) is an emerging markets developer of shopping and entertainment centres with operations in Central and Eastern Europe and India. 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. (“EI”), 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 21 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.

CHIEF EXECUTIVE OFFICER'S STATEMENT

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

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

Our total loss for the year slightly increased to €46.5 million from €46.1 million at the end of December 2015. Over the course of 2016, in line with the restructuring plan agreed in 2014, we repaid 75% of proceeds from disposals to bondholders, totalling €24.6 million. Since the restructuring plan was approved, and since the Amended Plan came into effect, Plaza has now returned principal amount of NIS 383 Million. On 8 November 2016, Standard & Poor's Maalot ("S&P Maalot"), the Israeli credit rating agency which is a division of Standard & Poor's International, updated its credit rating for Plaza's series of two Notes traded on the Tel Aviv Stock Exchange from "ilBBB-" to "ilCCC-" on the local Israeli scale. This rating was reinstated on 1 March 2017.

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

Results

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

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

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

Debt restructuring plan

In line with the debt restructuring plan agreed in 2014, Plaza repays 75% of proceeds from disposals to bondholders. An Amended Plan was agreed in November 2016, details of which are outlined further below.

Since the Plan became effective, until up to March 15, 2017, the Company has repaid circa NIS 383 Million (€93.1 Million) out of the debentures and allocated 13.21% of its shares to the bondholders.

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

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

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

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

Information concerning the Group's obligations and commitments to make future payments under contracts such as debt agreements and vendors agreements in the next 18 months is aggregated in the following tables.

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

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

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

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

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

Coverage Ratio According to the Restructuring Plan

The CRC (Coverage Ratio Covenant) is a fraction calculated based on known Group valuations reports and consolidated financial information available at each reporting period. Minimum CRC deemed to be complied with by the Group is 118% in each reporting period. The December 31, 2016 calculated CRC 126.5%

NAV

The Company's NAV was calculated as follows:

Net Financial Debt	**-256**
	Asset Values*
Operating Assets	119
Development Assets**	140
Plots Pipeline	50
Office Building	3
	311
Other assets and liabilities, net	1.4
NAV	**56**

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

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

Events post period end

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

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

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

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

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

Auditor comments

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

Portfolio progress

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

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

Liquidity & Financing

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

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

Strategy and Outlook

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

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

Dori Keren
CEO
14 May 2017

OPERATIONAL REVIEW

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

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

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

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

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

Asset/Project	Location	Nature of asset	Size sqm (GLA)	Plaza's effective ownership %	Status
Operating Shopping and Entertainment Centres					
Suwalki Plaza	Suwalki, Poland	Retail & entertainment scheme	20,000	100	Sold in Q1/2017
Torun Plaza	Torun, Poland	Retail & entertainment scheme	40,000	100	Operating, opened in November 2011
Development Assets					
Casa Radio	Bucharest, Romania	Mixed-use retail and leisure plus office scheme	467,000 (GBA including parking spaces)	75	In planning and permitting phase
Timisoara Plaza	Timisoara, Romania	Retail & entertainment scheme	40,000	100	Under planning and feasibility examination
Belgrade Plaza (Visnjicka)	Belgrade, Serbia	Retail & entertainment scheme	32,000	100	Sold in Q1/2017
Operational Office Buildings					
David House	Budapest, Hungary	Office	2,000	100	Sold in Q1/2017
Pipeline Projects					
			Plot Size (sqm)		
Kielce Plaza	Kielce, Poland	Retail & entertainment scheme	25,000	100	Preliminary sale agreement signed
Lodz Plaza	Lodz, Poland	Retail & entertainment scheme	61,500	100	Designated for sale
Leszno Plaza	Leszno, Poland	Retail & entertainment scheme	18,000	100	Preliminary sale agreement signed
Lodz (Residential)	Lodz, Poland	Residential scheme	4,017 (remaining following three transactions)	100	Designated for sale
Arena Plaza Extension	Budapest, Hungary	Office scheme	22,000 (land use right)	100	Designated for sale
Csiki Plaza	Miercurea Ciuc, Romania	Retail & entertainment scheme	36,500	100	Designated for sale
Constanta Plaza	Constanta, Romania	Retail & entertainment scheme	26,500	100	Preliminary sale agreement signed
Brasov	Brasov, Romania	Retail & entertainment scheme	67,000	100	Designated for sale
Krusevac	Krusevac, Serbia	Retail & entertainment scheme	19,930	100	Designated for sale
Shumen Plaza	Shumen, Bulgaria	Retail & entertainment scheme	26,000	100	Sold in Q1/2017
Piraeus Plaza	Athens, Greece	Retail/Offices	15,000	100	Preliminary sale agreement signed
Bangalore	Bangalore, India	Residential Scheme	218,500	25	Designated for sale
Chennai	Chennai, India	Residential Scheme	302,400	50	JDA signed

Details of these activities by country are as follows:

Poland

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

Romania

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

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

During 2016 management has taken a number of steps in order to unblock the development of the project and mitigate the risk of termination of the PPP agreement, including commencing a process to identify third party investors willing and capable to join the Group for the development of the project. Management believes that partnering with reputable investors with considerable financial strength can enhance the Group's negotiation position vis-à-vis the public authorities and assist in advancing an amicable agreement with the relevant authorities with respect to the development of the project.

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

India

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

The JV projects are as follows:

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

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

On 2 December 2015 EPI signed an agreement to sell 100% of its interest in the SPV to the Partner (the "Sale Agreement"). The total consideration upon completion of the transaction was INR 3,210 million (approximately EUR 45.4 million) which should have been paid no later than 30 September 2016 (" Long Stop Date"). On 30 September 2016 the Company announced that the transaction had not been completed and the parties reached a preliminary understanding with the partner that the Long Stop Date will be extended subject to payments of advances by the Partner. Accordingly, on the same day the Partner provided an advance of INR 5 Crores (approximately EUR 0.65 million) to the Company. On 15 November 2016, the Partner informed EPI that it would not be able to execute the next advance payments that were due the fourth quarter of 2016.

As a result of the failure of the Partner to complete the transaction under the Sale Agreement and in accordance with the provisions thereto, EPI has 100% control over the SPV and the partner is no longer entitled to receive the 50% shareholding.

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

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

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

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

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

Since the Local Partner had breached its commitment, EPI exercised its rights and forfeited the Local Partner's 20% holdings in the Chennai Project SPV. Accordingly, as of the balance sheet date, EPI has 100% of the equity and voting rights in the Chennai Project SPV.

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

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

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

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

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

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

FINANCIAL REVIEW

Results

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

The Company has designated its properties into three types:

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

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

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

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

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

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

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

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

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

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

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

- NIS strengthening vs. EUR during 2016 – the effect on the debentures totalled €7.5 million of expense (2015: €14.7 million).
- Interest expenses booked on debentures totalled €13.7 million (2015: €13.9 million expenses recorded).
- In 2016, an additional €13.7 million recorded as an expense (non-cash), associated with amortization of discount on debentures (2015: €9.7 million).
- In 2016 Interest expenses on borrowings totalled €3.6 million (2015: €5.1 million of expenses).
- In 2016 €5 million of debenture finance costs were capitalised due to construction works resuming in Belgrade (2015: nil)

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

Balance sheet

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

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

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

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

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

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

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

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

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

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

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

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

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

Disclosure in accordance with Regulation 10(B)14 of the Israeli Securities Regulations (periodic and immediate reports), 5730-1970

1. **General Background**

According to the abovementioned regulation, upon existence of warning signs as defined in the regulation, the Company is obliged to attach to its report's projected cash flow for a period of two years, commencing with the date of approval of the reports ("Projected Cash Flow").

One of the warning signs emphasised is a matter included in the auditors' report – Disclaimer of opinion issued by the auditor. The Material uncertainty related to going concern was included in view of the management's plans for asset disposals and also in respect of material uncertainty related to Casa Radio project, as described in Notes 2(c), 29(u) and 8 (5) of the Financial Statements in this press release.

Upon having such warning signs, the Company is required to provide projected cash flow for the period of 24 months following the reporting period, and also provide explanations on differences between previously disclosed estimated projected cash flows with actual cash flows.

2. **Projected cash flow**

The Company has implemented the restructuring plan that was approved by the Dutch court on July 9, 2014 (the "Restructuring Plan"). Under the Restructuring Plan, principal payments under the bonds issued by the Company and originally due in the years 2013 to 2015 were deferred for a period of four and a half years, and principal payments originally due in 2016 and 2017 were deferred for a period of one year.

The Restructuring Plan further provided that, if the Company does not prepay an aggregate amount of at least NIS 434 million (EUR 107.3 million) on the principal of the bonds on or before December 1, 2016 (the "Early Prepayment"), the principal payments due under the Extended Repayment Schedule will be advanced by one year (the "Accelerated Repayment Schedule"). On November 29, 2016, the Company's bondholders approved a postponement of the Early Prepayment date by up to four months and the reduction of the total amount of the required Early Prepayments to at least NIS 382 million (EUR 94.5 million) (a reduction of 12% on the original amount). In addition, the Company agreed to pay to its bondholders, on March 31, 2018, a one-time consent fee in the amount of approximately EUR 488 thousand (which is equal to 0.25% from the

Company's outstanding debt under the debentures at that time). The consent Fee shall be paid to the Company's bondholders on a pro rata basis.

The materialisation, occurrence consummation and execution of the events and transactions and of the Assumptions on which the projected cash flow is based, including with respect to the proceeds and timing thereof, although probable, are not certain and are subject to factors beyond the Company's control as well as to the consents and approvals of third parties and certain risks factors. Therefore, delays in the realisation of the Company's assets and investments or realisation at a lower price than expected by the Company, as well as any other deviation from the Company's Assumptions (such as additional expenses due to suspension of trading, delay in submitting the statutory reports etc.), could have an adverse effect on the Company's cash flow and the Company's ability to service its indebtedness in a timely manner.

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

1. Comprised from the exercise of operating shopping malls: Torun Plaza and Suwalki Plaza (Poland), Belgrade Plaza (Serbia) and plots Timisoara, Miercuera Ciuc, Constanta and part of Casa Radio in Romania; Piraeus in Greece; Lodz residential, Kielce, Leszno and Lodz in Poland; Krusevac and additional instalment for MUP in Serbia; David House office building and Arena Extension in Hungary.
2. Based on expected Net Operating Income (“NOI”) from subsidiaries.
3. Assuming EUR/NIS rate of 3.90 and EUR/PLN rate of 4.30. The repayment schedule takes into consideration that in the case of a disposal of an asset, 75% of the proceeds are used for the early prepayment of the Unsecured Debt in accordance with the terms of the Amended Restructuring Plan.

3. Projected solo cash flow

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

		Forecast	**Actual**
		2016	***2016***
Cash - Opening Balance		**12.1**	**12.1**
Proceeds from selling trading properties	(1)	152.4	43.1
Distributions from operating subsidiaries	(2)	7.6	4.8
Release of restricted cash due to disposal of subsidiaries		7.2	0.0
Total Sources		**179.3**	**60.0**
Cash outflow from operating activity			
Administrative expenses		5.8	**6.5**
Cash outflow from investment activity			
Investment in equity in projects	(3)	16.9	**9.5**
Cash outflow from financing activity			
Principal repayment to bondholders	(4)	107.5	24.7
Interest repayment to bondholders		12.5	13.2
Other expenses			3.6
Total Uses		**142.7**	**57.5**
Cash - Closing Balance		**36.6**	**2.5**

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

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

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

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

Dori Keren

Chief Executive Officer

14 May 2017

External Valuation Summary as at 31 December 2016 (in EUR millions) (2)

Country	Project name	Company's share (1)	Market value of land and project 31 December 2015 (EUR M)	Market value of land and project 31 December 2016 (EUR M)	Market value upon completion 31 December 2015 (EUR M)	Market value upon completion 31 December 2016 (EUR M)
Hungary	Arena Ext.	100%	3.4	2.5	87.7	74.2
Poland	Torun	100%	97.7	76.3	97.7	76.3
Poland	Lodz	100%	7.4	5.1	70.9	comparable*
Romania	Casa Radio	75%	108.6	60.1	771.6	633.9
Romania	Timisoara	100%	9.4	7.6	70.3	comparable*
Romania	Ciuc	100%	2.4	1.6	14.8	12.1
Romania	Constanta	100%	2.1	2.0	2.1	6.4
India	Varthur	50%**	15	19.1	116.4	comparable*
India	Chennai	50%***	10.7	10.4	comparable*	10.4
Serbia	Belgrade	100%	29.6	72.1	91.3	90.4
TOTAL			**286.3**	**256.8**	**1,322.8**	**903.7**

1. All values represent the Company's share, except of Casa Radio project, which represents 100% due to material shareholders'' Loans.

2. All external valuations for 2016 were conducted by Jones Lang LaSalle, except of the Indian projects, which were valued by Cushman and Wakefield (2015: Cushman and Wakefield)

* Asset was valued with the comparative sales price method; no value at completion was estimated
** In 2015, the Company held 25% of the project
*** In 2015, the Company held 40% of the project