

31 March, 2021

PLAZA CENTERS N.V.

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

Plaza Centers N.V. ("Plaza" / "Company" / "Group") today announces its results for the year ended 31 December 2020.

Financial highlights:

- Reduction in total assets by €43.6 million to €12.5 million mainly due to decrease in Trading Properties as detailed below.
- Reduction of app. €40.4 million in the book value of the Company's trading properties due to decrease of the full value of Casa Radio project, Romania (refer to Note 5(4) in the annual consolidated financial statements) and due to disposal of the land plot in Brasov, Romania.
- Consolidated cash position as of December 31, 2020 increased by circa €0.6 million to app. €1.7 million (December 31, 2019: €1.1 million).
- Revenue from disposal of Trading properties totaled €1.5 million (December 31, 2019: €3.7 million), which is in line with the Company's disposal program.
- €25.4 million loss recorded at an operating level (December 31, 2019: €4.4 million loss) mainly due to write-down of Trading Property.
- General & Administrative Expenses reduced to €1.1 million in 2020 mainly due to cost cutting of professional services and manpower (December 31, 2019: €1.6 million).
- Recorded loss of €33.5 million (December 31, 2019: €21.2 million), mainly due to finance expenses on bonds and write-down of Trading Property.
- Basic and diluted loss per share of €4.89 (31 December 2019: loss per share of €3.09).

Impact of the Covid-19

During 2020, the Covid-19 global health and economic crisis was severely affecting business, leading to supply chain disruptions, cash flow problems and, more generally, a sharp drop in its activity. Many countries are taking significant steps in trying to prevent the spread of the virus, such as restrictions on civilian movements, gatherings, border closures and the like. The Company monitors the consequences of the event and the actions taken in countries in which it operates and assesses the risks and exposures arising from these consequences. At this stage, the impact of the effect of the COVID 19 included a write off of its assets (refer to Note 6(1) and 6(2) in the annual consolidated financial statements). In addition, caused Elbit Plaza India Real Estate Holdings Limited (an equity accounted investee held by the Company (50%) and Elbit Imaging Ltd. (50%)) ("EPI") to postpone the closing of the sale of 100% stake in the SPV (subsidiary of EPI) (refer to Note 6(b)(2) in the annual consolidated financial statements). In addition, it caused a delay in the legal procedures against the purchaser of the SPV which owns the plot in Bangalore India (refer to Note 6(b)(1) in the annual consolidated financial statements). Other than the above mentioned, at this stage, the Company is not able to estimate the full future impact of COVID 19. However, the Company assumes the

demand of interested buyers is expected to be smaller, which can have a material impact on the ability of the Company to complete the sale of the plots it owns.

Material events during the period:

Update on disposal of a plot of land in Brasov, Romania:

On February 14, 2020 an indirect subsidiary completed the sale of the plot in Brasov, Romania and signed the definitive agreement for a total consideration of EUR 620,000 following which it received the last instalment of EUR 570,000 (the Company already received a down payment of EUR 50,000 in 2019).

Appointment of the Chairman of the Board of Directors:

On March 23, 2020 Mr. David Dekel was appointed as the non-executive Chairman of the Board of Directors following a meeting of the board held on that date.

Sale agreement of plot in Bangalore, India:

Regarding the criminal cases filed for dishonor of the cheques which were given as security for payment of certain instalments refer to Note 6(b)(1) in the annual consolidated financial statements.

Until the approval of the financial statements the Purchaser paid to EPI approximately EUR 11.2 million (INR 87.00 crores) (Plaza part INR 43.5 crores (approximately EUR 5.6 million) out of a total consideration of INR 356 crores (approximately EUR 41.16 million) (Plaza part INR 178 crores (approximately EUR 20.58 million) the SPV should have been received as of the said date as per the Agreement.

At this stage, there is no clarity on payment of the remaining amount based on the Agreement. Accordingly, the Company is taking necessary steps to protect its interest, including, notice letters that were sent to the Partner, and filing a motion with Court in order to collect checks given by the Partner to secure payments under the transaction, but were dishonored.

Environmental update on Bangalore project - India:

Regarding Environmental update on Bangalore project and the implications on the net realizable value refer to Note 6 (1) in the annual consolidated financial statements.

Sale agreement of plot in Chennai, India:

On February 18, 2020, the Company announced that Elbit Plaza India Real Estate Holdings Limited (an equity accounted investee held by the Company (50%) and Elbit Imaging Ltd. (50%)) ("EPI") has received approximately EUR 2.1 million (Plaza part EUR 1.05 million) from the SPV (subsidiary of EPI) which owns the 74.7 acre plot in Chennai, India.

On March 8, 2020 the Company announced that EPI and the Purchaser have reached a revised

understanding regarding the amendment of the agreement according to which the Purchaser paid further INR 5 crores (approximately EUR 0.625 million) and get additional three months to complete the closing before June 3, 2020, which may be extended by another three months upon payment by the Purchaser of an additional deposit of INR 7.5 crores (approximately EUR 0.92 million).

On June 2, 2020 the Company announced that in light of the ongoing lockdown due to COVID-19, the Purchaser has sought additional time for closing (currently set for June 2, 2020) and the parties have reached to a revised understanding the Purchaser requests and gets an extension of 3 months to complete the closing (i.e. up to September 2, 2020) without an additional payment of INR 7.5 crores (approximately EUR 0.9 million). The Purchaser will have an option to extend this period of time by another 3 months (i.e., up to December 2, 2020) upon paying additional deposit of INR 7.50 crores (approximately EUR 0.9 million) (Plaza part INR 3.75 crores (approximately EUR 0.45 million)).

On August 31, 2020 the Company announced further to revised understanding regarding the amendment agreed by the parties on June 2, 2020 and due to the COVID 19 negative impact on the economic situation in India, the Purchaser has sought additional time for closing of the transaction (currently set for September 2, 2020), and the parties have reached a revised understanding as follows: (i) The Purchaser will deposit INR 1 crore (approximately EUR 0.115 million) and agrees to deposit additional INR 0.50 crore (approximately EUR 0.0575 million) by December 1, 2020; (ii) The Purchaser gets additional seven months to complete the closing (up to 1, April 2021), which may be extended by another three months (up to June 30, 2021) upon payment by the Purchaser of an additional deposit of INR 7.5 crores (approximately EUR 0.861 million)

Accordingly, the Purchaser has deposited INR 1.50 crore (Plaza part INR 0.75 crores (approximately EUR 0.086 million) in accordance with his obligation in connection with the revised understandings to the Agreement as agreed on August 31, 2020.

On March 31, 2020 the Company announced further to revise understanding regarding the amendment agreed by EPI and the Purchaser ("**The Parties**"), on August 31, 2020 The Parties have reached a revised understanding (the "Revised Understandings") as follows:

- a. The Purchaser will deposit INR 7.5 crore (approximately EUR 0.861 million (Plaza part is approximately EUR 0.43 million)).
- b. The Purchaser can complete the closing by April 30, 2021 at a revised consideration of 96.50 crores (approximately EUR 11.6 million (Plaza part is approximately EUR 5.8 million)).
- c. If the Purchaser fails to complete the closing by April 30, 2021 then the Purchaser gets additional two months to complete the closing by June 30, 2021 but at the initial consideration of INR 108 crores (approximately EUR 13 million (Plaza part is approximately EUR 6.5 million)).
- d. According to the SPA, if the Purchaser is unable to complete the closing within the aforesaid time periods, then the parties will mutually appoint an international real estate consulting firm for the purpose of identifying a third-party buyer within a period of six months.
- e. Following the deposit of the INR 7.5 crore (approximately EUR 0.861 million (Plaza part is approximately EUR 0.43 million)) by the purchaser as agreed in the Revised Understanding stated above, as of this date, the Purchaser has deposited a total of INR 34 crores (approximately EUR 4.1

million (Plaza part is approximately EUR 2.05 million)).

At this stage, there is no certainty that the SPA closing will occur.

Lawsuit against entities involved in the sale of U.S. shopping centers in 2011:

In March 2018, a shareholder of the Company (hereinafter: **“the Plaintiff”**) filed a motion with the Economic Department of the District Court in Tel-Aviv to reveal and review internal documents of the Company and of Elbit Imaging Ltd. (hereinafter: **“Elbit”**) (hereinafter: **“the Motion”**), in which the Court was asked to instruct the Company and Elbit (hereinafter together: **“the Respondents”**) to provide the plaintiff with certain documents of the respondents in connection with the sale of the U.S. Shopping Centers in 2011 and with another project of the company in Romania.

In February 2020, an agreement was reached between the Plaintiff and the Respondents according to which the motion will be dismissed by consent and the plaintiff and the respondents (hereinafter: **“the Parties”**) will jointly examine the feasibility of the lawsuit in connection with the above events.

In light of the aforesaid, an agreement was signed between the Plaintiff, the Respondents and First Libra Israel Ltd. (hereinafter: **“Libra”**) according to which Libra will finance all the expenses of filing and managing of a new lawsuit by the Respondents against certain parties (certain officers in the Respondents, a portion of the heirs of Motti Zisser (the former controlling shareholder of the Respondents and other parties) who were involved in the Respondents' transaction for the sale of real estate in the United States in 2011 and for which funds (brokerage fees) were allegedly illegally transferred to private companies controlled by the late Mr. Motti Zisser (hereinafter: **“Financing Agreement”** and **“New LawsUIT”**, respectively).

The parties to the Financing Agreement agreed, inter alia, that any consideration received as a result of the New LawsUIT (to the extent received) (hereinafter: **“the LawsUIT Funds”**) will first be used to reimburse Libra's expenses for the New LawsUIT (plus interest and VAT) and the balance after deduction of such expenses (hereinafter: **“the Balance of the LawsUIT Funds”**) will be divided among all those involved in the New LawsUIT, so that each of the Company and Elbit will be entitled to circa 20.75% of the Balance of the LawsUIT Funds.

In order to ensure the distribution of the LawsUIT Funds as stated above, both the Company and Elbit signed lien documents in favor of Libra, the Plaintiff and the attorneys representing them (hereinafter collectively: **“the Eligibles”**) with respect to the reimbursement of expenses and their portion in the LawsUIT Funds (hereinafter: **“the Lien”**).

On October 18, 2020 the parties filed the New LawsUIT (in the amount of circa NIS 60 million (approximately EUR 15 million)).

The Final Price adjustment of Belgrade Plaza:

On June 8, 2020 the Company together with a fully owned subsidiary signed a final settlement and waiver agreement with the purchaser of the SPV holding the shopping and entertainment center in Belgrade (the **“Purchaser”**, the **“Settlement”** and the **“Project”**, accordingly) according to which the Purchaser will pay a final

amount (including the last payment for the stands and signage) of EUR 830,000 (the "Settlement Amount") which will be the final amount that should be paid to the Company under the share purchase agreement between the parties for the sale of the Project, dated January 26, 2017 (the "SPA"). The Settlement amount was paid to the Company on June 15, 2020.

Deferral of payment of Debentures and partial interests' payment:

Refer to the below in Liquidity & Financing.

Dutch statutory auditor:

Refer to Note 16 (b)(10) in the annual consolidated financial statements.

Annual General Meeting and the Meeting of Independent Shareholders:

Annual general meeting of the Shareholders of the Company was held on July 29, 2020, all the proposed resolutions were passed.

Meeting of Independent Shareholders of the Company was held on July 29, 2020, all the proposed resolutions were passed.

Key highlights since the period end:

Update regarding a change in Elbit Imaging Ltd holdings:

On January 11, 2021 the Company announced that since August 5, 2020 and up to January 10, 2021, Elbit Imaging Ltd. ("Elbit Imaging") sold about 160 thousand shares of the Company, which are held in escrow account, for an average price of NIS 0.99 and for a total consideration of approximately NIS 159 thousand, thus, Elbit Imaging holdings in the Company have diminished from 44.9% to 42.6% of the Company's issued and paid-up capital.

On January, 11 2021, Elbit imaging sold about 180 thousand shares of the Company, which are held in escrow account, for an average price of NIS 0.60 and for a total consideration of approximately NIS 110 thousand, thus, Elbit Imaging holdings in the Company have diminished from 42.6% to 39.9% of the Company's issued and paid-up capital.

On January 12, 2021, Elbit Imaging sold about 319 thousand shares of the Company, which are held in escrow account, for an average price of NIS 0.61 and for a total consideration of approximately NIS 194 thousand, thus, Elbit Imaging holdings in the Company have diminished from 39.9% to 35.3% of the Company's issued and paid-up capital.

On January 13, 2021, Elbit Imaging sold about 442 thousand shares of the Company, which are held in escrow account, for an average price of NIS 0.66 and for a total consideration of approximately NIS 291 thousand, thus, Elbit Imaging holdings in the Company have diminished from 35.3% to 28.8% of the Company's issued and paid-up capital.

On February 24, 2021 the Company announced that since its last announcement, Elbit Imaging sold about 120 thousand shares of the Company, which are held in escrow account, for an average price of NIS 0.76 per share and for a total consideration of approximately NIS 91 thousand, thus, Elbit Imaging holdings in the Company have diminished from 28.8% to 27.1% of the Company's issued and paid-up capital.

Commenting on the results, executive director Ron Hadassi said:

"Our active focus has continued to center on asset disposals, which were left in Romania and India, generating cash flows, further cost cutting, tight budget control and the optimization of the business with the aim of satisfying our obligations to our bondholders. On the Casa Radio project, despite many efforts done in order to receive a Government Decision confirming the transfer of the shares to AFI Europe N.V. as well as amendment of the PPP Agreement in line with the agreement signed with AFI Europe N.V., no major breakthrough was achieved. Due to the above, on November 2, 2020, the Company, Dambovita NL and AFI Europe N.V. ("**AFI**", and together with the Company, the "**Parties**") entered into an addendum to the pre-sale pursuant to which the Parties agreed to extend the Long Stop Date, which is the date on which the parties will execute a share purchase agreement, subject to the satisfaction of the conditions precedent (the "SPA"). Until the date of the approval of the consolidated financial reports, the Company and AFI continue with their efforts to receive the authority's approval in order to be able to execute the SPA. Still, there have been no progress since the pre-sale agreement has been signed. In light of the above the Company is exploring all its options in order to obtain progress, including among others its legal options. Due to the above, there can be no certainty that the SPA will eventually be executed and/or that the transaction will be completed over the coming months.

In addition, we intend to request the bondholders' approval to postpone the repayment of the bonds from July 1, 2021 (the final redemption date) in order to allow us to continue with the realization of the Company' objectives."

For further details, please contact:

Plaza

Ron Hadassi, Executive Director

972-526-076-236

Notes to Editors

Plaza Centers N.V. (www.plazacenters.com) is listed on the Main Board of the London Stock Exchange, as of 19 October 2007, on the Warsaw Stock Exchange (LSE: "PLAZ", WSE: "PLZ/PLAZACNTR") and, on the Tel Aviv Stock Exchange.

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.

MANAGEMENT STATEMENT

During 2020 the management's focus has been on executing of cash proceeds on signed SPA for the sale of Chennai project in India. In the Bangalore project the Company together with Elbit continued to protect its interest in the project, including, by sending notice letters to the Partner, and filing a motion with Court in order to collect checks received by the partner (refer also to Note 6(b)(1) in the annual consolidated financial statements). The Company also continued the disposals of plots of land in CEE and cost reductions and partial repayments to its bondholders.

Because of the abovementioned issues surrounding the satisfaction of the condition's precedent in the pre-sale agreement, it is currently not certain whether the sale agreement as contemplated in the pre-sale agreement would be entered into and whether therefore the transaction with AFI would proceed. As such the Company, Dambovita NL and AFI Europe N.V. agreed to extend the Long Stop Date until December 31, 2021. Still, there is an uncertainty that either the conditions precedent in the Pre-Sale Agreement as detailed above will be met, or that the Sale Agreement will be executed and/or that the transaction will be consummated as presented above or at all.

Over the coming months, the Company will maintain its focus on executing the agreement signed for the sale of Chennai project in India and to take necessary steps to protect its interest in the project in Bangalore India. And to also continue to take all the necessary steps to execute the agreement with AFI Europe N.V.

Due to the board and management estimation that the Company is unable to serve its entire debt according to the current redemption date (July 1, 2021) in its current liquidity position, the Company intends to request from the bondholders of both series (Series A and Series B) postponement of the repayment of the remaining balance of the bonds.

Results

During the year, Plaza recorded a €33.5 million loss attributable to the shareholders of the Company. This is an increase compared to the losses reported in 2019 (loss of €21.2 million). The losses were mainly from the Net Finance Costs which were decreased to €8.1 million in 2020, from €16.6 million in 2019 mainly due to interests' expenses accrued on the debentures (partly due to penalty interest calculated on the deferred principal); and from € 39.8 million write-down in trading properties and €15.8 million of reversal of provision (relating to change in provision in respect to PAB) in Casa Radio project, Romania.

Total result of operations excluding finance income and finance cost was a loss of €25.4 million in 2020 compared to the reported loss of €4.4 million in 2019, mainly due to the increase in the write down of trading property as described above.

The consolidated cash position (cash on standalone basis as well as fully owned subsidiaries) as of 31 December 2020 was €1.7 million (31 December 2019: €1.1 million).

Liquidity & Financing

Plaza ended the period with a consolidated cash position of circa €1.7 million, compared to €1.1 million at

the end of 2019.

As of December 31, 2020, the Group's outstanding obligation to bondholders (including accrued interests) are app. €97.8 million.

As disclosed by the Company in Note 8I to its annual consolidated financial statements, the Company was not able to meet its final redemption obligation to its (Series A and Series B) bondholders, due on July 1, 2020, and on May 4, 2020, the bondholders approved: (i) to postpone the final redemption date to January 1, 2021; (ii) that on July 1, 2020 the Company will pay to its bondholders a partial interest payment in the total amount of EUR 250,000.

Following receiving the Settlement Amount (see Note 16(b)(9) in the annual consolidated financial statements), and in light of the potential negative impact of the Covid-19 on the possibility to receive future proceeds from the Comp'ny's plots in India, the Company decided to increase the amount to be paid to the bondholders on July 1, 2020, from EUR 250,000 to EUR 500,000.

On November 12, 2020, the bondholders of Series A and Series B approved: (i) to postpone the final redemption date to July 1, 2021 of all the scheduled Principal; (ii) that on January 1, 2021 the Company will pay to its bondholders a partial interest payment in the total amount of EUR 200,000 and to deferral all other unpaid scheduled Interest payment.

Due to the board and management estimation that the Company is unable to serve its entire debt according to the current bonds repayment schedule in its current liquidity position, the Company intends to request the bondholders of both series for postponement of the repayment of the remaining balance of the bonds. However, there is an uncertainty if the bondholders will approve the request. In the case that the bondholders would declare their remaining claims to become immediately due and payable, the Company would not be in a position to settle those claims and would need to enter to an additional debt restructuring or might cease to be a going concern.

Strategy and Outlook

The Company's priorities are focused on efforts to execute the SPA with AFI, to execute the sale of Chennai project in India and getting further proceeds for Bangalore project. The Company also intends to seek for bondholders' approval for postponement of the repayment of the bonds. In addition, the Company intends to continue the cost-cutting of its operational cost.

OPERATIONAL REVIEW

Over the course of the year to date, Plaza has continued to make progress against its operational and strategic objectives. The Company's current assets are summarized in the table below (as of balance sheet date):

Asset/ Project	Location	Nature of asset	Size sqm (GLA)	Plaza's effective ownership %	Status
Casa Radio	Bucharest, Romania	Mixed-use retail, hotel and leisure plus office scheme	467,000 (GBA including parking spaces)	75	An addendum to the Pre-sale agreement was signed (refer to note 5 (3) in the annual consolidated financial statements)
Bangalore	Bangalore, India	Residential Scheme	218,500	25	Amended revised agreement in place (refer to note 6(b)(1) in the

					annual consolidated financial statements)
Chennai	Chennai, India	Residential Scheme	302,400	50	JDA and term sheet terminated; SPA signed (refer to note 6(b)(2) in the annual consolidated financial statements)

FINANCIAL REVIEW

Results

In 2020, the Revenue for the period derived from the disposal of trading properties amounted to €1.5 million, compared to €3.7 million in 2019. The proceeds received in 2020 were related to the sale of land plot in Brasov, Romania and income for the final settlement amount in Belgrade Plaza. The proceeds received in 2019 were related to the sale of two plots (land plot in Lodz, Poland and land plot in Miercurea Ciuc, Romania) and income for the stands and signage in Belgrade Plaza.

In 2020, the general & administrative expenses amounted to €1.1 million, a decrease compare to €1.6 million in 2019. The decrease was a result of a material scale down of the Company's activities, mainly in respect of salaries and related expenses and professional services.

The write down of trading properties increased from €0.5 million loss in 2019 to €24 million loss in 2020. The 2019 relates to the net change in the cost of Casa Radio property (the change in the value of the asset minus the change in the provision of the PAB) decreased by partial reversal of write downs of plots in Romania. The 2020 loss relates to net write down of Casa Radio property value in amount of €39.8 million minus €15.8 million of reversal of provision in respect to the construction of the Public Authority Building.

Finance income of €2.1 million in 2020 was mainly due to foreign exchange movements on the debentures, which did not occur in the end of December 31, 2019.

Finance costs decreased from €16.6 million in 2019 to €10.2 million in 2020. The main components of finance costs were interests' expenses accrued on the debentures which includes also penalty interest calculated on the deferred principal.

In 2020 there were no tax benefit or expenses. As of December 31, 2019, the Company recognized €0.07 million tax cost due to withholding tax.

As a result, the loss for the period amounted to circa €33.5 million in 2020, representing a basic and diluted loss per share for the period of €4.89 (2019: €3.09 loss).

Balance sheet and cash flow

The balance sheet as of 31 December 2020 showed total assets of €12.5 million compared to total assets of €56.1 million at the end of 2019, mainly as a result of the net write down of the full value of Casa Radio, disposal of land plot in Romania resulting payment of circa €0.6 million in February 2020, administrative expenses and costs of operations which amounted to €1.1 million for the 12 months of 2020 and payment of interests for bonds in total amount of circa €0.7 million in 2020.

The consolidated cash position (cash on standalone basis as well as fully owned subsidiaries) as of 31 December 2020 increased to €1.7 million (31 December 2019: €1.1 million).

The value of the Company's trading properties decreased from €40.4 million as of 31 December 2019 to nil at the end of 31 December 2020 following the disposal of land plot in Brasov, in Romania and write down of the value of the Casa Radio project, Romania.

Investments in equity accounted investee companies has decreased by €3.7 million to circa €10.7 million (31 December 2019: €14.4 million) mainly as a result of cash distribution of €1.1 million (31 December 2019: €0.8 million).

As of 31 December 2020, Plaza has a balance sheet liability of €87.1 million from issuing bonds on the Tel Aviv Stock Exchange. Additionally, Plaza recorded provision for interests on bonds as of December 31, 2020, in amount of €10.7 million (31 December 2019: €3.8 million).

As detailed above, due to the decrease of the full value of Casa Radio project (Bucharest Romania), the provision created with respect to the obligation connected to Casa Radio project (for the construction of the Public Authority Building) was reversed in the amount of €15.8 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 its report's projected cash flow for a period of two years, commencing with the date of approval of the report ("Projected Cash Flow").

The Material uncertainty related to going concern was included in the independent auditors' report and in Note 1(b) in the consolidated financial statements as of December 31, 2020. In light of the material uncertainty that the SPA between the Company and AFI Europe N.V. will eventually be executed and/or that the transaction will be consummated as presented above or at all., (refer to Note 5 in the consolidated financial statements as of December 31, 2020) as well as the default of purchaser of Bangalore project to meet payments schedule according to the signed amendment agreement (refer to Note 6(b)(1) in the consolidated financial statements as of December 31, 2020), the board and management estimates that the Company is unable to serve its entire debt according to the due date the bond holders approved to postpone the final redemption date. Accordingly, it is expected that the Company will not be able to meet its entire contractual obligations in the following 12 months.

With such warning signs, the Company is providing projected cash flow for the period of 24 months following for the coming two years.

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. During first three months 2017, the Company paid to its bondholders a total amount of NIS 191.7 million (EUR 49.2 million) as an early redemption. Upon such payments, the Company complied with the Early Prepayment Term (early redemption at the total sum of at least NIS 382 million) and thus obtained a deferral of one year for the remaining contractual obligations of the bonds.

In January 2018, a settlement agreement was signed by and among the Company and the two Israeli Series of Bonds.

On November 22, 2018 the Company announced based on its current forecasts, that the Company expected to pay the accrued interest on Series A and Series B Bonds on December 31, 2018, in accordance with the repayment schedule determined in the Company's Restructuring Plan and Settlement Agreement with Series A and Series B Bondholders from 11 January 2018 (the "Settlement Agreement"). The Company noted that it will not meet its principal repayment due on December 31, 2018 as provided for in the Settlement Agreement. On February 18, 2019 the Company paid principal of circa EUR 250,000 and Penalty interest on arrears of EUR 150,000 following the bondholder's approval to defer principal repayment to July 1, 2019.

In addition, during June 2019 the bondholders approved the deferral of the full payment of principal due on July 1, 2019 and of 58% ("deferred interest amount") of the sum of interest (consisting of the total interest accrued for the outstanding balance of the principal, including interest for part of the principal payment which was deferred as of February 18, 2019, plus interest arrears for part of the principal which was fixed on February 18, 2019 and was not paid by the Company and all in accordance with the provisions of the trust deed; "the full amount of interest"), the effective date of which is June 19, 2019, and the payment date was fixed as of July 1, 2019. The company paid on the said date a total amount of circa EUR 1.17 million, which is only 42% of the full amount of interest.

On July 11, 2019, the Company announced that its Romanian subsidiary had signed a binding agreement to sell a land in Romania (refer to Note 5(2)(c) of the consolidated financial statements as of December 31, 2019), and that the Company would use part of the proceeds now received by it EUR 0.75 million (hereinafter: "the amount payable"), in order to make a partial interest payment to the bondholders (Series A) and (Series B) issued by the Company. The payment required changes in the repayment schedule and amendments of the trust deeds which was approved unanimously by the Bondholders. The amount payable was paid on August 14, 2019 and reflects 30% of accrued interest as of that date.

On November 17, 2019, the bondholders of Series A and Series B approved a deferral of all the scheduled Principal payment and app. 87% of deferral of the scheduled Interest payment, both, as of December 31, 2019 to July 1, 2020.

On May 4, 2020, the bondholders of Series A and Series B approved: (i) to postpone the final redemption date to January 1, 2021 of all the scheduled Principal; (ii) that on July 1, 2020 the Company will pay to its bondholders a partial interest payment in the total amount of EUR 250,000 and to deferral all other unpaid scheduled Interest payment.

Following receiving the Settlement Amount (refer to Note 16(b)(9) of these Annual Consolidated Financial

Statements), and in light of the potential negative impact of the Covid-19 on the possibility to receive future proceeds from the Company's plots in India, the Company decided to increase the amount to be paid to the bondholders on July 1, 2020, from EUR 250,000 to EUR 500,000. The amount reflected 6.74% of accrued interest as of that date.

On November 12, 2020, the bondholders of Series A and Series B approved: (i) to postpone the final redemption date to July 1, 2021 of all the scheduled Principal; that on January 1, 2021 the Company will pay to its bondholders a partial interest payment in the total amount of EUR 200,000 and to deferral all other unpaid scheduled Interest payment. The amount reflected 1.84% of accrued interest as of that date.

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 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	2021	2022
Cash - Opening Balance ⁽²⁾	1.71	0.94
Cash flow from equity companies in India ⁽³⁾	0.8	4.3
Total Sources	2.51	5.24
Debentures - principal	-	-
Debentures - interest ⁽³⁾	-	3
Other operational costs ⁽⁴⁾	0.30	-
G&A expenses (including property maintenance) ⁽⁵⁾	1.27	1.20
Total Uses	1.57	4.20
Cash - Closing Balance ⁽²⁾	0.94	1.04

(1) The above cash flow is subject to the approval of the bondholders of both series to postponement of the repayment of the remaining balance of the bonds which are due on July 1, 2021.

(2) Total cash on standalone basis as well as fully owned subsidiaries.

(3) In 2021, the Company assumed a reception of EUR 0.8 million which is part of the cash balances of the Chennai Project SPV. As detailed in note 6 (b)(2) of the Consolidated Financial Statements as of December 31, 2020) Elbit Plaza India Real Estate Holdings Limited (an equity accounted investee held by the Company (50%) ("EPI") and the purchaser ("The Parties") signed on a revised understanding based on which the Purchaser can complete the closing by April 30, 2021 at a revised consideration of 96.50 crores (approximately EUR 11.6 million (Plaza part is approximately EUR 5.8 million), but If the Purchaser fails to complete the closing by April 30, 2021 then the Purchaser gets additional two months to complete the closing by June 30, 2021 but at the initial consideration of INR 108 crores (approximately EUR 13 million (Plaza part is approximately EUR 6.5 million). Due to the uncertainty that the closing date will occur at April 30, 2021 the company assumed the closing date will occur during 2022 hence

the proceed it will receive will be based on the initial consideration of INR 108 crores (approximately EUR 13 million (Plaza part is approximately EUR 6.5 million). As mentioned above, in case the purchaser will complete the closing by April 30, 2021 the total proceeds the company will receive will decreased by app. EUR 0.7 million, Accordingly, the proceeds which will be repaid to the bondholders will decreased in the same amount.

- (4) Includes provision for legal costs/Arbitrations.
- (5) Total general and administrative expenses includes both cost of the Company and of all the subsidiaries.
- (6) The Company didn't include any proceeds from pre-sale agreement signed with AFI, due to the uncertainty as to the fulfilment of the conditions set out in the preliminary agreement as mentioned in Note 5(3)(f) of the consolidated financial statements as of 31.12.2020, thus there can be no certainty an SPA will eventually be executed and/or that the Transaction will be completed.
- (7) The Company didn't include any proceeds from its holding in an indirect subsidiary (50%) which holds a property in Bangalore, India due to the recent default of purchaser of Bangalore project to meet payments schedule according to the signed amendment agreement (as detailed in Note 6(1) of the Consolidated Financial Statements as of December 31, 2020) as there can be no certainty that the agreement will be completed, hence no resources are expected to be available in foreseeable future at this time.

Ron Hadassi

Executive Director

31 March 2021

PLAZA CENTERS N.V.
CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

IN 000 EUR

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Report on the Audit of the Consolidated Financial Statements

Independent Auditors' Report

To the shareholders of Plaza Centers N.V.

Opinion

We have audited the consolidated financial statements of Plaza Centers N.V. and its subsidiaries ("the Company"), which comprise the consolidated statement of financial position as at December 31, 2020 and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

As mentioned in note 2(a) in the consolidated financial statements, these consolidated financial statements, with our report included, are not intended for Netherlands statutory filing purposes.

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw your attention to Note 1(b) in the consolidated financial statements which discloses the Company's financial position and board and management's future plans to meet its financial liabilities.

The board and management estimate that the Company is unable to serve its entire debt according to the current repayment schedule (total payments of EURO 97.8 million (current balance as of December 31, 2020) due to bondholders on July 1, 2021) and the Company is dependent on the bondholders' approval for any postponement of payments. In addition, the Company is not in compliance with the main Covenants as defined in the restructuring plan (for more details refer also to Note 8), hence in default which could trigger early repayment by the bondholders.

Moreover, due to recent developments related to the COVID-19 virus epidemic there is additional uncertainty as to the effect of the short-term impacts on economic growth, business activity and including even severe and sustained slowdown in the markets in which the Company operates. This could also affect the ability of the Company to complete the sale of the plots it owns.

The combination of the abovementioned conditions indicates the existence of a material uncertainty that casts significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of Matters

We draw your attention to Note 5(3)(c) which discloses the risk that the public authorities may seek to terminate the Public Private Partnership Agreement ("PPP Agreement") and/or relevant permits and/or could seek to impose delay penalties on the basis of perceived breaches of the Company's commitments under the PPP Agreement.

Our opinion is not modified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

The Key Audit Matter we identified is:

Key Audit Matter	Our Response
<p data-bbox="150 331 528 358"><i>Valuation of trading properties</i></p> <p data-bbox="150 383 692 1081">We have identified the measurement of trading properties (included in the joint venture, EPI, as disclosed in Note 6(b)) at net realizable value in the aggregate amount of EUR 33.1 million, as a significant audit matter due to their size and the complexity and judgement required in the valuation of trading properties. The valuations of these properties as of December 31, 2020, involved significant judgements and assumptions such as capitalization and discount rates, and forecasts of future rents, occupancy levels, construction costs and developer profits, made by management, in reliance on external valuers. In the context of properties which are not yet developed, these estimates contain further risks in regards to success in obtaining permits, market condition and political environment, required to forecast all circumstances through and beyond project completion.</p> <p data-bbox="150 1106 692 1312">The Company's accounting policies regarding trading properties are disclosed in Note 2(c) and 2(m) to the consolidated financial statements. The significant estimates involved in the valuation are disclosed in Note 6(b).</p>	<p data-bbox="716 383 1359 450">Our procedures in relation to the management's fair value assessment of trading properties included:</p> <ul data-bbox="732 474 1359 1312" style="list-style-type: none"><li data-bbox="732 474 1359 542">• Evaluation of the objectivity, independence, expertise of the external valuers;<li data-bbox="732 553 1359 725">• Reviewed the reports prepared by the external valuers and held discussions with them in order to gain an understanding of their methodology and the key assumptions which they used in performing the valuations.<li data-bbox="732 736 1359 1061">• Using our own real estate specialists to assess the methodologies used the assumptions that were made and the appropriateness of the key estimates used in the calculation of the fair value of the trading properties based on their knowledge of the local economic, legal, political environment, and other specific circumstances, used to analyse the appropriateness of valuations.<li data-bbox="732 1072 1359 1312">• Checked on a sample basis, the appropriateness and consistency with other information available to us of the inputs used by the valuers. We also assessed the appropriateness of the disclosures relating to the assumptions, as we consider them important to users of the financial statements.

Other information included in The Company's 2020 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's

ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The board of directors is responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical

requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020, and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent report is Mr. Itay Bar-Haim.

March 31, 2021
Tel Aviv, Israel

KOST FORER GABBAY & KASIERER
A member of Ernst & Young Global

CONSOLIDATED STATEMENT OF FINANCIAL POSITION IN '000 EUR

	Note	December 31,	
		2020	2019
ASSETS			
Cash and cash equivalents	3	1,709	1,126
Prepayments and other receivables	4	90	181
Total current assets		<u>1,799</u>	<u>1,307</u>
Trading properties	2,5	-	40,375
Equity - accounted investees	6	10,737	14,419
Total non-current assets		<u>10,737</u>	<u>54,794</u>
Total assets		<u><u>12,536</u></u>	<u><u>56,101</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Bonds at amortized cost	8	87,137	86,506
Accrued interests on bonds	8	10,684	3,846
Trade payables		58	94
Other liabilities	7	409	477
Total current liabilities		<u>98,288</u>	<u>90,923</u>
Provisions	5(3)(e)	-	15,825
Total non-current liabilities		<u>-</u>	<u>15,825</u>
Share capital	10	6,856	6,856
Translation reserve	10	(31,292)	(29,677)
Other reserves		(19,983)	(19,983)
Share based payment reserve	10	35,376	35,376
Share premium	10	282,596	282,596
Accumulated deficit		(359,305)	(325,815)
Total equity		<u>(85,752)</u>	<u>(50,647)</u>
Total equity and liabilities		<u><u>12,536</u></u>	<u><u>56,101</u></u>

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

March 31, 2021

Ron Hadassi

David Dekel

Date of approval of the
financial statements

Executive Officer

Chairman of the Board of
Directors

CONSOLIDATED STATEMENT OF PROFIT OR LOSS IN '000 EUR

	Note	Year ended December 31,	
		2020	2019
Revenues and gains			
Revenue from disposal of trading properties	5	1,452	3,684
Total revenues		<u>1,452</u>	<u>3,684</u>
Gains and other			
Other income		33	78
Total gains		<u>33</u>	<u>78</u>
Total revenues and gains		<u>1,485</u>	<u>3,762</u>
Expenses and losses			
Cost of trading properties disposed	5	(580)	(3,463)
Cost of operations		(85)	(207)
Write-down of trading properties	5	(24,000)	(500)
Share in results of equity-accounted investees	6	(1,084)	(2,396)
Administrative expenses	13	(1,100)	(1,577)
Other expenses		<u>(46)</u>	<u>(67)</u>
		(26,895)	(8,210)
Finance income	14	2,096	-
Finance costs	14	<u>(10,176)</u>	<u>(16,648)</u>
		<u>(34,975)</u>	<u>(24,858)</u>
Loss before income tax		<u>(33,490)</u>	<u>(21,096)</u>
Income tax expense		-	(71)
Loss for the year		<u>(33,490)</u>	<u>(21,167)</u>
Loss attributable to:			
Equity holders of the Company		<u>(33,490)</u>	<u>(21,167)</u>
Earnings per share			
Basic and diluted loss per share (EUR)	11	<u>(4.89)</u>	<u>(3.09)</u>

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME IN '000 EUR

	Year ended	
	December 31,	
	<u>2020</u>	<u>2019</u>
Loss for the year	(33,490)	(21,167)
Other comprehensive income		
Items that are or may be reclassified to profit or loss:		
Foreign currency translation differences - foreign operations (Equity accounted investees)	<u>(1,615)</u>	<u>(79)</u>
Other comprehensive loss for the year, net of income tax	<u>(1,615)</u>	<u>(79)</u>
Total comprehensive loss for the year	<u>(35,105)</u>	<u>(21,246)</u>

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY IN '000 EUR

	Share capital	Share Premium	Share based payment reserves	Translation Reserve	Capital reserve from acquisition of non- controlling interests	Accumulated deficit	Total
Balance on January 1, 2019	6,856	282,596	35,376	(29,598)	(19,983)	(304,648)	(29,401)
Comprehensive income for the year							
Net loss for the year	-	-	-	-	-	(21,167)	(21,167)
Foreign currency translation differences	-	-	-	(79)	-	-	(79)
Total comprehensive loss for the year	-	-	-	(79)	-	(21,167)	(21,246)
Balance on December 31, 2019	6,856	282,596	35,376	(29,677)	(19,983)	(325,815)	(50,647)
Comprehensive income for the year							
Net loss for the year	-	-	-	-	-	(33,490)	(33,490)
Foreign currency translation differences	-	-	-	(1,615)	-	-	(1,615)
Total comprehensive loss for the year	-	-	-	(1,615)	-	(33,490)	(35,105)
Balance on December 31, 2020	6,856	282,596	35,376	(31,292)	(19,983)	(359,305)	(85,752)

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

CONSOLIDATED STATEMENT OF CASH FLOWS IN '000 EUR

	Year ended December 31,	
	2020	2019
Cash flows from operating activities		
Loss for the year	(33,490)	(21,167)
<u>Adjustments necessary to reflect cash flows used in operating activities</u>		
Depreciation and impairment of property and equipment	-	19
Net finance costs	8,080	16,648
Share of loss of equity-accounted investees, net of tax	1,084	2,396
Income tax expense	-	71
Trading properties, net	24,550	3,962
	<u>224</u>	<u>1,929</u>
<u>Changes in:</u>		
Trade receivables	6	(6)
Other receivables	85	(5)
Trade payables	(36)	41
Other liabilities, related parties' liabilities and provisions	(68)	(88)
	<u>(13)</u>	<u>(58)</u>
Interest paid	(699)	(2,682)
Net cash used in operating activities	<u>(488)</u>	<u>(811)</u>
Cash from investing activities		
Distribution received from Equity Accounted Investees	983	782
Net cash provided by investing activities	<u>983</u>	<u>782</u>
Cash from financing activities		
Repayment of debentures	-	(250)
Net cash used in financing activities	<u>-</u>	<u>(250)</u>
Increase (Decrease) in cash and cash equivalents during the year	495	(279)
Effect of movement in exchange rate fluctuations on cash held	88	-
Cash and cash equivalents as of January 1st	<u>1,126</u>	<u>1,405</u>
Cash and cash equivalents as of December 31st	<u>1,709</u>	<u>1,126</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 1: - CORPORATE INFORMATION

- a. Plaza Centers N.V. ("the Company" and together with its subsidiaries, "the Group") was incorporated and is registered in the Netherlands. The Company's registered office is at Pietersbergweg 283, 1105 BM, Amsterdam, the Netherlands. In past the Company conducted its activities in the field of establishing, operating and selling of shopping and entertainment centres, as well as other mixed-use projects (retail, office, residential) in Central and Eastern Europe (starting 1996) and India (from 2006). Following debt restructuring plan approved in 2014 the Group's main focus is to reduce corporate debt by early repayments following sale of assets and to continue with efficiency measures and cost reduction where possible.

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 jointly controlled entities.

The Company is listed on the premium segment of the Official List of the UK Listing Authority and to trading on the main market of the London Stock Exchange ("LSE"), the Warsaw Stock Exchange ("WSE") and on the Tel Aviv Stock Exchange ("TASE").

The Company's immediate parent company was Elbit Ultrasound (Luxemburg) B.V. / s.a.r.l ("EUL"), which held 44.9% of the Company's shares, till December 19, 2018 when EUL informed that it has signed a trust agreement according to which EUL will deposit its shares of the Company with a trustee and no longer considers itself to be the controlling shareholder of the Company (please refer to note 18(a) regarding the sale of app. 17.8% of the Company's shares held by EUL).

- b. Going concern and liquidity position of the Company:

As of December 31, 2020, the Company's outstanding obligations to bondholders (including accrued interests) are app. EUR 97.8 million with due date that was postponed to July 1, 2021 (the "**Current Due date**") (please refer to note 8).

Due to the above the Company's primary need is for liquidity. The Company's current and future resources include the following:

1. Cash and cash equivalents (including the cash of fully owned subsidiaries) of approximately EUR 1.709 million.
2. The Company's part (50%) in the proceeds from the cash balances of the Chennai Project SPV. And, from any additional proceeds Elbit Plaza India Real Estate Holdings Limited (an equity accounted investee held by the Company (50%) ("**EPI**") will receive based on revised understanding EPI and the purchaser signed on March 31, 2021 (As detailed in note 6 (b)(2) of the Consolidated Financial Statements as of December 31, 2020).

Still, there is an uncertainty if and when the SPA closing will occur

3. In addition, as detailed in note 5(3)(f), the Company and AFI Europe N.V. entered into an addendum to the pre-sale agreement entered into between the Parties in connection with the sale of its subsidiary (the "SPV") which holds

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

75%

NOTE 1: - CORPORATE INFORMATION (Cont.)

in the Casa Radio Project (the "Project") (the "Addendum" and the "Agreement",

respectively) pursuant to which the Parties agreed to extend the Long Stop Date, which is the date on which the parties will execute a share purchase agreement, subject to the satisfaction of conditions precedent (the "SPA"), until December 31, 2021. The addendum was approved by the bondholders meeting held on November 12, 2020. There can be no certainty that the SPA will eventually be executed and/or that the transaction will be consummated as presented above or at all.

4. Following the default of purchaser of Bangalore project to meet payments schedule according to the signed amendment agreement (refer to Note 6(b)(1)) there can be no certainty that the agreement will be completed, hence at this time no resources are expected to be available in the foreseeable future.

As of December 31, 2020, the Company is not in compliance with the main Covenants as defined in the restructuring plan (for more details refer also to Note 8), hence constituting an event of default which could also trigger early repayment demand by the bondholders.

Due to the abovementioned and due to the board and management estimation that the Company is unable to serve its entire debt on the Current due date, the Company intends to request the bondholders of both series an additional postponement of the repayment of the remaining balance of the bonds. However, there is an uncertainty if the bondholders will approve the request. In the case that the bondholders would declare their remaining claims to become immediately due and payable, the Company would not be in a position to settle those claims and would need to enter to an additional debt restructuring or might cease to be a going concern basis.

Due to the abovementioned conditions, a material uncertainty exists that casts significant doubt about the Company's ability to continue as a going concern.

c. Impact of the Covid-19

During 2020, the Covid-19 global health and economic crisis was severely affecting business, leading to supply chain disruptions, cash flow problems and, more generally, a sharp drop in its activity. Many countries are taking significant steps in trying to prevent the spread of the virus, such as restrictions on civilian movements, gatherings, border closures and the like. The Company monitors the consequences of the event and the actions taken in countries in which it operates and assesses the risks and exposures arising from these consequences. At this stage, the impact of the effect of the COVID 19 included a

write off of its assets (refer to note 5(3) and note 6(b)(1) and 6(b)(2)). In addition, caused Elbit Plaza India Real Estate Holdings Limited (an equity accounted investee held by the Company (50%) and Elbit Imaging Ltd. (50%)) ("EPI") to postpone the closing of the sale of 100% stake in the SPV (subsidiary of EPI) (refer to Note 6(b)(2)). In addition, it caused a delay in the legal procedures against the purchaser of the SPV which owns the plot in Bangalore India (refer to Note 6(b)(1)). Other than the above mentioned, at this stage, the Company is not able to estimate the full future impact of COVID 19. However,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

the Company assumes the demand of interested buyers is expected to be smaller, which can have a material impact on the ability of the Company to complete the sale of the plots it owns.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation of these financial statements:

The following accounting policies have been applied consistently in the financial statements for all periods presented, unless otherwise stated.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union ("EU").

The consolidated financial statements have been prepared on the historical cost basis.

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 approval of these financial statements the Company had not yet submitted consolidated financial statements for the year ended December 31, 2019 and December 31, 2020 in accordance with the Netherlands Civil Code (for more details refer to Note 16(b)(10)).

The consolidated financial statements were authorized to be issued by the Board of Directors on March 31, 2021.

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. Investment property vs. trading property classification:

The Group has designated all its properties for sale. The Company is actively seeking buyers and does not hold the properties with the intention to gain from capital appreciation. Therefore, management also believes that these are appropriately classified as trading properties.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

e. Operating cycle determination:

The Group is unable to clearly identify its actual operating cycle with respect to trading properties. As such, the Group's operating cycle relating to trading properties and corresponding liabilities is 12 months. Trading properties and liabilities associated therewith are presented as non-current assets and non-current liabilities, respectively.

f. 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.

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:

- Note 5 - key assumptions used in determining the net realisable value of trading properties;
- Notes 5,16 - recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

g. 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 the subsidiaries in order to bring the accounting policies used in line with the ones used by the Group in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 2:- 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.

When the equity attributable to the owners of an associate changes as a result of the associate selling or buying shares of its subsidiaries (that are consolidated in its financial statements) to third parties while retaining control in those subsidiaries, the balance of the investment in the associate that is presented on the Company's books

on the equity basis changes. The Company has chosen the accounting policy of recognizing the change in the balance of the investment in these cases directly in profit or loss.

3. Loss of control:

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity.

Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

h. Foreign currency:

1. Foreign currency transactions:

Transactions in foreign currencies are translated to the respective functional currencies of Group companies at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined.

Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

2. Foreign operations:

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into euro at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into euro at the exchange rates at the dates of the transactions. Foreign currency differences are recognised in other comprehensive income, and accumulated in the translation reserve, except to the extent that the translation difference is allocated to non-controlling interest.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interest.

When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

If the settlement of a monetary item receivable from or payable to a foreign

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

3. Index-linked monetary items:

Monetary assets and liabilities linked to the changes in the Israeli Consumer Price Index ("Israeli CPI") are adjusted at the relevant index at each reporting date according to the terms of the agreement.

i. Cash equivalents:

Cash equivalents are considered as highly liquid investments, including unrestricted short-term bank deposits with an original maturity of three months or less from the date of investment or with a maturity of more than three months, but which are redeemable on demand without penalty and which form part of the Group's cash management.

j. Financial instruments:

1. Financial assets:

Financial assets are measured upon initial recognition at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets, except for financial assets measured at fair value through profit or loss in respect of which transaction costs are recorded in profit or loss.

Debt instruments are measured at amortized cost when:

The Company's business model is to hold the financial assets in order to collect their contractual cash flows, and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. After initial recognition, the instruments in this category are measured according to their terms at amortized cost using the effective interest rate method, less any provision for impairment.

2. Impairment of financial assets:

The Company evaluates at the end of each reporting period the loss allowance for financial debt instruments which are not measured at fair value through profit or loss.

3. De-recognition of financial assets:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

A financial asset is derecognized only when:

- The contractual rights to the cash flows from the financial asset has expired; or
- The Company has transferred substantially all the risks and rewards deriving from the contractual rights to receive cash flows from the financial asset or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset; or

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

- The Company has retained its contractual rights to receive cash flows from the financial asset but has assumed a contractual obligation to pay the cash flows in full without material delay to a third party.

4. Financial liabilities:

- a) Financial liabilities measured at amortized cost:

Financial liabilities are initially recognized at fair value less transaction costs that are directly attributable to the issue of the financial liability.

After initial recognition, the Company measures all financial liabilities at amortized cost using the effective interest rate method.

5. De-recognition of financial liabilities:

A financial liability is derecognized only when it is extinguished, that is when the obligation specified in the contract is discharged or cancelled or expires. A financial liability is extinguished when the debtor discharges the liability by paying in cash, other financial assets, goods or services; or is legally released from the liability.

6. Offsetting financial instruments:

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position if there is a legally enforceable right to set off the recognized amounts and there is an intention either to settle on a net basis or to realize the asset and settle the liability simultaneously.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)
k. Fair value measurement

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 categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Further information about the assumptions made in measuring fair values is included in the following notes:

Note 15 - Financial instruments

l. Share capital:

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognized as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12. Costs attributable to listing existing shares are expensed as incurred.

m. Trading properties:

Trading properties are being designated for sale in the ordinary course of business and as such 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 realizable value is less than the cost, the trading property is written down to net realizable value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

In each subsequent period, a new assessment is made of net realizable 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 realizable 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 realizable value.

The amount of any write-down of trading properties to net realisable value and all losses of trading properties are recognised as a write-down of trading properties expense in the period the write-down or loss occurs. The amount of any reversal of such write-down arising from an increase in net realizable value is recognized as a reduction in the expense in the period in which the reversal occurs.

Costs comprise all costs of purchase, direct materials, direct labor 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.

n. Impairment of non-financial assets:

The Company evaluates the need to record an impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable. If the carrying amount of non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount is the higher of fair value less costs of sale and value in use. In measuring value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

An impairment loss of an asset is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Reversal of an impairment loss, as above, shall not be increased above the lower of the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years and its recoverable amount. The reversal of impairment loss of an asset presented at cost is recognized in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The following criteria are applied in assessing impairment of these specific assets:

Investment in associate or joint venture:

After application of the equity method, the Company determines whether it is necessary to recognize any additional impairment loss with respect to the investment in associates or joint ventures. The Company determines at each reporting date whether there is objective evidence that the carrying amount of the investment in the associate or the joint venture is impaired. The test of impairment is carried out with reference to the entire investment, including the goodwill attributed to the associate or the joint venture.

o. 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 recognized as finance cost.

Warranties

A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

Legal claims:

A provision for claims is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources embodying economic benefits will be required by the Group to settle the obligation and a reliable estimate can be made of the amount of the obligation.

p. Revenue recognition:

Revenue from contracts with customers is recognized when the control over the goods or services is transferred to the customer. Revenues from trading properties are taken into account at the moment the trading property is sold. The company considers the moment of sale being the latest of a) receiving the payment for the trading property; or b) the transfer of the deed at the public notary. The transaction price is the amount of the consideration that is expected to be received based on the contract terms, excluding amounts collected on behalf of third parties (such as taxes).

In determining the amount of revenue from contracts with customers, the Company evaluates whether it is a principal or an agent in the arrangement. The Company is a principal when the Company controls the promised goods or services before transferring them to the customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

In these circumstances, the Company recognizes revenue for the gross amount of the consideration. When the Company is an agent, it recognizes revenue for the net amount of the consideration, after deducting the amount due to the principal.

Variable consideration:

The Company determines the transaction price separately for each contract with a customer. When exercising this judgment, the Company evaluates the effect of each variable amount in the contract, taking into consideration discounts, penalties, variations, claims, and non-cash consideration. In determining the effect of the variable consideration, the Company normally uses the "most likely amount" method described in the Standard. Pursuant to this method, the amount of the consideration is determined as the single most likely amount in the range of possible consideration amounts in the contract.

Variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

q. Finance income and cost:

Interest income and expense which are not capitalized are recognized in the income statement as they accrue, using the effective interest method.

r. Income tax:

Income tax expense comprises current and deferred tax. It is recognized in profit or loss.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)Deferred tax

Deferred tax is recognized 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 assets are recognized 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 realized. Such reduction is reversed when the probability of future taxable profits improved.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized 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.

s. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

- t. Changes in accounting policies - initial adoption of new financial reporting and accounting standards and amendments to existing financial reporting and accounting standards:

1. Amendment to IFRS 3, "Business Combinations":

In October 2018, the IASB issued an amendment to the definition of a "business" in IFRS 3, "Business Combinations" ("the Amendment").

The Amendment clarifies that in order to meet the definition of a "business", an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. The Amendment also clarifies that a business can exist without including all of the inputs and processes necessary to create outputs. The Amendment includes an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business, with no need for other assessments.

The Amendment is to be applied to business combinations and asset acquisitions for which the acquisition date is on or after January 1, 2020.

The initial application of the Amendment did not have a material effect on the Company's financial statements.

- u. Disclosure of new standards in the period prior to their adoption:

1. Amendments to IFRS 10 and IAS 28 regarding sale or transfer of assets between an investor and its associate or joint venture:

In September 2014, the IASB issued amendments to IFRS 10 and IAS 28 ("the Amendments") regarding the accounting treatment of the sale or transfer of assets (an asset, a group of assets or a subsidiary) between an investor and its associate or joint venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

According to the Amendments, when the investor loses control of a subsidiary or a group of assets that are not a business in a transaction with its associate or joint venture, the gain will be partially eliminated such that the gain to be recognized is the gain from the sale to the other investors in the associate or joint venture. According to the Amendments, if the remaining rights held by the investor represent a financial asset as defined in IFRS 9, the gain will be recognized in full.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

If the transaction with an associate or joint venture involves loss of control of a subsidiary or a group of assets that are a business, the gain will be recognized in full.

The Amendments are to be applied prospectively. A mandatory effective date has not yet been determined by the IASB but early adoption is permitted.

2. Amendment to IAS 37, "Provisions, Contingent Liabilities and Contingent Assets":

In May 2020, the IASB issued an amendment to IAS 37, regarding which costs a company should include when assessing whether a contract is onerous ("the Amendment"). According to the Amendment, costs of fulfilling a contract include both the incremental costs (for example, raw materials and direct labor) and an allocation of other costs that relate directly to fulfilling a contract (for example, depreciation of an item of property, plant and equipment used in fulfilling the contract).

The Amendment is effective for annual periods beginning on or after January 1, 2022 and applies to contracts for which all obligations in respect thereof have not yet been fulfilled as of January 1, 2022. Early application is permitted.

The Company estimates that the application of the Amendment is not expected to have a material impact on the financial statements.

3. Annual improvements to IFRSs 2018-2020:

In May 2020, the IASB issued certain amendments in the context of the Annual Improvements to IFRSs 2018-2020 Cycle. The main amendment is to IFRS 9, "Financial Instruments" ("the Amendment"). The Amendment clarifies which fees a company should include in the "10% test" described in paragraph B3.3.6 of IFRS 9

when assessing whether the terms of a debt instrument that has been modified or exchanged are substantially different from the terms of the original debt instrument.

The Amendment is effective for annual periods beginning on or after January 1, 2022. Early application is permitted. The Amendment is to be applied to debt instruments that are modified or exchanged commencing from the year in which the Amendment is first applied.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

4. Amendment to IAS 1, "Presentation of Financial Statements":

In January 2020, the IASB issued an amendment to IAS 1, "Presentation of Financial Statements" ("the Amendment") regarding the criteria for determining the classification of liabilities as current or non-current.

The Amendment includes the following clarifications:

- What is meant by a right to defer settlement;

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The Amendment is effective for annual periods beginning on or after January 1, 2023 and must be applied retrospectively.

The Company is evaluating the possible impact of the Amendment on its current loan agreements.

NOTE 3:- CASH AND CASH EQUIVALENTS

Bank deposits and cash denominated in	December 31,	
	2020	2019
EUR - bank balances	1,338	1,044
United States Dollar (USD) - bank balances	265	9
New Israeli Shekel (NIS)	88	4
Polish Zlotys (PLN)	-	9
Other currencies	18	60
	<u>1,709</u>	<u>1,126</u>

*) The balances are not bearing interest.

NOTE 4:- PREPAYMENTS AND OTHER RECEIVABLES

Prepayments and other receivables:

	December 31,	
	2020	2019
Tax receivables	-	133
Prepayments and others	90	48
	<u>90</u>	<u>181</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 5:- TRADING PROPERTIES

	December 31,	
	2020	2019
Balance as of 1 January	40,375	42,600
Increase in value (Write-down) of trading properties, net (1)	(39,825)	1,238
Trading properties disposed (2)	(550)	(3,463)
Balance as of 31 December	<u>-</u>	<u>40,375</u>
Trading properties designated for sale	<u>-</u>	<u>40,375</u>

- (1) Breakdown of write-downs (Increase in value) of trading properties is presented in the table below:

<u>Project name (location)</u>	Year ended December 31,	
	2020	2019
Casa Radio (Bucharest, Romania) (**)	39,825	(738)
Miercurea Ciuc (Miercurea Ciuc, Romania)	-	(500)
	<u>39,825</u>	<u>(1,238)</u>
Change in provision in respect to PAB (*) (**)	<u>(15,825)</u>	<u>1,738</u>
Net write-downs	<u>24,000</u>	<u>500</u>

(*) See also note 5(3)(e) below.

The 2020 write-downs were caused due to the following factors:

(**) EUR 39.8 million of write-down in Casa Radio project, Romania and EUR 15.8 million of reversal of provision (relating to change in provision in respect to PAB) in Casa Radio project, Romania (see Note 5(3)).

For detailed information with respect to the write down, refer also to Note 5(4).

- (2) Sale of assets in the reporting period:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

a) Disposal of land plot in Brasov, Romania:

On February 5, 2019 an indirect subsidiary signed a Pre-Agreement for the sale of a plot in Brasov, Romania for a total gross amount of EUR 620,000.

NOTE 5:- TRADING PROPERTIES (Cont.)

On November 25, 2019 an indirect subsidiary signed Addendum no. 1 to the Pre-Agreement signed on February 5, 2019 and the Parties agreed that the consummation of the Transaction will take place not later than February 15, 2020.

On February 14, 2020 the sale of the plot in Brasov, Romania was completed, a definitive agreement was signed for a total consideration of EUR 620,000 which was received in full.

(3) Casa Radio:

(a) General:

In 2006 the Company entered into a PPP agreement with the Government of Romania to develop the Casa Radio site in the city center of Bucharest ("Project") and acquired 75% interest in the joint venture company developing the Project ("Project SPV"). After signing the PPP agreement, the Company holds indirectly 75% of the shares in the Project SPV, the remaining shares are held by the Romanian authorities (through CNI, a Romanian company ultimately owned by the Romania authorities)(15%) and a third-party private investor (10%).

Pursuant to the PPP agreement, the Project SPV was granted development and exploitation rights in relation to the site for a period of 49 years, starting December 2006 (35 years remaining at the end of the reporting period). As part of its obligations under the PPP agreement, 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 financed by loans given to the Project SPV by the Company. These works were performed on site until 2010. Construction and development were put on hold due to difficulties procuring further financing because of the global financial crisis and later, as well as, the lack of progress in the renegotiation of the PPP agreement with the Romanian authorities, as detailed in subsection (c) below. These circumstances (and mainly the bureaucratic deadlock with the Romanian authorities to deal with the issues specified below) caused the Project SPV not to meet the development timeline of the Project as specified in the PPP agreement. However, management believes that it had legitimate reasons for the delays in this timeline, as discussed in subsection (c) below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

- (b) Obtaining of the Detailed Urban Plan ("PUD") permit:

The Project SPV obtained the PUD for the Project in September 2012. On December 13, 2012, the Court took note of the waiver of the claim submitted by certain plaintiffs and rejected the litigation aiming to cancel the approval of the Zonal Urban Plan ("PUZ") for the Project. The Court decision is irrevocable.

NOTE 5:- TRADING PROPERTIES (Cont.)

- (c) Discussions with the Romanian authorities:

Following the Court decision with respect to the PUZ, the Project SPV was required to submit a request for building permits within 60 days from the approval date of the PUZ/PUD and commence development of the Project within 60 days after obtaining the building permits. The building permits have not been obtained.

Due to substantial differences between the approved PUD and stipulations in the PPP agreement and changes in EU law concerning environmental considerations in buildings used by public bodies, the Project SPV attempted to renegotiate the future development of the Project with the Romanian authorities on items such as timetable, structure, milestones and adaptation of the PAB development to the current EU requirements. Despite many notifications sent to the Romanian authorities, expressing a wish to renegotiate the existing PPP agreement, no major breakthrough has been achieved. The Company may be subject to significant delay penalties under the terms of the PPP agreement if it is determined that the Company was at fault in causing the delays.

Because of the failure of the Romanian authorities to cooperate, negotiate and adjust the PPP agreement, the Project SPV was not able to meet its obligations under the PPP agreement. This resulted in a situation where the Project SPV could not "de facto" continue the execution of the Project and created a risk that the Romanian authorities could attempt to terminate the PPP agreement and/or to impose penalties on the Company and the Project SPV. As of the date of approval of these consolidated financial statements, the Project SPV has not received any termination notification from the Romanian authorities.

Still, in the case of termination of the PPP agreement, any disputes regarding the relationship and compensation between the parties is to be determined by way of arbitration. The management, believes that, in the case of termination, the Company has a good case to claim compensation for damages.

The Romanian authorities undertook to discuss in good faith the restructuring of the Project and the PPP agreement in situations where significant unexpected circumstances arise. Further, the unresponsiveness of the Romanian authorities is a violation of the general undertaking to support the Project SPV in the execution of the Project as agreed in the PPP agreement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

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

NOTE 5:- TRADING PROPERTIES (Cont.)

commencing a process to identify third party investors willing and capable to join in the development of the Project and/or potential buyers of the Company's interest in the Project. Management believes that reputable investors with considerable financial strength can enhance negotiation position vis-à-vis the Romanian authorities and assist in advancing an amicable agreement with the relevant authorities with respect to the development of the Project. As a result of the Company's ongoing efforts, a pre-sale agreement for the sale of its shareholding in the Project SPV and its interests in the Project was signed on 3 July 2019 (see (3)(f) in this Note).

- (d) Co-operation with the Romanian Authorities regarding potential irregularities:

In 2015, the Board and Management became aware of certain issues with respect to certain agreements that were executed in the past in connection with the Project. In order to address this matter, the Board appointed the chairman of the Audit Committee to investigate the matters and independent law firms to analyze the available alternatives in this respect. The chairman of the Audit Committee did not conclude the investigation as the person with key information was not available to answer questions. The Board, among other steps, implemented a specific policy in order to prevent the reoccurrence of similar issues and appointed the Chairman of the Audit Committee to monitor the policy's implementation by the Company's management. In addition, it was decided that in the future certain agreements will be brought to the Board's approval prior to signing.

The Company has approached and was co-operating fully with the relevant Romanian Authorities regarding the matters that have come to its attention and it has submitted its initial findings in March 2016 to the Romanian Authorities. On September 23, 2019, the Romanian Prosecutor (the "Prosecutor") decided to close the investigation considering that there is no evidence to indicate that any bribery offense was committed in relation to the Project. The Prosecutor decided that no money laundering exists and that the evidence regarding a potential traffic of influence leads to the conclusion that this may be considered a matter for civil litigation and not a criminal offense.

- (e) Provision in respect of PAB:

As mentioned in point (a) above, when the Company entered into an

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

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. As detailed in note 5(4) below, the carrying amount of the trading property was fully written off. Accordingly, the Company also fully reduced the provision in respect of the construction of the PAB (December 31, 2019: EUR 15.8 million).

(f) On 3 July 2019 the Company's wholly owned subsidiary Dambovita Center Holding B.V ("Dambovita NL") as seller, the Company as guarantor and AFI Europe N.V. as buyer entered into a pre-sale agreement for the sale of the shareholding in Dambovita

NOTE 5:- TRADING PROPERTIES (Cont.)

Center S.R.L ("Dambovita RO") (the "Pre-Sale Agreement"). Pursuant to the terms of the Pre-Sale Agreement, AFI Europe N.V. shall carry out a due diligence review which shall be completed no later than 5 September 2019 following which, subject to the satisfaction of the other Conditions precedent in the Pre-Sale Agreement, the parties to the Pre-Sale Agreement will execute a share purchase agreement in the short form being Annex 3 to the Pre-Sale Agreement (the "SPA") and an intragroup loan assignment/novation agreement.

Conditions precedent in the Pre-Sale Agreement comprise inter alia (i) the satisfactory completion of a due diligence investigation by AFI Europe N.V. by the latest on 5 September 2019; (ii) the Romanian competition council having issued competition approval for the transaction; (iii) publication of the contemplated sale of the shares in Dambovita RO by Dambovita NL in the Official Gazette of the Romanian Government and the lapse of a 30-day objection period with no opposition being lodged; (iv) no pending or imminent material adverse change (which includes insolvency of Dambovita RO, termination of the PPP Agreement or a significant amendment of the terms and conditions of the PPP Agreement rendering the fulfilment thereof more onerous; (v) issuance of a Government Decision confirming that Dambovita NL may transfer the shares to AFI Europe N.V.(or any of its affiliates) and that the Company and Elbit Imaging Ltd. may transfer their rights and obligations under the PPP Agreement to AFI Europe N.V.(vi); amendment of the PPP Agreement in order to transfer the rights of Elbit Imaging Limited and the Company to AFI Europe N.V.; (vii) obtaining a written confirmation that the 49 years term of the PPP Agreement shall be calculated, the earliest, starting from 2012, however, in case the 49 years concession term is calculated from any other previous date, the parties to the Pre-Sale Agreement will try to find an amicable compromise, discounting the Purchase Price (as defined below) to reflect the shorter concession term; in case of such parties' failure to reach an agreement with respect to the discounted Purchase Price, AFI Europe N.V. has the right to consider this condition precedent as not being fulfilled; and (viii) the receipt of approval of the General Meeting and the Company's bondholders for the Transaction.

Upon satisfactory completion of the due diligence to be carried out by AFI Europe, there will be a down payment of EUR 200,000, which shall be repaid upon the occurrence of (i) cancellation of the PPP Agreement; (ii) initiation of Dambovita RO's dissolution due to negative equity requirements; (iii) the existence of elements of criminal investigation against Dambovita RO, beyond the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

information as disclosed to AFI Europe or, if such investigation would be held against Dambovita RO's directors of employees, in case this would trigger a significant impact on the Dambovita Project or (iv) Dambovita NL refuses to proceed to closing or is not present at the closing date, although all the conditions precedent were fulfilled or waived. The fulfilment of the Conditions precedent relating to the approval of the Company's shareholders and bondholders as referred to above must occur no later than 5 September 2019. On 30 July 2019, the bondholders of Bonds series A and Bonds Series B decided to authorize the Company to enter into the agreement and execute the transaction contained therein. In addition, an extraordinary general meeting of Shareholders of the Company held on 29 August 2019 approved the transaction as detailed in the Notice of EGM.

NOTE 5:- TRADING PROPERTIES (Cont.)

On 5 September 2019 in accordance with the pre-sale agreement, AFI has paid the down payment of EUR 200,000.

PRE-SALE AGREEMENT – SPECIFIC PROVISIONS

The long stop date as referred to in the Pre-Sale Agreement (i.e. the date on which all conditions precedent must be fulfilled and closing of the Transaction must occur) is 15 months after the lapse of the due diligence period (5 September 2019).

Pursuant to the Pre-Sale Agreement, Dambovita NL will transfer its interest in Dambovita RO and will assign the Intragroup Loans to AFI Europe N.V. for the maximum consideration of EUR 60 million, subject to the fulfilment of certain conditions (the "Purchase Price").

The Purchase Price is defined in the Pre-Sale Agreement as EUR 60 million minus 75% of Dambovita RO's liabilities computed based on the closing accounts (being the financial statements of Dambovita RO for the period from 1 January of the year in which the closing of the Transaction will occur) and excluding the Intragroup Loan, plus 75% of Dambovita RO's available cash and other current assets as shown in the closing accounts (as referred to above) and minus (insofar applicable) an amount agreed upon by the parties to the Pre-Sale Agreement to be reduced from the Purchase Price if the 49-year PPP-rights period will be calculated from any date prior to the year 2012. The loan assignment amount (as part of the Purchase Price) will be calculated on the Closing Date as the balance between the Purchase Price and the price for the shares sold (being the nominal value of these shares RON 44,050,380, which is the equivalent of USD 14,778,862).

Subject to fulfilment of the conditions precedent in the Pre-Sale Agreement as detailed above which includes, among others, the execution of the SPA, AFI Europe N.V. is bound to make a payment of EUR 20 million to Dambovita NL. A further EUR 22 million is to be paid later upon the issuance by the competent authorities of a building permit for the first stage of the Dambovita Project (the development of the shopping mall or the office building, excluding the public authority building as referred to above). The balance between the Purchase Price

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

and the payments already made, will be paid out to Dambovita NL upon all permits required for the operation of any of the components (office building or shopping mall) of the first stage of the Dambovita Project including a fire permit and the operation permit having been obtained.

The Company, as guarantor under the Pre-Sale Agreement, will undertake to indemnify AFI Europe N.V., jointly and severally, against all losses, charges, costs and expenses (including reasonable attorney's fees) which AFI Europe N.V. shall sustain or incur (i) by reason of a breach of Dambovita NL's warranties under the Pre-Sale Agreement in whole or in part (the aggregate liability of Dambovita NL under claims for breach of Dambovita NL's warranties and any other indemnification

NOTE 5:- TRADING PROPERTIES (Cont.)

event under the Pre-Sale Agreement: (a) occurring between the signing date of the Pre-Sale Agreement and the Closing Date shall be limited to the costs and expenses actually incurred by AFI Europe N.V. in connection with the fulfilment of the conditions precedent and only after and subject to (i) satisfactory due diligence and (ii) down payment; (b) arising after the Closing date, shall not exceed EUR 60 million; and (ii) in connection with a specific indemnity granted by Dambovita NL in the Pre-Sale Agreement, whereby Dambovita NL expressly, irrevocably and unconditionally undertakes to fully indemnify AFI Europe N.V. against any losses related to or deriving from the investigation of the Romanian National Anticorruption Directorate that is currently pending against Dambovita RO and/or its current and former officers or any other criminal investigation concerning Dambovita RO and/or its current and/or former officers in relation to events occurring prior to the Closing Date which specific indemnity is unlimited; these guarantee obligations from the Company are not laid down in a separate document but are incorporated in the Pre-Sale Agreement (the "Company Guarantee").

On November 2, 2020, the Company, Dambovita NL and AFI Europe N.V. ("AFI", and together with the Company, the "Parties") entered into an addendum to the pre-sale pursuant to which the Parties agreed to extend the Long Stop Date, which is the date on which the parties will execute a share purchase agreement, subject to the satisfaction of conditions precedent, until December 31, 2021.

The Parties have further agreed that in case of any litigation and/or arbitration process to which the Company is a party, will result in the loss of any of their rights under the PPP Agreement with the Government of Romania to develop the Casa Radio site in the city center of Bucharest, AFI shall no longer be bound by its obligations under the Agreement and the company shall reimburse AFI with the entire advance payment of EUR 200,000 already paid by AFI. The prepayment of EUR 200,000 is included in Other Liabilities in the consolidate statement of financial position.

The Addendum was subject to the approval of the Company's bondholders which was obtained on 12 November 2020.

As of the date hereof, there can be no certainty that either the conditions precedent in the Pre-Sale Agreement as detailed above will be met, that the Sale Agreement

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

will be executed and/or that the Transaction will be consummated as presented above or at all.

(4) 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.

NOTE 5:- TRADING PROPERTIES (Cont.)

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.

As detailed above, despite many notifications sent to the Romanian authorities expressing a wish to renegotiate the existing PPP agreement, no major breakthrough could be achieved, in addition, the Romanian authorities have not cooperated substantively with the Company's request to approve the transfer of the Company's shares in the Project SPV and its interest in the Project to AFI.

Because of the abovementioned issues surrounding the satisfaction of the conditions precedent in the pre-sale agreement, it is currently not certain whether the sale agreement as contemplated in the pre-sale agreement would be entered into and whether therefore the transaction with AFI would proceed. As such the Company, Dambovită NL and AFI Europe N.V. agreed to extend the Long Stop Date until December 31, 2021. Additionally, as the external appraisers, in their opinion did not reflect the risk related to the uncertainty in respect of fulfilment of the conditions precedent set out in the pre-sale agreement, as described above, the management has concluded that it can't measure the net realizable value of the Project based on either the pre-sale agreement or based on the residual value approach as the management would need to assume that it would receive the Romanian authorities approval to restructure and adjust the PPP agreement. As a result, the value of the trading property of the Project was fully reduced.

Still, the Company believes that despite this reduction there is no change in the value of the Company's rights under the PPP Agreement. In addition, management, believes that in case they will decide to pursue it material economic damage, the Company has a good case to claim compensation for such damages.

On the other hand, if the Company comes to an understanding with the Romanian authorities, it will measure the Casa Radio NRV to reflect its updated financial projections.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR**NOTE 6:- EQUITY ACCOUNTED INVESTEEES**

- a. The Group has the following interest in the below joint ventures.

Company name	Country	Activity	Interest of holding (percentage) as of December 31,	
			2020	2019
Elbit Plaza India Real Estate Holdings Ltd. ("EPI") (*)	Cyprus	Mixed-use large-scale projects	47.5%	47.5%

- (*) 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 Elbit and the Company, the holders of the remaining 95% each account for 50% of the results of EPI.

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

	2020	2019
Balance as of 1 January	14,419	17,676
Distribution received from equity-accounted investees	(983)	(782)
Share in results of equity-accounted investees, net of tax (1)	(1,084)	(2,396)
Effect of movements in exchange rates	(1,615)	(79)
Balance as of 31 December	<u>10,737</u>	<u>14,419</u>

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

Project name (holding company name)	Year ended December 31	
	2020	2019
Bangalore (held by EPI) (*)	(434)	(1,809)
Chennai (held by EPI) (*)	(526)	(472)
Other expenses	(123)	(115)
	<u>(1,084)</u>	<u>(2,396)</u>

- (*) Refer to the below paragraphs b(1) and b(2) regarding the properties' write downs.

- (2) Repayment of loan granted to the Company by EPI from proceeds received from the Partner in Bangalore property. See b (1) below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 6:- EQUITY ACCOUNTED INVESTEEES (Cont.)

b. Material joint ventures:

The summarized financial information of the material joint venture EPI (due to holding of major schemes in Bangalore and Chennai) is as follows:

	<u>2020</u>	<u>2019</u>
Current assets (*)	1,106	2,994
Trading properties-non current	33,090	39,354
Other current liabilities	(12,722)	(13,510)
Net assets (100%)	21,474	28,838
Group share of net asset (50%) (**)	<u>10,737</u>	<u>14,419</u>
Carrying amount of interest in joint venture	<u>10,737</u>	<u>14,419</u>

(*) Including cash and cash equivalents in the amount of EUR 910 thousand (2019 – EUR 2,816 thousand);

(**) Refer to remark on EPI holding rate in section a above.

	<u>2020</u>	<u>2019</u>
write-downs of trading properties	(1,921)	(4,472)
Other expenses	(247)	(320)
Total loss (100%)	(2,168)	(4,792)
Group share of loss (50%)	<u>(1,084)</u>	<u>(2,396)</u>
Total results from investees	<u>(1,084)</u>	<u>(2,396)</u>

 (1) Bangalore:

In March, 2008 EPI entered into a share subscription and framework agreement (the "Agreement"), with a third-party local developer (the "Partner"), and a wholly owned Indian subsidiary of EPI which was designated for this purpose ("SPV"), to acquire together with the Partner, through the SPV, up to 440 acres of land in Bangalore, India (the "Project") in certain phases as set forth in the Agreement. As of December 31, 2019, the Partner has surrendered sale deeds to the SPV for approximately 54 acres (the "Plot"). In addition, under the Agreement the Partner has also been granted with 10% undivided interest in the Plot and have also signed a Joint Development Agreement with the SPV in respect of the Plot.

On December 2, 2015 EPI has signed an agreement to sell 100% of its interest in the SPV to the Partner (the "Sale Agreement"). The total consideration upon completion of the transaction was INR 321 crores (approximately EUR 35.75 million) which should have been paid no later than September 30, 2016 ("Long Stop Date"). On November 15, 2016, the Partner informed EPI that it will not be able to execute the advance payments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 6:- EQUITY ACCOUNTED INVESTEEES (Cont.)

As a result of the foregoing, the Company has received from the escrow agent the sale deeds in respect of additional 8.7 acres (the "Additional Property") which has been mortgaged by the Partner in favor of the SPV in order to secure the completion of the transaction on the Long Stop Date. As per the Sale Agreement, the Company took actions in order to get full separation from the Partner with respect to the Plot and specifically the execution of the sale deed with respect of the 10% undivided interest, all as agreed in the Sale Agreement.

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.

In light of the above, and after lengthy negotiations between the parties, new understandings were formulated and the parties signed a revised agreement that substantially altered the outline of the original transaction (and this agreement was amended several more times, the last of which in April 2019), and concluded that: (i) the closing date for the transaction will be extended to November 2019, and may be further extended to August 2020 (the "Closing Date"). It should be clarified that the postponement of the closing date to November 2019 and August 2020 was subject to receipt of payments as agreed in the Sale Agreement and subject to mutually agreed payment terms; and (ii) the consideration was increased to INR 356 crores (approximately EUR 41.16 million) (Plaza part approximately EUR 20.58 million) (the "Consideration").

After August 2019, the Partner was unable to pay any further amounts nor was able to give firm commitment on payment of the remaining amount. In the absence of clarity on payment of the remaining amount, the SPV initiated:

- i) insolvency proceedings against the Partner for recovery of the amounts due on which notice was issued to the Partner. Arguments on the case has been completed and the matter is reserved for order on the admission of the insolvency application
- ii) criminal cases for dishonor of the cheques aggregating INR 15 crores which were given as security for payment of certain installments, the Court has issued arrest warrants and the local police is on the lookout for the accused persons.

Until the date of approval of the financial statements, the Partner paid to EPI approximately EUR 11.2 million (INR 87.00 crores) (Plaza part INR 43.5 crores (approximately EUR 5.6 million)) out of a total consideration of INR 356 crores (EUR 41.16 million) (Plaza part INR 178 crores (approximately EUR million)) the SPV should have received as of the said date as per the Agreement.

All the payment were done during 2017-2019 thus no payments were done in 2020. Further, the Partner has mortgaged approximately 8.7 acres of plots as security for completion of the transaction as noted above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 6:- EQUITY ACCOUNTED INVESTEEES (Cont.)
Environmental update on Bangalore project - India:

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

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

An appeal was filed before the Supreme Court of India against the Order. On March 2019, the Supreme Court has set aside the Order thereby restoring the position as it existed before the Order was passed by NGT.

On July 1, 2020, the proposed revised Master Plan under which it was proposed to change the zoning of most of the plot from residential to open space/ parks/ recreation zone has been withdrawn by the Government of Karnataka.

Net realizable value measurement of Bangalore project:

As of December 31, 2020 and 2019 the Group measured the net realizable value of the project. The net realizable value of the project based on the comparable Method is INR 198 crores (EUR 22.1 million); 2019 - INR 206 crores (EUR 25.8 million). Due to decrease in value of the plot EPI recognized a write down in the amount of app. EUR 0.8 million (the Company part (50%) app. EUR 0.4 million).

The evaluation method	Value in INR million	Value in EUR million
Comparable Method	1,983	22.1
DCF Method	1,890	21.0

In light of the Company's intention to sell the Plot to the Partner or to any other third party (see above), and in light of the uncertainty as to the completion of the transaction with the Partner, the Company believes that the comparable method reliably reflects the net realizable value of the Plot and therefore the Company recorded the value of the plot as of December 31, 2020 at the value of INR 198 crores (EUR 22.1 million) (the Company part (50%) app. EUR 11 million).

The plot in Bangalore is still in land stage and therefore the value of the plot has been derived using land comparable method. The valuation of the property reflects the interest that the partner still holds in the plot (10% as described above), the size of the plot, impact of COVID pandemic, and the non-contiguous land parcel and the petition/application filed with NCLT against the partner.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 6:- EQUITY ACCOUNTED INVESTEEES (Cont.)

The following main parameters have been considered to arrive at the land value of the subject property by land sale comparison method:

Parameter	Premium (Discount)
Applicable land value (INR Mn/acre)	95
Applicable FSI value (INR/Sq. ft)	1,081
Total land value (INR Mn)	5,185
Discount on account of Revised Master Plan 2015 Buffer zone norms (%)	-25%
Land Value after discount for RMP 2015 Buffer zone Norms (INR Mn /acre)	72
Presence of minority shareholder	-20%
Applicable Land Value after discount (INR Mn /acre)	57
Total land value (INR Mn)	3,111
Discount on account of the petition/application filed with NCLT	-25%
Total land value (INR Mn)	2,333
Marketability discount on account of COVID-19 situation	-15%
Total land value (INR Mn)	1,983

(2) 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 74.73 acres of land situated in the Sipcot Hi-Tech Park in Siruseri District in Chennai ("Property").

On September 16, 2015, EPI has obtained a backstop commitment from the Local Partner for the purchase of its 80% shareholding in the Chennai SPV by January 15, 2016, for a net consideration of approximately INR 161.7 Crores (EUR 21.1 million). Since the Local Partner had breached its commitment, EPI exercised its rights and acquired the Local Partner's 20% holdings in the Chennai Project SPV. Accordingly, as of December 31, 2020, EPI has 100% of the equity and voting rights in the Chennai Project SPV. However, there are two lawsuits (being filed in India) by plaintiffs claiming to be legal heirs of the landowners of the Property, who wish to recognize them as owners of 2.5% the Property.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 6:- EQUITY ACCOUNTED INVESTEEES (Cont.)

During 2016, Chennai Project SPV has signed a Joint Development Agreement with a local developer ("Developer" and "JDA", respectively) with respect to the Property. Under the terms of the JDA, the Chennai Project SPV granted the property development rights to the Developer" who shall bear full responsibility for all of the

project costs and liabilities, as well as for the marketing of the scheme. The JDA also stipulates specific project milestones, timelines and minimum sale prices.

In February 2019 the Chennai Project SPV issued notice to Developer terminating the JDA due to its failure to obtain the access road. The said termination of JDA has been disputed by the Developer. Therefore, the Chennai Project SPV has initiated arbitration proceeding against the Developer in accordance with the Arbitration Rules of the Singapore International Arbitration Centre, in accordance with the JDA Agreement to protect its rights. In June, 2019 the aforesaid dispute was amicably resolved, the arbitration proceedings withdrawn and the JDA restored.

On June 13, 2019 the Company announced that EPI and the Developer have signed a share purchase agreement ("SPA") according to which: (i) the Developer has paid a deposit of INR 5 crores (approximately EUR 0.625 million) in order to provide the Developer with an additional six months to complete the closing, which may be extended by another three months upon payment by the Developer of an additional deposit of INR of 5 crores (approximately EUR 0.625 million). (ii) if the Developer is unable to complete the closing within the aforesaid time periods, then the parties will mutually appoint an international real estate consulting firm for the purpose of identifying a third-party buyer within a period of six months; (iii) if the Developer is unable to complete the closing and no third-party buyer is found within the aforesaid time periods, both the JDA and SPA shall be terminated, subject to the Developer receiving the Deposits. However, the Developer will not be entitled to reimbursement of expenses incurred by it under the JDA; (iv) any final price received from a third-party buyer above approximately EUR 13 million (INR 108 crores) (the "Consideration") will be shared 67% by the Developer and 33% by EPI. The Consideration is subject to adjustment with respect to the Deposits and the existing cash in the Chennai Project SPV; (v) the Consideration will be remitted in Euro at the base rate already agreed upon by the parties. Foreign exchange loss arising due to change in conversion rate from INR to Euro will be borne by the Developer and gain will be credited to the account of EPI; (vi) the parties withdraw the arbitration proceedings and other notices of the Company; (vii) and of the Company and Elbit Imaging Ltd. as guarantor under the SPA, undertake EPI will transfer to the Developer 100% of the rights in SPV. The liability in connection with the guarantee as stated here in on standalone bases (and not together) and limited to an amount not exceeding 200% of the updated consideration and for a period not exceeding 5 years from the date of the transaction under the SPA being concluded.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 6:- EQUITY ACCOUNTED INVESTEEES (Cont.)

On December 5, 2019 the Company announced that EPI and the Developer have reached a revised understanding regarding the amendment of the agreement according to which: (i) The Developer further paid the Chennai Project SPV INR 5 crores (approximately EUR 0.625 million) and received a three months extension to complete the closing (i.e., until March 3, 2020). This closing may be extended for an additional three months period (i.e., until June 3, 2020), for an additional payment of INR 5 crores, to be paid by the Developer. (ii) Out of the payments received from the Developer (as detailed above) EPI is entitled to receive a total of INR 17 crores (Plaza part INR 8.5 crores (approximately EUR 1.05 million)).

Accordingly, on February 18, 2020 the Company announced that EPI has received INR 17 crores (approximately EUR 2.1 million (the Company's part EUR 1.05 million)) from the Chennai Project SPV.

On March 8, 2020 the Company announced that EPI and the Developer have reached a revised understanding regarding the amendment of the agreement according to which: (i) The Purchaser paid further INR 5 crores (approximately EUR 0.625 million) and get additional three months to complete the closing until June 3, 2020, which may be extended by another three months upon payment by the Purchaser of an additional deposit of INR of 7.5 crores (approximately EUR 0.9 million).

On June 2, 2020 the Company announced that in light of the ongoing lockdown due to COVID-19, the Developer has sought additional time for closing (currently set for June 2, 2020) and the parties have reached to a revised understanding as follows: (i) The Developer requests and gets an extension of 3 months to complete the closing (i.e. up to September 2, 2020) without an additional payment of INR 7.5 crores (approximately EUR 0.9 million). The Developer will have an option to extend this period of time by another 3 months (i.e., up to December 2, 2020) upon paying additional deposit of INR 7.50 crores (approximately EUR 0.9 million) (Plaza part INR 3.75 crores (approximately EUR 0.45 million)).

On August 31, 2020 the Company announced further to revised understanding regarding the amendment agreed by the parties on June 2, 2020 and due to the COVID 19 negative impact on the economic situation in India, the Purchaser has sought additional time for closing of the transaction (currently set for September 2, 2020), and the parties have reached a revised understanding as follows: (i) The Purchaser will deposit INR 1 crore (approximately EUR 0.115 million) and agrees to deposit additional INR 0.50 crore (approximately EUR 0.0575 million) by December 1, 2020; (ii) The Purchaser gets additional seven months to complete the closing (up to 1, April 2021), which may be extended by another three months (up to June 30, 2021) upon payment by the Purchaser of an additional deposit of INR 7.5 crores (approximately EUR 0.861 million);

Accordingly, the Purchaser has deposited INR 1.50 crore (approximately EUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

0.172

million) in accordance with his obligation in connection with the revised understandings to the Agreement as agreed on August 31, 2020.

NOTE 6:- EQUITY ACCOUNTED INVESTEEES (Cont.)

On March 31, 2020 the Company announced further the revision of the understanding regarding the amendment agreed by EPI and the Purchaser ("The Parties"). On August 31, 2020 the Parties have reached a revised understanding (the "Revised Understandings") as follows:

- a. The Purchaser will deposit INR 7.5 crore (approximately EUR 0.861 million (Plaza part is approximately EUR 0.43 million)).
- b. The Purchaser can complete the closing by April 30, 2021 at a revised consideration of 96.50 crores (approximately EUR 11.6 million (Plaza part is approximately EUR 5.8 million)).
- c. If the Purchaser fails to complete the closing by April 30, 2021 then the Purchaser gets additional two months to complete the closing by June 30, 2021 but at the initial consideration of INR 108 crores (approximately EUR 13 million (Plaza part is approximately EUR 6.5 million)).
- d. According to the SPA, if the Purchaser is unable to complete the closing within the aforesaid time periods, then the parties will mutually appoint an international real estate consulting firm for the purpose of identifying a third-party buyer within a period of six months.
- e. Following the deposit of the INR 7.5 crore (approximately EUR 0.861 million (Plaza part is approximately EUR 0.43 million)) by the purchaser as agreed in the Revised Understanding stated above, as of this date, the Purchaser has deposited a total of INR 34 crores (approximately EUR 4.1 million (Plaza part is approximately EUR 2.05 million)).

At this stage, there is no certainty that the SPA closing will occur.

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NOTE 6:- EQUITY ACCOUNTED INVESTEEES (Cont.)

Net realizable value measurement of Chennai project

Following signing of SPA (as described above) and in spite of the uncertainty on the ability of the developer to complete the closing within the aforesaid time periods (as detailed above), the management and the board of EPI decided in order to measure the value of the property, to compare between the Consideration (INR 1,082 million) which were agreed between the parties in the SPA to the value in the valuation prepared by an external appraisal based on the land comparable method.

Accordingly, since the appraiser valued the property in the valuation based on the comparable method in the value of INR 988 million (app. EUR 11.0 million) which is lower than the consideration, the Company recorded the value of the plot as of December 31, 2020, in the value of INR 988 million (app. EUR 11.0 million) out of which the Company's part in financial reports were EUR 5.5 million. Due to decrease in value of the plot EPI recognized a write down in the amount of app. EUR 1 million (the Company part (50%) app. EUR 0.5 million).

The evaluation method	Value in INR million	Value in EUR million
Comparable Method	988	11.0
DCF Method	1,078	12.0

The following main parameters have been considered to arrive at the land value of the subject property by land sale comparison method:

<u>Parameter</u>	<u>Premium (Discount)</u>
Applicable land value (INR Mn/acre)	17,74
Total land value (INR Mn)	1,292
Time delay for project and JDA exit formalities for prospective buyer (%)	-10%
Total land value (INR Mn)	1,163
Marketability discount on account of COVID-19 situation	-15%
Total land value (INR Mn)	988

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 7:- OTHER LIABILITIES

	December 31,	
	2020	2019
Prepayments (*)	200	250
Salaries and related expenses (**)	20	50
Accrued expenses	189	177
Total	409	477

(*) Including EUR 200 thousand payable due to down payment in regard to pre-sale agreement for the sale of Casa Radio Project (refer to note 5(3)(f)).

(**) Refer to Note 18.

NOTE 8:- BONDS

a. Composition:

	Effective interest rate	Contractual interest rate	Principal final maturity	Carrying amounts as at December 31 2020
Series A Bonds	11.58%	CPI+8%(*)	2021	35,966
Series B Bonds	13.83%	CPI+8.9%(*)	2021	51,171
				87,137

(*) Including 2% interest on arrears

b. Mandatory repayments subsequent to the reporting date (without early repayments):

2021	<u>87,137</u>
	<u><u>87,137</u></u>

(1) Pursuant to the Company's Restructuring Plan, the Company will assign 78% of the net proceeds received from the sale or refinancing of any of its assets as early repayment.

(2) Approved amendment to an early prepayment term under the Restructuring Plan

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

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

NOTE 8:- BONDS (Cont.)

principal payments originally due in 2016 and 2017 were deferred for a period of one year.

During the first three months of 2017, the Company paid to its bondholders a total amount of NIS 191.7 million (EUR 49.2 million) as an early redemption. Upon such payments, the Company complied with the Early Prepayment Term (early redemption at the total sum of at least NIS 382,000,000 (approximately EUR 98 million)) and thus obtained a deferral of one year for the remaining contractual obligations of the bonds.

In addition to the above, the following terms were approved by the bondholders:

- (a) Casa radio proceeds - If the Company shall sell the Casa radio project located in Romania (hereinafter: the "Project") to a third party, including by way of selling its holdings in any of the entities through which the Company holds the project (and said sale shall be carried out before the full repayment of the bonds and until no later than December 31, 2019, and for an amount which exceeds EUR 45 million net (i.e. after brokerage fees (if any), taxes, fees, levies or any other obligatory payment due to any authority in respect to the said sale) which shall actually be received by the Company, then the holders of bonds shall be eligible for a one-time payment (which shall come in addition to the principal and interest payments in accordance with the repayment schedule), in certain amounts specified in tranches.
 - (b) Registering of Polish bonds for trade - the Company has committed to undertake best efforts to admit the Polish bonds for trading on the Warsaw Stock Exchanges and proceeding in this respect are ongoing.
 - (c) Deferred debt ratio of Series B bonds - were reduced to 68.24% from 70.44% following the cancellation of the treasury bonds. The ratio has been changed for Series B bonds in order to maintain a distribution ratio between the three series.
- (c) Settlement agreement with Bondholders of Israeli Series of Bonds:

In January 2018, a settlement agreement was signed by and among the Company and the two Israeli Series of Bonds ("Settlement Agreement"). In the Settlement Agreement it was agreed, inter alia, to approve:

- New repayment ratios between the two Israeli Series of Bonds (new ratio: Bond A-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

- 39% Bond B- 61%);
- An increase in the level of the mandatory early repayments from 75% to 78% of the relevant net income;
 - New repayment schedule;
 - An increase in the compensation to be paid to the Bondholders in the event of successful disposal of Casa Radio Project;
 - A waiver of claims to the Company and its directors and officers; and

NOTE 8:- BONDS (Cont.)

- To waive the request for publication of quarterly financial reports by the Company.

As a result of settlement agreement signing, Series A Bondholders withdraw their request for immediate repayment.

It is clarified that the Settlement Agreement is a separate agreement among the parties thereto with respect to the Company's restructuring plan, and as such has no effect on the Polish Bondholders.

On January 31, 2018 the Company paid the bondholders a total amount of principal and interest of EUR 38,487 thousand.

- (1) The net cash flow received by the Company following an exit or raising new financial indebtedness (except if taken for the purpose of purchase, investment or development of real estate asset) or refinancing of real estate assets after the full repayment of the asset's related debt that was realized or in respect of a loan paid in case of debt recycling (and in case where the exit occurred in the subsidiary - amounts required to repay liabilities to the creditors of that subsidiary) and direct expenses in respect of the asset (any sale and tax costs, as incurred), will be used for repayment of the accumulated interest till that date in all of the series (in case of an exit which is not one of the four shopping centres only 50% of the interest) and 78% 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.
- (2) On November 22, 2018 the Company announced based on its current forecasts, the Company expected to pay the accrued interest on Series A and Series B Bonds on December 31, 2018, in accordance with the repayment schedule determined in the Company's Restructuring Plan and Settlement Agreement with Series A and Series B Bondholders from 11 January 2018 (the "Settlement Agreement"). The Company noted that it will not meet its principal repayment due on December 31, 2018 as provided for in the Settlement Agreement. The Company may be able to partially pay the said principal depending, among other things, on the actual sale of assets and taking into consideration the cash needs in accordance with the scope of the forecasted activity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 8:- BONDS (Cont.)2019

Following the announcement of the Company from January 2019, the Company repaid in February 2019 circa EUR 400,000 (principal of circa EUR 250,000 and penalty interests of circa EUR 150,000) to its Series A and Series B. As provided for in the Settlement Agreement, the bondholders approved the deferral of payment to July 1, 2019.

In addition, during June 2019 the bondholders approved the deferral of the full payment of principal due on July 1, 2019 and of 58% ("deferred interest amount") of the sum of interest (consisting of the total interest accrued for the outstanding balance of the principal, including interest for part of the principal payment which was deferred as of February 18, 2019, plus interest arrears for part of the principal which was fixed on 18.2.2019 and was not paid by the Company and all in accordance with the provisions of the trust deed; "the full amount of interest"), the effective date of which is 19.6.2019, and the payment date was fixed as of 1.7.2019. The Company paid on the said date a total amount of circa EUR 1.17 million of which is only 42% of the full amount of interest.

On July 11, 2019, the Company announced that its Romanian subsidiary had signed a binding agreement to sell land in Miercurea Ciuc, Romania, and that the Company would use part of the proceeds now received by it EUR 0.75 million (hereinafter: "the amount payable"), in order to make a partial interest payment to the bondholders (Series A) and (Series B) issued by the Company. The payment required changes in the repayment schedule and amendments of the trust deeds which was approved unanimously by the Bondholders. The amount payable was paid on August 14, 2019 and reflects 30% of accrued interest as of that date.

On November 17, 2019 the bondholders of Series A and Series B approved a deferral of all the scheduled Principal payment and app. 87% of deferral of the scheduled Interest payment, both, as of December 31, 2019 to July 1, 2020.

Accordingly, in December 2019, Company made a partial interest payment in amount of circa EUR 0.6 million of which is only 13% of the full amount of interest.

2020

On May 4, 2020, the bondholders of Series A and Series B approved: (i) to postpone the final redemption date to January 1, 2021 of all the scheduled Principal; (ii) that on July 1, 2020 the Company will pay to its bondholders a partial interest payment in the total amount of EUR 0.25 million and to deferral all other unpaid scheduled Interest payment.

Following receiving the Settlement Amount (refer to Note 16(b)(9)), and in light of the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

potential negative impact of the Covid-19 on the possibility to receive future proceeds from the Company's plots in India, the Company decided to increase the amount to be paid to the bondholders on July 1, 2020, from EUR 0.25 million to EUR 0.5 million. The amount reflected 6.74% of accrued interest as of that date.

On November 12, 2020, the bondholders of Series A and Series B approved: (i) to postpone the final redemption date to July 1, 2021 of all the scheduled Principal; that on January 1,

NOTE 8:- BONDS (Cont.)

2021 the Company will pay to its bondholders a partial interest payment in the total amount of EUR 0.2 million and to deferral all other unpaid scheduled Interest payment. The amount reflected 1.84% of accrued interest as of that date.

As detailed in Note 1(b) the Company expects that it will not be able to meet its entire contractual obligations in the following 12 months. Accordingly, it intends to request the bondholders of both series to postponement of the repayment of the remaining balance of the Bonds.

d. Covenants:

The bonds' covenants are detailed in Note 16(b)(1).

In respect of the Coverage Ratio Covenant ("CRC"), as defined in the restructuring plan, as at December 31, 2020 the CRC is not in compliance with 118% minimum ratio required.

e. Credit rating:

In January 2018, Standard & Poor's Maalot, the Israeli credit rating agency which is a division of International Standard & Poor's has discontinued tracking Plaza's rating at the Company's request.

NOTE 9:- INCOME TAXES

a. Deferred taxes recognized are attributable to the following items:

Assets/(liabilities) 2020	December 31, 2019	Recognized in Profit or loss 2020	December 31, 2020
Bonds	(628)	628	-
Tax value of carry-forwards loss recognized (*)	628	(628)	-
Deferred tax asset (liability), net	-	-	-
	December 31,	Recognized in Profit or loss	December 31,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

Assets/(liabilities) 2019	2018	2019	2019
Bonds	(943)	315	(628)
Tax value of carry-forwards loss recognized (*)	943	(315)	628
Deferred tax asset (liability), net	-	-	-

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

NOTE 9:- INCOME TAXES (Cont.)

b. Unrecognized deferred tax assets:

Deferred tax assets have not been recognized in respect of tax losses in a total amount of EUR 107,717 thousand (2019: EUR 112,073 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, 2020, the expiry date status of tax losses to be carried forward is as follows:

Total tax losses carried forward	2021	2022	2023	2024	2025	After 2025
107,717	12,555	25,228	18,488	14,647	23,737	13,062

Tax losses are mainly generated from operations in the Netherlands. Tax settlements may be subject to inspections by tax authorities. Accordingly, the amounts shown in the financial statements may change at a later date as a result of the final decision of the tax authorities.

c. Amounts recognized in profit or loss:

	Year ended December 31	
	2020	2019
Adjustment in respect of previous years taxes (1)	-	(71)
Total	-	(71)

(1) 2019 – result from withholding tax paid in Israel.

d. Reconciliation of effective tax rate:

	2020	2019
Dutch statutory income tax rate	25%	25%
Loss from continuing operations before income taxes	(33,490)	(21,096)
Tax benefit at the Dutch statutory income tax rate	(8,372)	(5,274)
Effect of tax rates in foreign jurisdictions	158	(1,670)
Adjustment in respect of previous years taxes	-	71
Current year tax loss and other timing differences for	8,087	6,329

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

which no deferred taxes are created (1)		
Non-deductible expenses (exempt income)	127	615
Tax Expense	-	71

- (1) 2020 and 2019 - Mainly due to write-down of trading property not recognized for tax purposes.

NOTE 9:- INCOME TAXES (Cont.)

- e. 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. The Dutch participation exemption gives a full exemption from corporation tax applies to benefits such as dividends and capital gains derived from a qualifying participation. The participation exemption generally applies if the parent Company holds at least 5 percent of the shares in the participation. The requirements to meet the participation exemption are as follows:
1. The parent Company has an interest of at least 5 percent in the participation; and
 2. At least one of the following three tests is met:
 - a) The parent Company's objective with respect to its participation is to obtain a return that is higher than a return that may be expected from normal active asset management ("Motive Test"); or
 - b) The participation is subject to a "reasonable taxation" according to Dutch tax standards ("Subject-to-Tax Test"); or
 - c) The direct and indirect assets of the participation generally consist of less than 50 percent of 'low taxed free passive investments' ("Asset Test").

NOTE 10:- EQUITY

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
<u>Remarks</u>	<u>Number of shares</u>	
Authorized ordinary shares of par value EUR 1 each	<u>10,000,000</u>	<u>10,000,000</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

Issued and fully paid	<u>6,855,603</u>	<u>6,855,603</u>
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Translation reserve

The translation reserve comprises, as of December 31, 2020, all foreign currency differences arising from the translation of the financial statements of foreign operations in India.

NOTE 10:- EQUITY (Cont.)Restriction of dividend

The Company shall not make any dividend distributions, unless (i) at least 75% of the Unpaid Principal Balance of the Bonds 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 11:- EARNINGS PER SHARE

The calculation of basic earnings per share ("EPS") at December 31, 2020 was based on the loss attributable to ordinary shareholders of EUR 33,490 thousand (2019: loss of EUR 21,167 thousand) and a weighted average number of ordinary shares outstanding of 6,856 thousand (2019: 6,856 thousand).

Weighted average number of ordinary shares basic and diluted:

In thousands of shares with a EUR 1 par value	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Issued ordinary shares at 1 January	<u>6,856</u>	<u>6,856</u>
Weighted average number of ordinary shares at 31 December	<u>6,856</u>	<u>6,856</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 12:- EMPLOYEE SHARE OPTION PLAN

	Weighted average exercise price (*)	Number of options	Weighted average exercise price	Number of options
	2020		2019	
	GBP		GBP	
Outstanding at the beginning of the year	43	235,520	43	235,520
Forfeited during the period - back to pool		-		-
Outstanding at the end of the year	43	235,520	43	235,520
Exercisable at the end of the year		235,5200		235,5200

- (*) The options outstanding on 31 December 2020 have an exercise price in the range of GBP 28 to GBP 54 (app. EUR 31.1 – EUR 60.1), and have weighted average remaining contractual life of two years.

The maximum number of shares issuable upon exercise of all outstanding options as of the end of the reporting period is 357,774. The estimated fair value of the services received were measured based on a binomial lattice model.

During 2020 and 2019 there were no employee costs for the share options granted.

NOTE 13:- ADMINISTRATIVE EXPENSES

	Year ended December 31	
	2020	2019
Salaries and related expenses	474	641
Professional services	573	748
Offices and office rent	32	95
Travelling and accommodation	3	24
Others	18	69
Total	1,100	1,577

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 14:- FINANCE INCOME AND FINANCE COSTS

	Year ended December 31	
	2020	2019
Recognized in profit or loss		
Foreign currency gain on bonds	2,096	-
Finance income	<u>2,096</u>	<u>-</u>
Interest expense on bonds	(10,155)	(8,099)
Foreign currency losses on bonds	-	(8,536)
Other finance expenses	(21)	(13)
Finance costs	<u>(10,176)</u>	<u>(16,648)</u>
Net finance costs	<u>(8,080)</u>	<u>(16,648)</u>

NOTE 15:- 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 15:- FINANCIAL INSTRUMENTS (Cont.)

a. Credit risk:

Credit risk is the risk of financial loss to the Group if a 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 had a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

Cash and deposits and other financial assets

The Group limits its exposure to credit risk in respect to cash and deposits, by investing mostly in deposits and other financial instruments with counterparties that have a credit rating of at least investment grade from international rating agencies. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

b. Liquidity risk:

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. For detailed information refer to Note 1(b).

Liquidity risk

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

December 31, 2020

<u>Non-derivative financial liabilities</u>	<u>Carrying amount</u>	<u>Contractual cash flow</u>	<u>6 months or less</u>	<u>6-12 months (*)</u>
Bonds issued (*)	97,821	(101,982)	-	(101,982)
Trade and other payables	147	(147)	(147)	-
	<u>97,968</u>	<u>(102,129)</u>	<u>(147)</u>	<u>(101,982)</u>

December 31, 2019

<u>Non-derivative financial liabilities</u>	<u>Carrying amount</u>	<u>Contractual cash flow</u>	<u>6 months or less</u>	<u>6-12 months (*)</u>
Bonds issued (*)	90,352	(96,512)	-	(96,512)
Trade and other payables	144	(144)	(144)	-
	<u>90,496</u>	<u>(96,656)</u>	<u>(144)</u>	<u>(96,512)</u>

(*) Refer to Note 8.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 15:- 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 (Bonds issued in Israel) that are denominated in NIS.

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

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

<i>EUR</i>	<u>Average rate</u>		<u>Reporting date</u>	
	<u>2020</u>	<u>2019</u>	<u>Spot rate</u>	<u>2019</u>
NIS 1	0.255	0.251	0.254	0.257

NIS denominated bonds – a change of 5 percent in EUR/NIS rates at the reporting date would increase/decrease loss by EUR 4.36 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 (including inflation):

The Group's interest rate risk arises mainly from Bonds issued at fixed interest rate expose the Group to changes in fair value, if the interest is changing. As the Israeli inflation risk is diminishing to a level that management believes is acceptable (Israeli CPI 2020 – (0.6%); 2019 - 0.8%) and due to liquidity constraints, the Company has stopped using hedging of CPI in recent years.

Sensitivity analysis - effect of changes in Israeli CPI on carrying amount of NIS bonds

A change of 3 percent in Israeli Consumer Price Index ("CPI") at the reporting date (and in 2019) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 15:- FINANCIAL INSTRUMENTS (Cont.)

For the year ended December 31,	Carrying amount of bonds	Profit (loss) effect	
		CPI increase effect	CPI decrease effect
2020	87,137	(2,614)	(2,614)
2019	86,506	(2,595)	2,595

Shareholders' equity management:

Refer to Note 10 in respect of shareholders equity components in the restructuring plan including dividend policy. The Company's Board of Directors is updated on any possible equity issuance, in order to assure (among other things) that any changes in the shareholders equity (due to issuance of shares, options or any other equity instrument) is to the benefit of both the Company's bondholders and shareholders.

Fair values:

The table below is a comparison between the carrying amount and fair value of the Company's financial instruments that are presented in the financial statements not at fair value:

	Carrying amount		Fair value (*)	
	2020	2019	2020	2019
Bonds A at amortized cost - Israeli bonds	35,996	35,824 ⁽¹⁾	5,887	7,184
Bonds B at amortized cost - Israeli bonds	51,171	50,682 ⁽²⁾	7,086	10,340

(1) includes amortization cost of EUR 918 million as of December 31, 2019

(2) includes amortization cost of EUR 1,593 million as of December 31, 2019

(*) The fair value is based on Level 1 in fair value hierarchy and measured based on market quote.

Management believes that the carrying amount of cash, receivables and trade payables approximate their fair value due to the short-term maturities of these instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 16:- CONTINGENT LIABILITIES AND COMMITMENTS

- a. Contingent liabilities and commitments to related parties:
1. The Company entered into an indemnity agreement with all of the Company's directors and senior management- the maximum indemnification amount to be granted by the Company to the directors shall not exceed 25% of the shareholders' equity of the Company based on the shareholders' equity set forth in the Company's last consolidated financial statements prior to such payment. No consideration was paid by the Company in this respect since the agreement was signed.
 2. The Company maintains Directors' and Officers' liability cover, presently at the maximum amount of USD 20 million for a term of 12 months commencing on May 1, 2020. Pursuant to the terms of this policy, all the Directors and Senior Managers 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 20 million.
- b. Contingent liabilities and commitments to others:
1. As part of the completion of the restructuring plan (refer also to Note 8), the Group has taken the following commitments and collaterals towards the creditors:
 - a) Restrictions on issuance of additional bonds - The Company undertakes not to issue any additional bonds other than as expressly provided for in the Restructuring Plan.
 - b) Restrictions on amendments to the terms of the bonds - The Company shall not be entitled to amend the terms of the bonds, 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 bonds issued by the Company by ordinary majority. Refer to Note 8 for recent amendments.
 - c) Coverage Ratio Covenant ("CRC") - the CRC is a fraction calculated based on known Group valuation reports and consolidated financial information available at each reporting period. The CRC to be complied with by the Group is 118% ("Minimum CRC") in each reporting period. For December 31, 2020 the calculated CRC is not in compliance with Minimum CRC (also refer to Note 8(d) regarding breach of covenant). 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 investment that regards an existing project of the Company or of a subsidiary, unless it does not exceed a level of 20% of

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

the construction cost of such project (as approved by the lending bank of these projects) and the certain

NOTE 16:- CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

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 the Bondholders shall be entitled to declare that all or a part of their respective (remaining) claims become immediately due and payable.

- d) Minimum Cash Reserve Covenant ("MCRC") - cash reserve of the Company has to be greater than the amount estimated by the Company's management required to pay all administrative and general expenses and interest payments to the bondholders 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 not maintained as of December 31, 2019 and 2020.
- e) Negative Pledge on REA of the Company - The Company undertakes that until the bonds have been repaid in full, it shall not create any encumbrance on any of the REA, held, directly or indirectly, by the Company except in the event that the encumbrance is created over the Company's interests in a subsidiary as additional security for financial indebtedness ("FI") incurred by such subsidiary which is secured by encumbrances on assets owned by that subsidiary.
- f) Negative Pledge on the REA of Subsidiaries - The subsidiaries shall undertake that until the bonds have been repaid in full, none of them will create any encumbrance on any of REA except in the event that:
- (i) the subsidiary creates an encumbrance over a REA owned by such subsidiary exclusively as security for new FI incurred for the purpose of purchasing, investing in or developing such REA; Notwithstanding the aforesaid, subsidiaries shall be entitled to create an encumbrance on land as security for FI incurred for the purpose of investing in and developing, but not for purchasing, an REA held by a different Group company (hereinafter: a "Cross Pledge"), provided the total value of the lands owned by the Group charged with Cross Pledges after the commencement date of the plan does not exceed EUR 35 million, calculated on the basis of book value (the "Sum of Cross Pledges"). When calculating the Sum of Cross Pledges, lands that were charged with Cross Pledges created prior to the commencement date of the plan or created solely for the purpose of refinancing an existing FI shall be excluded. The Group did not have cross-pledge as of December 31, 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

- (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

NOTE 16:- CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

refinancing. Any excess net cash flow generated from such refinancing, shall be subject to the mandatory early prepayment of 75%.

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 a 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 bonds debt (as of November 30, 2014) have been repaid in full, except in any of the following events:
- (i) the new FI is incurred for the purpose of investing in the development of a REA, provided that: (a) the Loan To Cost ("LTC") Ratio of the investment is not less than 50% (or 40% in special cases); (b) the new FI is incurred by the subsidiary that owns the REA or, if the FI is incurred by a different subsidiary, any encumbrance created as security for such new FI is permitted under the negative pledge stipulation above; and (c) following such investment the consolidated cash is not less than the MCRC;
 - (ii) The new FI is incurred by a subsidiary for the purpose of purchasing a new REA by such Subsidiary, provided that following such purchase the cash reserve is not less than the MCRC.
 - (iii) At least 75% of the net cash flow resulting from the incurrence of new FI is used for a 75% early prepayment of the bonds. Subject to the terms of the plan, the Group may also refinance existing FI if this does not generate net cash flow.
- h) No distribution policy - The Company's ability to pay dividend is limited unless certain conditions are met.
- i) 75% mandatory early repayment - Refer to Note 8 and to other sections in this note regarding changes in increase of repayment to 78%.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

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

Such indemnifications are limited in time and amount. No indemnifications were

NOTE 16:- CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

exercised against the Group till the date of the statement of financial position

3. The Company is liable to the buyer of its previously owned shopping centre in the Czech Republic ("NOVO") - sold in June 2006 - in respect to one of its tenants ("Tesco"). Tesco leased an area within the shopping centre for a period of 30 years, with an option to extend the lease period for an additional 30 years, in consideration for EUR 6.9 million which was paid in advance. According to the lease agreement, the tenant has the right to terminate the lease agreement subject to fulfilment of certain conditions as stipulated in the agreement.

In case Tesco leaves the mall before expiration of lease period the Company will be liable to repay the remaining consideration in amount of EUR 1.43 million as of balance sheet date, unless the buyer finds another tenant that will pay higher annual lease payment than Tesco. The management does not expect to bear a material loss.

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

5. Lawsuit against entities involved in the sale of U.S. shopping centers in 2011:

In March 2018, a shareholder of the Company (hereinafter: "**the Plaintiff**") filed a motion with the Economic Department of the District Court in Tel-Aviv to reveal and review internal documents of the Company and of Elbit Imaging Ltd. (hereinafter: "**Elbit**") (hereinafter: "**the Motion**"), in which the Court was asked to instruct the Company and Elbit (hereinafter together: "**the Respondents**") to provide the plaintiff with certain documents of the respondents in connection with the Casa Radio project in Romania and with the sale of the U.S. Shopping Centers in 2011.

In February 2020, an agreement was reached between the Plaintiff and the Respondents according to which the motion will be dismissed by consent and the plaintiff and the respondents (hereinafter: "**the Parties**") will jointly examine the feasibility of the lawsuit in connection with the above events.

In light of the aforesaid, an agreement was signed between the Plaintiff, the Respondents and First Libra Israel Ltd. (hereinafter: "**Libra**") according to which Libra will finance all the expenses of filing and managing of a new lawsuit by the Respondents against certain parties (certain officers in the Respondents, a portion

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of the heirs of Motti Zisser (the former controlling shareholder of the Respondents and other parties)) who were involved in the Respondents' transaction for the sale of real estate in the United States in 2011 and for which funds (brokerage fees) were allegedly illegally transferred to private companies controlled by the late Mr. Motti Zisser (hereinafter: "**Financing Agreement**" and "**New LawsUIT**", respectively).

NOTE 16:- CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

The parties to the Financing Agreement agreed, inter alia, that any consideration received as a result of the New LawsUIT (to the extent received) (hereinafter: "**the LawsUIT Funds**") will first be used to reimburse Libra's expenses for the New LawsUIT (plus interest and VAT) and the balance after deduction of such expenses (hereinafter: "**the Balance of the LawsUIT Funds**") will be divided among all those involved in the New LawsUIT, so that each of the Company and Elbit will be entitled to circa 20.75% of the Balance of the LawsUIT Funds.

In order to ensure the distribution of the LawsUIT Funds as stated above, both the Company and Elbit signed lien documents in favor of Libra, the Plaintiff and the attorneys representing them (hereinafter collectively: "**the Eligibles**") with respect to the reimbursement of expenses and their portion in the LawsUIT Funds (hereinafter: "**the Lien**").

On October 18, 2020 the parties filed the New LawsUIT (in the amount of circa NIS 60 million (approximately EUR 15 million)).

6. Request to reveal documents:

An indirect subsidiary of the Group in Romania (which holds plot of land outside Bucharest) received a request from Romanian Authorities to reveal documents regarding the years in 2007-2011 as part of an ongoing investigation procedures. The company is unaware of the subject of investigation and any illegal acts or irregularities which may cause investigation initiated. The company has submitted all relevant documents in respect of the said years. During 2019 another indirect subsidiary of the group (which was liquidated) was invited to a Court hearing.

A criminal investigation carried out regarding the commission of the money laundering and fiscal evasion offenses against legal representative (directors) of certain companies in which the Company had indirect holdings through JV in the past. The prosecutor closed the case and the chief prosecutor denied the complaint of National Agency for Fiscal Administration as tardy. Against the prosecutor's disposition to close the case, the National Agency for Fiscal Administration filed a complaint in Court.

In November 2019, the Court denied the National Agency for Fiscal Administration complaint as unfounded. The Court's decision is final.

7. For details on the Romanian Prosecutor decision to close the investigation relating the Co-operation with the Romanian Authorities regarding potential irregularities on the property Casa Radio please refer to Note 5(3)(d).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

8. For details on the notice which were issued to a local investor in the Bangalore project – India and on the Environmental status of the property in the project Please refer to Note 6(b)(1).

NOTE 16:- CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

9. The Final Price adjustment of Belgrade Plaza:

On June 8, 2020 the Company together with a fully owned subsidiary signed on a final settlement and waiver agreement with the purchaser of the SPV holding the shopping and entertainment center in Belgrade (the "Purchaser", the "Settlement" and the "Project", accordingly) according to which the Purchaser will pay a final amount (including the last payment for the stands and signage) of EUR 830,000 (the "Settlement Amount") which will be the final amount that should be paid to the Company under the share purchase agreement between the parties for the sale of the Project, dated January 26, 2017 (the "SPA").

The Settlement amount was paid to the Company on June 15, 2020.

10. Dutch statutory auditor:

As described in Note 2(a) 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. During 2019 the Company has been informed by the audit firm, Baker Tilly (Netherlands) N.V., that they would cancel their license to audit public interest entities (such as the Company) and that, as a consequence, they are not in the position to provide the Company with their audit services for the 2019 statutory annual accounts. As a listed company, the Company needs to engage a Dutch audit firm that is licensed to perform audits for public interest entities. The choice for such firms in the Netherlands is very limited as only six firms have the appropriate license.

Despite extensive effort of the Company to find a new Dutch auditor, none of those six firms has been found prepared to accept the Company as their client. The Company approached in writing the Dutch Ministry of Finance, The Royal Dutch Institute of Chartered Accountants, the Authority for the Financial Markets to indicate the severe adverse consequences the Company would suffer if this problem will not be solved but none of those authorities has been able to find the solution. The Royal Dutch Institute of Chartered Accountants has put considerable effort in helping the Company by approaching audit firms and assessing their procedures for client acceptance but has no legal possibilities at its disposal to force audit firms to accept a specific client. This leaves the Company in the awkward position of not being able to meet its obligations regarding the statutory audit.

The Company has proposed to the authorities various alternative solutions to get the annual accounts of 2019 audited. It appeared that none of those are legally

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

feasible and none of the addressees came up with any alternatives. It is now time to emphasize that the Company exhausted its sources to comply with the requirements of mandatory Dutch law.

NOTE 16:- CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

Due to the above and in order to avoid an outright violation of applicable stock exchange regulations, the Company decided to engage EY Israel to audit its IFRS consolidated annual accounts and to issue an auditor statement on that. The Company submitted the annual consolidated financial statements as of December 31, 2019 which were filed to the London Stock Exchange, the Warsaw Stock Exchange and the Tel Aviv Stock Exchange, to the Authority for the Financial Markets and to other relevant Dutch authorities.

As of the date of approval of these consolidated financial statements the company still didn't find any solution to get the annual accounts of 2019 and 2020 audited therefore, it will submit the annual consolidated financial statements as of December 31, 2020 that were filed to the London Stock Exchange, the Warsaw Stock Exchange and the Tel Aviv Stock Exchange, to the Authority for the Financial Markets and to any other relevant Dutch authorities.

NOTE 17:- RELATED PARTY TRANSACTIONSRelated 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.

During the year, Group entities had the following trading transactions with related parties that are not members of the Group:

	Year ended	
	December 31,	
	<u>2020</u>	<u>2019</u>
Costs and expenses		
Recharges – Elbit Imaging Ltd.	29	24
Compensation to key management personnel (2)	174	243
Performance linked benefits - management	28	29
Compensation to board members (1), (2)	230	265

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

(1) 2020 – two board members; 2019 - two board members (Executive Director resigned in

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

April 2019).

- (2) There was no change in the number of Company share options granted to key personnel in 2020. There are no other benefits granted to directors.

On March 23, 2020 Mr. David Dekel was appointed as the non-executive Chairman of the Board of Directors.

NOTE 17:- RELATED PARTY TRANSACTIONS (Cont.)

	Year ended December 31,	
	2020	2019
Prepayments and other receivables		
Elbit Imaging Ltd (*)	-	139
Other liabilities		
Elbit Imaging Ltd	13	-
Due amounts to directors and key management personnel	19	42

As of December 31, 2019, Elbit Imaging Ltd owed the Company an amount of EUR 0.133 million, which was paid during 2020.

As of December 31, 2020, the Company identified Davidson Kempner Capital Management LLC ("DK") among 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.

NOTE 18:- EVENTS AFTER THE REPORTING PERIOD

- a. Update regarding a change in Elbit Imaging Ltd holdings

On January 11, 2021 the Company announced that since August 5, 2020 and up to January 10, 2021, Elbit Imaging Ltd. ("Elbit Imaging") sold about 160 thousand shares of the Company, which are held in escrow account, for an average price of NIS 0.99 and for a total consideration of approximately NIS 159 thousand, thus, Elbit Imaging holdings in the Company have diminished from 44.9% to 42.6% of the Company's issued and paid-up capital.

On January, 11 2021, Elbit Imaging sold about 180 thousand shares of the Company, which are held in escrow account, for an average price of NIS 0.60 and for a total consideration of approximately NIS 110 thousand, thus, Elbit Imaging holdings in the Company have diminished from 42.6% to 39.9% of the Company's issued and paid-up capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

On January 12, 2021, Elbit Imaging sold about 319 thousand shares of the Company, which are held in escrow account, for an average price of NIS 0.61 and for a total consideration of approximately NIS 194 thousand, thus, Elbit Imaging holdings in the Company have diminished from 39.9% to 35.3% of the Company's issued and paid-up capital.

On January 13, 2021, Elbit Imaging sold about 442 thousand shares of the Company, which are held in escrow account, for an average price of NIS 0.66 and for a total consideration of approximately NIS 291 thousand, thus, Elbit Imaging holdings in the Company have diminished from 35.3% to 28.8% of the Company's issued and paid-up capital.

NOTE 18:- EVENTS AFTER THE REPORTING PERIOD

On February 24, 2021 the Company announced that since last announcement Elbit Imaging sold about 120 thousand shares of the Company, which are held in escrow account, for an average price of NIS 0.76 per share and for a total consideration of approximately NIS 91 thousand, thus, Elbit Imaging holdings in the Company have diminished from 28.8% to 27.1% of the Company's issued and paid-up capital.

- b. Update regarding the sale of its holding in the project in Chennai, India.

For details on the revised understanding signed on March 31, 2021 between Elbit Plaza India Real Estate Holdings Limited (a subsidiary held by the Company (50%) and the purchaser please refer to Note 6(b)(2).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 19:- LIST OF GROUP ENTITIES

As of December 31, 2020, 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		
Tatabanya Plaza Ingatlanfejlesztési Kft.	Inactive	
Plasi Invest 2007 Kft.	Inactive	
POLAND		
Directly wholly owned		
Plaza Centers (Poland) Sp. z o.o. w likwidacji	Management company	Company under liquidation
Indirectly or jointly owned		
EDP Sp. z o.o.	Inactive	50% held by Plaza Centers N.V. with Israeli-based partner
Hokus Pokus Rozrywka Sp. z o.o. w likwidacji	Inactive	50% held by Plaza Centers N.V. 50% held by P.L.A.Z.A B.V.
Fantasy Park Suwalki Sp. z o.o. w likwidacji	Inactive	100% held by Mulan B.V., company under liquidation
Fantasy Park Torun Sp. z o.o. w likwidacji	Inactive	100% held by Mulan B.V., company under liquidation
Fantasy Park Zgorzelec Sp. z o.o. w likwidacji	Inactive	100% held by Mulan B.V., company under liquidation
ROMANIA		
Indirectly or jointly owned		
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.
SERBIA		
Directly wholly owned		
Plaza Centers Management D.O.O.	Management company	
CZECH REPUBLIC		
Directly wholly owned		
Plaza Centers Czech Republic S.R.O.	Inactive	
BULGARIA		
Directly wholly owned		
Shumen Plaza EOOD	Inactive	Shumen Plaza project - Sold 03/2017; Company under liquidation
Plaza Centers Management Bulgaria EOOD	Management company	Company under liquidation
Plaza Centers Development EOOD	Inactive	Company under liquidation
CYPRUS – UKRAINE		
Directly wholly owned		
PC Ukraine Holdings Ltd.	Inactive	Company under liquidation
Plaza Centers Ukraine Ltd.	Inactive	100% held by Plaza Centers N.V.
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
P.L.A.Z.A B.V.	Inactive	100% held by Mulan B.V.
Plaza Centers Management B.V.	Holding company	
Dambovita Centers Holding B.V.	Holding company	100% held by Plaza Centers N.V.
Plaza Bas B.V.	Holding company	50.1% held by Plaza Centers N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 19:- LIST OF GROUP ENTITIES (Cont.)

CYPRUS – INDIA	ACTIVITY	REMARKS
Directly wholly owned		
PC India Holdings Public Company Ltd.	Inactive	Company under liquidation
Indirectly or jointly owned		
Elbit Plaza India Real Estate Holdings Ltd.	Holding company	Equity accounted investee 47.5% held by Plaza Centers N.V.
Polyvendo Ltd.	Holding company	100% held by Elbit Plaza India Real Estate Holdings Ltd.
Elbit Plaza India Management Services Pvt. Ltd.	Management company	99.99% held by Polyvendo Ltd.
Vilmadoro Ltd.	Holding company	100% held by Elbit Plaza India Real Estate Holdings Ltd.
Kadavanthra Builders Pvt. Ltd.	Mixed-use project	100% held by Elbit Plaza India Real Estate Holdings Ltd. Chennai (SipCot) project
Aayas Trade Services Pvt. Ltd.	Mixed-use project	99.9% held by Elbit Plaza India Real Estate Holdings Ltd. Bangalore project

ENTITIES DISPOSED OR DISSOLVED IN 2020

	ACTIVITY	REMARKS
HUNGARY		
HOM Ingatlanfejlesztési és Vezetési Kft.	Management company	Company disposed 03/2020
POLAND		
Wloclawek Plaza Sp. z o.o. w likwidacji	Mixed-use project – plot land sold 10/2019	Company dissolved 12/2020
Szczecin Plaza Sp. z o.o.	Inactive	Company dissolved 12/2020
Lublin Or Sp. z o.o.	Inactive	Company dissolved 03/2020
Fantasy Park Kraków Sp. z o.o.	Inactive	Company dissolved 09/2020
THE NETHERLANDS		
Plaza Centers Establishment B.V.	Holding company	Company dissolved 12/2019
Plaza Centers (Estates) B.V.	Holding company	Company dissolved 06/2020
ROMANIA		
Adams Invest S.R.L.	Residential project	Company dissolved 05/2020
CYPRUS – UKRAINE		
Tanoli Enterprises Ltd.	Inactive	Company dissolved 07/2018
CYPRUS – INDIA		
HOM India Management Services Pvt. Ltd.	Management company	Company dissolved 08/2018

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