14 August 2020

PLAZA CENTERS N.V.

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

Plaza Centers N.V. (“Plaza” / “Company” / “Group”) today announces its results for the six months ended 30 June 2020. The financial information for the half year ended 30 June 2020 and 30 June 2019 has neither been audited nor reviewed by the auditors.

Financial highlights:

- Reduction in total assets by €3 million to €53 million mainly due to decrease in Trading properties as detailed below.
- Book value of the Company’s Trading properties decreased by €3 million to €37.4 million over the period, due to disposal (land plot in Romania) in line with the restructuring plan and decrease of the value of Casa Radio project, Romania by €2.4 million.
- Consolidated cash position as of June 30, 2020 increased by circa €1.5 million to app. €2.61 million (December 31, 2019: €1.1 million).
- Revenue from disposal of Trading properties totalled €1.5 million (June 30, 2019: €0.9 million), which is in line with the Company’s disposal program.
- €1.8 million loss recorded at an operating level (June 30, 2019: €0.4 million loss) including write down of trading properties value by €2.4 million and decrease in administrative expenses.
- General & Administrative Expenses reduced to €0.5 million in 2020 due to cost cutting of professional services and manpower (June 30, 2019: €0.7 million).
- Recorded loss of €7.3 million (June 30, 2019: €10.9 million), mainly due to finance expenses on bonds.
- Basic and diluted loss per share of €1.07 (30 June 2019: loss per share of €1.59).

Impact of the Covid-19

During the first half of 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 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 on 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 Notes 6(1) and 6(2) in the interim condensed consolidated financial statements as of June 30, 2020). In addition, the COVID 19 effect caused Elbit Plaza India Real Estate Holdings Limited (a subsidiary held by the Company (50%) and Elbit Imaging Ltd. (50%)) ("EPI") to postpone the closing of the sale of 100% stake in the SPV which owns 74.7 acre plot in Chennai (subsidiary of EPI) (refer to Note 6(2) in the interim condensed consolidated financial statements as of June 30, 2020). The COVID 19 also partly delayed the legal procedures against the purchaser of the SPV which owns the plot in Bangalore India (refer to Note 6(1) in the interim condensed consolidated financial statements as of June 30, 2020). 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 dishonour of the cheques which were given as security for payment of certain instalments refer to Note 6 (1) in the interim condensed consolidated financial statements as of June 30, 2020.

Until the approval of the financial statements the Purchaser paid to EPI approximately EUR 10.3 million (INR 87.00 crores) (Plaza part INR 43.5 crores (approximately EUR 5.1 million) out of a total consideration of INR 356 crores (approximately EUR 42 million) (Plaza part INR 178 crores (approximately EUR 21 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 dishonoured.

***Environmental update on Bangalore project - India**:*

Regarding Environmental update on Bangalore project and the implications on the net realisable value refer to Note 6 (1) in the interim condensed consolidated financial statements as of June 30, 2020.

Sale agreement of plot in Chennai, India:

On February 18, 2020, the Company announced that Elbit Plaza India Real Estate Holdings Limited (a subsidiary 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:

a. 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).
b. 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.

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 as follows:

a. 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. 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 (Plaza part INR 3.75 crores (approximately EUR 0.9 million)).
b. As of this date, the Purchaser has deposited in the SPV a total of INR 25 crores (approximately EUR 3.1 million) (the "Deposits"), out of which EPI has already received approximately EUR 2.1 million (Plaza part EUR 1.05 million), as detailed in the press release dated February 18, 2020.
c. 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.

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

Motion to reveal and review internal documents:

In March 2018, a Shareholder of the Company has filed a motion with the Financial Department of the District Court in Tel-Aviv to reveal and review internal documents of the Company and of Elbit Imaging Ltd., with respect to events surrounding that certain agreements that were signed by the company (the "Motion"). On February 16, 2020, a Court verdict was received according to which the Motion was erased without any order for the payment of expenses. The Judge stated that the Motion had resulted in the plaintiff, had received certain of the requested documents and that he would not be receiving any more documents as part of the present proceedings, and therefore there is no longer dispute between the parties in connection with the Motion. The Judge further noted that the plaintiff and the Company are free to act as they deem fit with respect to the possibility of filing a future lawsuit based on some or all the grounds specified in the Motion.

As of today, the parties are considering filing a lawsuit as mentioned above.

The Final Price adjustment of Belgrade Plaza:

Further to Note 17(10) of the annual consolidated financial statements as of December 31, 2019, the Company announced on June 8, 2020 that it signed together with a fully owned subsidiary a final settlement and waiver agreement with the purchaser of the SPV holding the shopping and entertainment centre 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").

As previously disclosed, in November 2019, the Company received technical review prepared by a consultancy firm which detailed the proposed investments to be performed in the Project (the "Technical Review Report"). Following the execution of the Settlement, all rights and/or claims and/or demands that the Purchaser may have towards the Company and/or any of its Affiliates with respect to the addendum to the SPA (which the parties entered into on September 11, 2017) and to the Technical Review Report shall automatically, irrevocably and unconditionally be waived without any further action or notice.

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 7(g) in the interim condensed consolidated financial statements as of June 30, 2020.

Key highlights since the period end:

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.

Sale agreement of plot in Bangalore, India:

Refer to the above section regarding the SPA signed and steps taken by the Company.

Commenting on the results, executive director Ron Hadassi said:

"Our active focus has continued to centre on asset disposals, continuing efforts in connection with Casa Radio Project in order to receive a Government Decision confirming to transfer 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. and realize the projects in India, generating cash flows, material cost cutting, tight budget control and the optimisation of the business with the aim of satisfying our obligations to our bondholders. In addition, we intend to request the bondholders' approval to postpone the repayment of the bonds from January 1, 2021 (the final redemption date) in order to allow us to continue with the realization of the Company' objectives. This remains our absolute priority for the next half of the year".

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 first half of 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(1) in the interim condensed consolidated financial statements as of June 30, 2020). The Company also continued the disposals of plots of land in CEE and cost reductions and partial repayments to its bondholders.

In addition, following a pre-sale agreement signed with AFI Europe N.V. (the "Purchaser") in July 2019 for the sale of Company's entire indirect shareholdings (75%) in the Casa Radio project (the "Project"), the Company together with the Purchaser (together "Parties") made material efforts to receive the authority's approval in order to be able to execute a share purchase agreement ("SPA"). Despite of the Parties attempts 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 her 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, the Company will maintain its focus on executing the agreement signed 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 (January 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 first half of the year, Plaza recorded a €7.3 million loss attributable to the shareholders of the Company. This is a 33% decrease compared to the losses reported in the first half of 2019 (€10.9 million). The losses were mainly from the Finance costs which were decreased to €6.1 million in 2020, from €10.3 million in 2019 mainly due to interests' expenses accrued on the debentures (partly due to penalty interest calculated on the deferred principal).

Total result of operations excluding finance income and finance cost was loss of €1.8 million in 2020 compared to reported loss of €0.4 million in the first half of 2019, mainly due to increase in the write down of trading property to €2.4 million in the first half of 2020.

The consolidated cash position (cash on standalone basis as well as fully owned subsidiaries) as of 30 June 2020 was €2.6 million (31 December 2019: €1.1 million).

Liquidity & Financing

Plaza ended the period with a consolidated cash position of circa €2.6 million, compared to €1.1 million at the end of 2019.

As of June 30, 2020, the Group's outstanding obligation to bondholders (including accrued interests) are app. €95.4 million.

As previously disclosed by the Company in Note 8(c) to its annual consolidated financial statements as of December 31, 2019, 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 7(f) in the interim condensed consolidated financial statements as of June 30, 2020), 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.

Due to the board and management estimation that the Company is unable to serve its entire debt according to the current bond's repayment schedule in its current liquidity position, the Company intends to request the bondholders of both series to 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 sign definitive sale agreement of Casa Radio project, getting further proceeds for Bangalore and Chennai projects. 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 summarised 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	Pre-sale agreement signed
Bangalore	Bangalore, India	Residential Scheme	218,500	25	Amended revised agreement in place
Chennai	Chennai, India	Residential Scheme	302,400	50	JDA and term sheet terminated; SPA signed

FINANCIAL REVIEW

Results

In 2020, the Revenue for the period derived from the disposal of trading properties amounted to €1.5 million, compared to €0.9 million in the first half of 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 land plot in Lodz, Poland.

In 2020, the general & administrative expenses amounted to €0.5 million, a decrease compare to €0.7 million in the first half of 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 gain in 2019 to €2.4 million loss in 2020. The 2019 gain is a partial reversal of write downs of plots in Romania. The 2020 loss relates to write down of Casa Radio property value.

Finance income of €0.6 million in the first 6 months of 2020 was mainly due to foreign exchange movements on the debentures, which did not occur in the period of 6 months ended June 30, 2019.

Finance costs decreased considerably from €10.4 million to €6.1 million (30 June 2019 and 30 June 2020, respectively). The main components were:

- Foreign exchange movements (NIS-EUR) – there were no expenses on the debentures for 6 months of 2020 (30 June 2019 – €5.5 million expense).
- Interest expenses booked on all series of bonds totalled €3.6 million (30 June 2019 - €2.9 million expenses recorded).
- Expenses recorded associated with amortization of discount on debentures in amount of €2.5 million for 6 months of 2020 (30 June 2019 - €2 million expenses recorded).

In 2020 there were no tax benefit or expenses. As of June 30, 2019, the Company recognized €0.11 million tax cost due to withholding tax.

As a result, the loss for the period amounted to circa €7.3 million in 6 months of 2020, representing a basic and diluted loss per share for the period of €1.07 (H1 2019: €1.59 loss).

Balance sheet and cash flow

The balance sheet as at 30 June 2020 showed total assets of €53 million compared to total assets of €56 million at the end of 2019, write down of trading properties value in amount of EUR 2.4 million, disposal of land plot in Romania resulting payment of circa EUR 0.6 million in February 2020.

The consolidated cash position (cash on standalone basis as well as fully owned subsidiaries) as of 30 June 2020 increased to €2.6 million (31 December 2019: €1.1 million).

The value of the Company's trading properties decreased from €40.4 million as at 31 December 2019 to €37.4 million at the end of 30 June 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 €1.8 million to circa €12.6 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 at 30 June 2020, Plaza has a balance sheet liability of €88.4 million from issuing bonds on the Tel Aviv Stock Exchange. Additionally, Plaza recorded provision for interests on bonds as of June 30, 2020, in amount of €6.9 million (31 December 2019: €3.8 million).

Provision was created with respect to the obligation connected to Casa Radio project (Bucharest Romania) in the amount of €15.8 million (2019: €15.8 million) for the construction of the Public Authority Building.

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 reports ("Projected Cash Flow").

The Material uncertainty related to going concern was included in Note 1(b) in the interim condensed consolidated financial statements as of June 30, 2020 and in view of the management's plans for asset disposals in respect of material uncertainty related to Casa Radio project, as described in Note 5 in the interim condensed consolidated financial statements as of June 30, 2020 and the recent default of purchaser of Bangalore project to meet payments schedule according to the signed amendment agreement (refer to Note 6(1) in the interim condensed consolidated financial statements as of June 30, 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.

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 (refer to section “Liquidity and financing”).

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. 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 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 7(f) in the interim Consolidated Financial Statements as of June 30, 2020), 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.

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

In € millions	**2020**	**2021**
Cash - Opening Balance (2)	**1.13**	**1.30**
Proceeds from sales transactions, price adjustments (3)	1.40	-
Cashflow from equity companies in India (4)	1.18	0.30
Total Sources	**3.71**	**1.60**
Debentures - principal	-	-
Debentures - interest (5)	0.50	-
Other operational costs (6)	0.40	0.40
Operating costs (7)	0.15	0.15
G&A expenses (8)	1.36	1.05
Total Uses	**2.41**	**1.60**
Cash - Closing Balance (2)	**1.30**	**-**

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 January 1, 2020.
2. Total cash on standalone basis as well as fully owned subsidiaries.

3. Proceeds in the amount of EUR 0.57 million (last instalment) from disposal of land plot of an indirect subsidiary in Brasov, Romania which the Company received during February 2020.

   And an amount of EUR 0.83 million the Company received from BIG Shopping Centres Ltd on June 15, 2020 as a final amount (including the last payment for the stands and signage) based on the agreement signed between the parties BIG Shopping Centres Ltd on January 26, 2017 (refer to Note 7(f) in the interim Consolidated Financial Statements as of June 30, 2020) .
4. The proceeds detailed in 2020 includes, a proceed of EUR 1.18 million the Company received on February 18, from the Chennai Project SPV (refer to Note 6(2) of these interim Consolidated Financial Statements in this press release).

   In 2021, the Company assumed a reception of EUR 0.3 million which is part on the cash balances of the Chennai Project SPV as of today.

   The Company didn't include any future proceeds from the sale of the plot in Chennai, India (which held by indirect subsidiary owned 50% by the Company), mainly due to the material influence of the Coronavirus pandemic on the real estate market in India, as well as the increasing uncertainty regarding the completion of the closing based on the share purchase agreement ("SPA") between Elbit Plaza India Real Estate Holdings Limited (a subsidiary held by the Company (50%) and Elbit Imaging Ltd. (50%)) ("EPI") and the purchaser and all the additional addendums signed between the parties. (refer to Note 6(2) of these interim Consolidated Financial Statements as of June 30, 2020).
5. The amount includes the payment the Company paid the bondholders on July 1, 2020. Any additional payment will be paid to the bondholders subject to future additional proceeds the Company will receive.
6. Includes provision for legal costs/Arbitrations.
7. Includes property maintenance (taxes, security, energy and other).
8. Total general and administrative includes both cost of the Company and of all the subsidiaries.
9. In addition, 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 31.12.2019, thus there can be no certainty an SPA will eventually be executed and/or that the Transaction will be completed.
10. 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 these interim Consolidated Financial Statements as of June 30, 2020) as there can be no certainty that the agreement will be completed, hence no resources are expected to be available in forceable future at this time.

Ron Hadassi
Executive Director
14 August 2020

PLAZA CENTERS N.V.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2020

NOT AUDITED AND NOT REVIEWED

IN '000 EUR

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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2020	December 31, 2019
	EUR '000	EUR '000
	Not audited Not reviewed	Audited
ASSETS		
Cash and cash equivalents	2,612	1,126
Prepayment and other receivables	128	181
Total current assets	2,740	1,307
Trading properties	37,425	40,375
Equity accounted investees	12,636	14,419
Total non-current assets	50,061	54,794
Total assets	52,801	56,101

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2020 EUR '000 Not audited Not reviewed	December 31, 2019 EUR '000 Audited
LIABILITIES AND EQUITY		
LIABILITIES AND SHAREHOLDERS' EQUITY		
Bonds	88,438	86,506
Accrued interests on bonds	6,945	3,846
Trade payables	164	94
Other liabilities	224	477
Total current liabilities	95,771	90,923
Provisions	15,825	15,825
Total non-current liabilities	15,825	15,825
Share capital	6,856	6,856
Translation reserve	(30,476)	(29,677)
Other reserves	(19,983)	(19,983)
Share based payment reserve	35,376	35,376
Share premium	282,596	282,596
Retained losses	(333,164)	(325,815)
Total equity	(58,795)	(50,647)
Total equity and liabilities	52,801	56,101

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

August 14, 2020		
Date of approval of the financial statements	**Ron Hadassi** **Executive Director**	**David Dekel** **Chairman of the Board of Directors**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Six months ended June 30, 2020	Six months ended June 30, 2019
	EUR '000	EUR '000
	(except per share data)	*(except per share data)*
	Not audited	**Not audited**
	Not reviewed	**Not reviewed**
Revenues and gains		
Revenue from disposal of trading properties	1,452	930
Total revenues	1,452	930
Gains and other		
Other income	20	48
Total gains	20	48
Total revenues and gains	1,472	978
Expenses and losses		
Cost of trading properties disposed	(580)	(955)
Cost of operations	(44)	(160)
Write-down of trading properties	(2,400)	500
Share in results of equity-accounted investees	161	(107)
Administrative expenses	(437)	(669)
Other expenses	(17)	(23)
Finance income	612	-
Finance costs	(6,130)	(10,348)
Total expenses and losses	(8,821)	(11,762)
Loss before income tax	(7,349)	(10,784)
Income tax expense	-	(113)
Loss for the period	(7,349)	(10,897)
Earnings per share		
Basic and diluted loss per share (in EURO)	(1.07)	(1.59)

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six months ended June 30, 2020	Six months ended June 30, 2019
	EUR '000 *(except per share data)*	EUR '000 *(except per share data)*
	Not audited Not reviewed	Not audited Not reviewed
Loss for the period	(7,349)	(10,897)
Other comprehensive income		
Items that are or may be reclassified to profit or loss:		
Foreign currency translation differences - foreign operations (Equity accounted investees)	(799)	263
Other comprehensive gain (loss) for the period	(799)	263
Total comprehensive loss for the period	(8,148)	(10,634)

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share Premium	Share based payment reserves	Translation Reserve	Other reserves	Retained losses	Total
Balance at January 1, 2020	6,856	282,596	35,376	(29,677)	(19,983)	(325,815)	(50,647)
Comprehensive loss for the period							
Net loss for the period	-	-	-	-	-	(7,349)	(7,349)
Foreign currency translation differences	-	-	-	(799)	-	-	(799)
Total comprehensive loss for the period	-	-	-	(799)	-	(7,349)	(8,148)
Balance at June 30, 2020 (Not audited, not reviewed)	6,856	282,596	35,376	(30,476)	(19,983)	(333,164)	(58,795)

	Share capital	Share Premium	Share based payment reserves	Translation Reserve	Other reserves	Retained losses	Total
Balance at January 1, 2019	6,856	282,596	35,376	(29,598)	(19,983)	(304,648)	(29,401)
Comprehensive loss for the period							
Net loss for the period	-	-	-	-	-	(10,897)	(10,897)
Foreign currency translation differences	-	-	-	263	-	-	26:
Total comprehensive loss for the period	-	-	-	263	-	(10,897)	(10,634)
Balance at June 30, 2019 (Not audited, not reviewed)	6,856	282,596	35,376	(29,335)	(19,983)	(315,545)	(40,035

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,	
	2020	2019
	EUR '000 Not audited Not reviewed	EUR '000 Not audited Not reviewed
Cash flows from operating activities:		
Loss for the period	(7,349)	(10,897)
Adjustments necessary to reflect cash flows used in operating activities		
Depreciation of property and equipment	-	1
Net finance costs	5,504	10,348
Share of loss of equity-accounted investees	(161)	107
Income tax expense	-	113
	(2,006)	(328)
Changes in:		
Trade receivables	2	1
Other receivables	51	(109)
Trading properties	2,950	454
Trade payables	70	2
Other liabilities, related parties' liabilities and provisions	(227)	(88)
	2,846	260
Interest paid	(499)	(1,317)
Taxes paid	-	-
Net cash used in operating activities	341	(1,385)
Cash from investing activities		
Proceeds from sale of property and equipment	-	1
Distribution received from equity accounted investees	1,145	798
Net cash provided by investing activities	1,145	799

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,	
	2020	**2019**
	EUR '000	**EUR '000**
	Not audited	**Not audited**
	Not reviewed	**Not reviewed**
Cash from financing activities		
Repayment of debentures	-	(250)
Net cash used in financing activities	-	(250)
Effect of exchange fluctuations on cash held	-	-
Decrease in cash and cash equivalents during the period	1,486	(836)
Cash and cash equivalents as at January 1st	1,126	2,405
Cash and cash equivalents as at June 30	2,612	569

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 centers, 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 condensed interim 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.

b. Going concern and liquidity position of the Company:

   As of June 30, 2020, the Company’s outstanding obligations to bondholders (including accrued interests) are app. EUR 95.4 million due date of which was postponed to January 1, 2021 (the "**Current Due date**") (please refer to Note 7(h)).

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

   i. cash and cash equivalents (including the cash of fully owned subsidiaries) of approximately EUR 2.61 million.
   ii. the Company's part (50%) in the proceeds from future repayments on account of the sale of a plot in Chennai, India (which is held by indirect subsidiary of the Company) based on a sale agreement signed on June 13, 2019 (refer to Note 6(2)) in a total amount of approximately EUR 13 million (the Company’s part EUR 6.5 million out of which an amount of EUR 1.18 million have been repaid to the Company in March, 2020). Still, in light of the ongoing lockdown due to COVID-19, the Purchaser got an exemption from the payment of INR 7.5 crores (due to June 2, 2020) and an extension of 3 months to complete the closing (i.e. September 2, 2020), which may be extended by another 3 months (i.e. up to December 2, 2020) upon paying additional deposit of INR 7.5 crores.
   Following the above, there is an uncertainty if and when the SPA closing will occur, hence no material resources are expected to be available until the closing occur.
   in addition, the fully owned subsidiary of the Company have signed a pre-sale agreement with AFI Europe N.V. (“AFI Europe”) to transfer its interest in a Romanian subsidiary to AFI Europe for the maximum consideration of EUR 60 million, subject to the fulfilment of certain conditions which includes among others an execution of SPA between the parties not later than December 5, 2020, following which AFI Europe is bound to make the first instalment in the amount of

NOTE 1: - CORPORATE INFORMATION (Cont.)

EUR 20 million. Despite of the parties' attempts to receive the authority's approval in order to be able to execute the SPA there has been no progress since the pre-sale has been signed. In light of the above the Company is exploring all its options in order to obtain progress, including among others her 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.

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

Moreover, due to the outbreak of corona virus (Covid-19) pandemic globally caused significant disturbance and slowdown of economic activity. Due to the lockdown announced in many countries, the operations and economic activities were extremely limited in March-May 2020. Post easing of lockdown in May got back to operation again, but in line with respective rules and regulations. This will limit the ability of the Company to complete the sale of the plots it owned.

As of today, the Company is not in compliance with the main Covenants as defined in the restructuring plan (for more details refer also to Note 8 of the annual financial statement as of December 31, 2019), hence under defaulted which could also trigger early repayment clause 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.

The interim condensed consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet the mandatory repayment obligations of its bonds and other working capital requirements.

NOTE 2: - BASIS OF PREPARATION

a. Basis of preparation of the interim condensed consolidated financial data:

The interim condensed consolidated financial data for the six months period ended June 30, 2020 have been prepared in accordance with the International Financial Reporting Standard IAS 34 ("Interim Financial Reporting") as adopted by the European Union.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as of 31 December 2019. These interim condensed consolidated financial statements as of June 30, 2020 have been neither audited nor reviewed by the Company's auditors.
The financial information for the half year ended 30 June 2019 has neither been audited nor reviewed by the auditors.

NOTE 2: - BASIS OF PREPARATION (Cont.)

Selected explanatory notes are, however, included to explain events and transactions that are significant to understanding the changes in the Group's financial position and performance since the last annual consolidated financial statements as of and for the year ended December 31, 2019.

The interim condensed consolidated financial statements as of June 30, 2020 were authorized by the Board of Directors on 14 August 2020.

b. New standards, interpretations and amendments adopted by the Group:

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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 is intended to assist entities in determining whether a transaction should be accounted for as a business combination or as an acquisition of an asset.

The Amendment clarifies that in order to be considered a business, an integrated set of activities and assets must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The Amendment also clarifies that a business can exist without including all of the inputs and processes needed to create outputs. The Amendment includes an optional concentration test according to which it can be determined that a business has not been acquired, without additional assessments.

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

The application of the Amendment is not expected to have a material effect on the Company.

Amendments to IFRS 9, IFRS 7 and IAS 39:

In September 2019, the IASB published amendments to IFRS 9, "Financial Instruments", IFRS 7, "Financial Instruments: Disclosures" and IAS 39," Financial Instruments: Recognition and Measurement" ("the Amendment").

The Amendment provides certain transitional reliefs for companies applying hedge accounting based on the benchmark Interbank Offered Rates ("IBORs") and are affected by the uncertainty arising from the expected reform in these benchmark rates. The IBOR reform leads to uncertainty regarding the dates and amounts to be attributed to future cash flows relating to both hedging instruments and hedged items that rely on existing IBORs.

The Amendment had no effect on the financial statements of the Company as of January 1, 2020, as it does not have material amounts of IBOR-based hedges in respect of which the timing of the IBOR reform could have an impact.

NOTE 3: - USE OF JUDGEMENT AND ESTIMATES

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

In preparing this interim condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were principally the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2019, save for the changes highlighted above. Refer also to Note 1(b) above for significant estimations performed.

NOTE 4: - FINANCIAL INSTRUMENTS

Carrying amounts and fair values

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

Fair value of the quoted debentures is based on price quotations at the reporting date and is classified as Level 1 in the fair value hierarchy.

	Carrying amount		Fair value	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31 2019
	Not audited Not reviewed	Audited	Not audited Not reviewed	Audited
	EUR '000	EUR '000	EUR '000	EUR '000
Statement of financial position				
Debentures A – Israeli NIS bonds	36,503	35,824(1)	7,246	7,184
Debentures B – Israeli NIS bonds	51,934	50,682(2)	9,194	10,340

(1) includes amortisation cost of EUR 918 million as of December 31, 2019
(2) includes amortisation cost of EUR 1,593 million as of December 31, 2019

The total contractual liability of the Debentures was EUR 95.4 million as of June 30, 2020.

NOTE 5: - CASA RADIO

a. Following Note 5(3)(c) to the annual financial statements which discloses that the public authorities may seek to terminate the Public Private Partnership Agreement with respect to Casa Radio asset and potential implications, there have been no significant events since the publication of the annual financial statements as of December 31, 2019.

b. Following Note 5(3)(f) to the annual consolidated financial statements which discloses that the Company signed a pre-sale agreement with AFI Europe N.V. (the "Purchaser", and together with the Company, the "Parties") for the sale of its entire indirect shareholdings (75%) in the Casa Radio Project (the "Project") and subject to the satisfaction of all the 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**"). Despite of the parties attempts to receive the authority's approval in order to be able to execute the SPA there has been no progress since the pre-sale has been

NOTE 5: - CASA RADIO (Cont.)

signed. In light of the above the Company is exploring all its options in order to obtain progress, including among others her 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.

c. Write-down of trading properties:

Following signing of pre-sale agreement as described in Note 5(3)(f) to the annual consolidated financial statements as of December 31, 2019, the Company measured the net realizable value of the project based on the signed pre-sale agreement. For this purpose, a valuation was performed through an external appraiser whose opinion does not reflect the risk related to uncertainty in respect of fulfilment of the closing conditions, as described in Note 5(3)(f) to the annual consolidated financial statements as of December 31, 2019 and derived to a value of EUR 37 million. As a result, the Company's management assumed additional discount of 35% in order to reflect this uncertainty which resulted in value of the proposed deal of EUR 24 million.

Due to the material changes in the Real Estate markets the Company decided to perform through the external appraiser an updated valuation as of June 30, 2020 using the Residual value approach which set (after a deduction of 35%) to a value of app. EUR 32.6 million (2019 - EUR 41 million).

In light of the increase in the uncertainty that the SPA will eventually be executed and/or that the transaction will be completed as well as the increase uncertainty in the real estate due to the expected impact of COVID 19 and the decrease in the value of the asset based on the valuation prepared by an external appraiser using the Residual value approach (as detailed above), the management assumed a 10% write off in the value of the property compared to the value as of December 31, 2019, resulted in value of the proposed deal of EUR 21.6 million (2019 - EUR 24 million).

As mentioned in Note 5(3)(f) to the annual consolidated financial statements as of December 31, 2019, when the Company entered into an agreement to acquire 75% interest in the Project SPV it assumed a commitment to construct the PAB at its own costs for the benefit of the Romanian Government.

The management believes that the current level of provision is an appropriate estimation in the current circumstances. Consequently, the statement of financial position includes a provision in the amount of EUR 15.8 million in respect of the construction of the PAB (December 31, 2019: EUR 15.8 million).

Accordingly, the trading property is presented at gross basis in the amount of EUR 37.4 million (2019 - EUR 39.8 million (the value of the Project)) and provision for PAB liability in the amount of EUR 15.8 million (2019 - EUR 15.8 million).

NOTE 6:- EQUITY ACCOUNTED INVESTEES

Material events and updates during the reporting period:

(1) Bangalore:

In March, 2008 Elbit Plaza India Real Estate Holdings Limited (a subsidiary held by the Company (50%) and Elbit Imaging ltd.(50%)) ("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.

NOTE 6:- EQUITY ACCOUNTED INVESTEES (Cont.)

As a result of the failure of the Partner to complete the transaction under the 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.

As of June 30, 2020, 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 40.2 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.

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. The Additional Property has not yet been registered in favor of the SPV for cost-benefit reasons. In addition, 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.

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 42 million) (Plaza part approximately EUR 21 million) (the "Consideration").

On January 10, 2020, the Company announced that a notice has been issued to the Partner to file its response in the insolvency proceedings initiated for the recovery of the amounts due. As regards the criminal cases filed for dishonor of the cheques 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. As of today, the Partner filed its response asking for the insolvency proceedings to be dismissed. The case is to come up for arguments before the National Company Law Tribunal, Bangalore, India.

As of this date, the Partner paid to EPI approximately EUR 10.3 million (INR 87.00 crores) (Company part INR 43.5 crores (approximately EUR 5.1 million)) out of a total consideration of INR 356 crores (approximately EUR 42 million) (Plaza part INR 178 crores (approximately EUR 21 million) the SPV should have been received as of the said date as per the Agreement.

NOTE 6:- EQUITY ACCOUNTED INVESTEES (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.

The Company announced on July 1, 2020, that 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 for June 30, 2020 and December 31, 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 219 crores (EUR 25.9 million); 2019 - INR 206 crores (EUR 25.8 million). Due to increase in value of the plot EPI recognized a reversal of write off in the amount of app. EUR 0.1 million (the Company’s part (50%) app. EUR 0.05 million).

The evaluation method	Value in INR million	Value in EUR million
Comparable Method	2,194	25.9
DCF Method	2,073	24.5

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 Property is included in the financial statements at the value of EUR 12.96 million (the Company’s part 50%).

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 and the non-contiguous land parcel and the petition/application filed with NCLT against the partner.

NOTE 6:- EQUITY ACCOUNTED INVESTEES (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)		93
Applicable FSI value (INR/Sq. ft)		1,099
Total land value (INR Mn)		5,061
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)		70
Presence of minority shareholder		-20%
Applicable Land Value after discount (INR Mn /acre)		56
Total land value (INR Mn)		3,037
Discount on account of the petition/application filed with NCLT		-15%
Total land value (INR Mn)		2,581
Marketability discount on account of COVID-19 situation		-15%
Total land value (INR Mn)		2,194

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 the balance sheet date 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.

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
protect its rights.

NOTE 6:- EQUITY ACCOUNTED INVESTEES (Cont.)

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 Purchaser 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 13.2 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 and of Elbit Imaging Ltd. as guarantor under the SPA, undertake EPI will transfer to the partner 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 agreement being concluded.

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. As of December 5, 2019, the Developer has paid the SPV a total of INR 20 crores (approximately EUR 2.5 million) out of the Consideration; (ii) According to the SPA, if the Developer is unable to complete the closing within the aforesaid time periods, then the parties will mutually appoint an international property consultant for the purpose of identifying a third-party buyer within a period of six months; (iii) 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).

On February 18, 2020, the Company announced that EPI has received the 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 before 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 0.92 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.

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. 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 (Plaza part INR 3.75 crores (approximately EUR 0.9 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.

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

<u>Net realizable value measurement of Chennai project</u>

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 assets 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 11.7 million) which is lower than the consideration, the Company recorded the value of the plot as of June 30, 2020, in the value of INR 988 million (app. EUR 11.7 million) out of which the Company's part in financial reports were EUR 5.8 million. Due to decrease in value of the plot EPI recognized a write down in the amount of app. EUR 1.88 million (the Company part (50%) app. EUR 0.94 million).

NOTE 7:- MATERIAL EVENTS DURING THE REPORTING PERIOD

a. Definitive agreement for the sale of a Plot of Land 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.

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. An amount of circa EUR 50,000 was paid by the Promissory Purchaser as down Payment, which was included in Other liabilities (please refer to Note 7 of 2019 annual consolidated financial statements).

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 following which it received

NOTE 7:- MATERIAL EVENTS DURING THE REPORTING PERIOD (Cont.)

the last instalment of EUR 570,000 (as described above the Company already received a down payment of EUR 50,000).

b. Update regarding the transaction for the sale of Plot in Chennai and Bangalore in India Please refer to Note 6.

c. Pre-sale agreement for the sale of the Company's indirect shareholdings in the Dambovita Center Project ("CASA RADIO")

Please refer to Note 5.

d. 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.

e. Motion to reveal and review internal documents

In March 2018, a Shareholder of the Company has filed a motion with the Financial Department of the District Court in Tel-Aviv to reveal and review internal documents of the Company and of Elbit Imaging Ltd., with respect to events surrounding that certain agreements that were signed by the company (the "Motion"). On February 16, 2020, a Court verdict was received according to which the Motion was erased without any order for the payment of expenses. The Judge stated that the Motion had resulted in the plaintiff, had received certain of the requested documents and that he would not be receiving any more documents as part of the present proceedings, and therefore there is no longer dispute between the parties in connection with the Motion. The Judge further noted that the plaintiff and the Company are free to act as they deem fit with respect to the possibility of filing a future lawsuit based on some or all the grounds specified in the Motion.
As of today, the parties are considering filing a lawsuit as mentioned above.

f. The Final Price adjustment of Belgrade Plaza

Further to note 17.10 of the annual consolidated financial statements as of December 31, 2019, the company announced on June 8, 2020 it signed together with a fully owned subsidiary 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").

As previously disclosed, in November 2019, the Company received technical review prepared by a consultancy firm which detailed the proposed investments to be performed in the Project (the "Technical Review Report"). Following the execution of the Settlement, all rights and/or claims and/or demands that the Purchaser may have towards the Company and/or any of its Affiliates with respect to the addendum to the SPA (which the parties entered into on September 11, 2017) and to the Technical Review Report shall automatically, irrevocably and unconditionally be waived without any further action or notice.

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

NOTE 7:- MATERIAL EVENTS DURING THE REPORTING PERIOD (Cont.)

g. Dutch statutory auditor

Following Note 19(d) to the annual consolidated financial statements as of December 31, 2019, which discloses statutory filing requirements, the Company submitted the annual consolidated financial statements as of December 31, 2019 which were filed to the London Stock Exchange, the Warsaws Stock Exchange and the Tel Aviv Stock Exchange to the Authority for the Financial Markets.

h. Deferral of payment of Debentures and partial interests’ payment

As previously disclosed by the Company in Note 8(c) to its annual consolidated financial statements as of December 31, 2019, 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 7(f)), 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.

i. Impact of the Covid-19

During the first half of 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 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 on 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 Notes 6(1) and 6(2) in the interim condensed consolidated financial statements as of June 30, 2020). In addition, the COVID 19 effect caused Elbit Plaza India Real Estate Holdings Limited (a subsidiary held by the Company (50%) and Elbit Imaging Ltd. (50%)) ("EPI") to postpone the closing of the sale of 100% stake in the SPV which owns 74.7 acre plot in Chennai (subsidiary of EPI) (refer to Note 6(2) in the interim condensed consolidated financial statements as of June 30, 2020). The COVID 19 also partly delayed the legal procedures against the purchaser of the SPV which owns the plot in Bangalore India (refer to Note 6(1) in the interim condensed consolidated financial statements as of June 30, 2020). 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.

NOTE 8: - SUBSEQUENT EVENTS

a. Update regarding the transaction for the sale of Plot in Bangalore in India

Refer to Note 6 (1).

NOTE 8: - SUBSEQUENT EVENTS (Cont.)

b. 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.

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