

30 August 2019

**PLAZA CENTERS N.V.**

**RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019**

Plaza Centers N.V. ("Plaza" / "Company" / "Group") today announces its results for the six months ended 30 June 2019. The below results have not been audited nor reviewed by auditor.

**Financial highlights:**

- Reduction in total assets to €60 million as a result of the Company's portfolio repositioning and deleveraging strategy (December 31, 2018: €62 million)
- Book value of the Company's Trading properties decrease by €0.5 million to €42.1 million over the period, due to disposal (land plot in Poland) in line with the restructuring plan and increase of the value of the plot land in Miercurea Ciuc, Romania by €0.5 million
- Consolidated cash position as at June 30, 2019 decreased to circa €0.6 million (December 31, 2018: €1.4 million) and current cash position of circa €1.1 million
- Revenue from disposal of trading properties totalled €0.9 million (June 30, 2018: €0.2 million) in line with the Company's disposal program
- €0.4 million loss recorded at an operating level (June 30, 2018: €5.5 million) including partial reversal of write down which increase the trading properties value by €0.5 million and significant decrease in administrative expenses
- Administrative expenses reduced to €0.7 million in 2019 due to cost cutting of professional services and manpower (June 30, 2018: €1.5 million)
- Recorded loss of €10.9 million (June 30, 2018: €9.8 million), mainly due to finance expenses on bonds
- Basic and diluted loss per share of €1.59 (30 June 2018: loss per share of €1.43)

**Material events during the period:**

*Pre-Agreement for the sale of a Plot of Land in Brasov, Romania:*

On February 5, 2019 the Company signed a Pre-Agreement for the sale of a plot in Brasov, Romania for a total gross amount of EUR 620,000 (the "Transaction"). The consummation of the Transaction (which will take place not later than January 15, 2020) is subject to the fulfilment of certain conditions, including, inter alia:

(i) the former financing bank of the Project did not exercise its right to purchase the Property until December 6, 2019; (ii) successful conclusion by the potential purchaser of its due diligence investigations; and (iii) the execution of definitive agreement.

During the period commencing on the date of the execution of the Pre-Agreement and ending on the earlier of: (i) January 15, 2020, or (ii) the date of the termination of the Pre-Agreement, the Company and its representatives have undertaken to refrain from negotiating with any other third party other than the Purchaser (and other than the bank as mentioned above) for the purpose of selling its Plot of land.

As of the date hereof, there can be no certainty that a definitive agreement will be signed and/or that the Transaction will be consummated.

*Sale agreement of plot in Bangalore, India:*

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. As of June 30, 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 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.

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 August 2020 is subject to receipt of payments due by November 2019 (approximately Eur 12 million) and subject to mutually agreed payment terms; and (ii) the consideration will be increased to INR 356 crores (approximately Eur 45.1 million) (Plaza part approximately Eur 22.6 million) (the "Consideration").

On July 25, 2019, the Company announced that the Partner paid Eur 0.127 million (INR 1 crore) (Company part approximately EUR 0.063 million) and thereby having paid Euro 0.76 million (INR 6 crores) out of the approximately EUR 3.05 million (INR 24 crores) to be paid until the end of July 2019, and that the Partner seeks more time without committing to a schedule for payment of the remaining amount. During august 2019 the Partner paid ad additional INR 1 crore (EUR 0.125 million).

At this stage, there is no clarity on payment of the remaining amount and the Company is taking necessary steps to protect its interest.

As of this date, the Partner paid EPI approximately EUR 11.1 million (INR 87 crores) (Company part approximately EUR 5.57 million) on account of the Consideration (which EPI is entitled to forfeit if the Partner does not close the transaction as per the agreement), instead of a total of INR 1,100 crores (approximately Euro 14 million) that should have been received by this date. A total of approximately Euro 5.4 million (INR 43 crores) should be paid in unequal monthly installments until the Closing Date; and a total of approximately Euro 28.5 million (INR 226.6 crores) should be paid upon Closing Date.

Regarding Environmental update on Bangalore project and the implications on the net realisable value refer to Note 7 (1) in the interim condensed consolidated financial statements as of June 30, 2019 and information below.

*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.

*Sale agreement of plot in Chennai, India:*

In July 2018, Elbit Plaza India Real Estate Holdings Limited ("EPI"), has signed a term sheet with its local partner ("Buyer"), relating to the sale of EPI's Indian subsidiary ("SPV") that holds 74.7-acre plot in Chennai, India ("Term Sheet"). Under the terms of the Term sheet, the Buyer shall have 60 (sixty) days to conduct due diligence only with respect to the SPV, following which definitive agreements, for the sale of the SPV in consideration of approximately €13.2 million (INR 1,060 million, the Company's share approximately €6.6 million), (subject to adjustment with respect to the previous deposit that was placed and the existing cash in

the SPV level), shall be signed and closing shall take place on the same day. The closing of the transaction was expected in February 2019. As the transaction was not completed the Term Sheet was terminated by EPI. In February 2019 the Chennai Project SPV issued notice to the buyer terminating the Joint Development Agreement („JDA”) due to its failure to obtain the access road. The said termination of JDA has been disputed by the Buyer. Therefore, the Chennai Project SPV has initiated arbitration proceeding against the Buyer 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 parties have signed a share purchase agreement ("SPA") according to which:

- a. The Purchaser has paid a deposit of INR 5 crores (approximately Euro 0.625 million) in order to provide the Purchaser with an additional six months to complete the closing, which may be extended by another month upon payment by the Purchaser of an additional deposit of INR of 5 crores. As of this date, the Purchaser has deposited a total of INR 15 crores (approximately Euro 1.875 million) (the "Deposits").
- 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.
- c. If the Purchaser 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 Purchaser receiving the Deposits. However, the Purchaser will not be entitled to reimbursement of expenses incurred by it under the JDA.
- d. Any final price received from a third-party buyer above the Consideration will be shared 67% by the Purchaser and 33% by EPI. The Consideration is subject to adjustment with respect to the Deposits and the existing cash in the SPV.
- e. 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 Purchaser and gain will be credited to the account of EPI.
- f. The parties withdraw the arbitration proceedings and other notices.

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

*Update on the sale of the Company's indirect shareholdings in the Dambovita Center Project ("CASA RADIO"):*

On February 11, 2019 the Company signed a non-binding Letter of Intent ("LOI") 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, for a maximum consideration of €60 million, subject to the fulfilment of certain conditions. The Parties have agreed to extend the time period for executing the Pre-Sale agreement for the sale of the Project until no later than July 5, 2019.

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 as buyer entered into a pre-sale agreement for the sale of the shareholding in Dambovita Center S.R.L ("Dambovita RO") (Pre-Sale Agreement). Below are the principal

changes made in the Agreement compared to the non-binding Letter of Intent, as detailed in the Company announcement dated February 11, 2019:

- The Purchaser's due diligence review period was extended to no later than September 5, 2019, following which, subject to the satisfaction of the condition's precedent, the Parties will have 15 months to execute a share purchase agreement (the "SPA").
- The payment schedule was changed as follows:

Stage	Payment Amount	Comments
Down Payment (upon satisfactory completion of due diligence)	EUR 200,000	The down payment is refundable upon the occurrence of any of the following (i) cancellation of the PPP Agreement; (ii) initiation of SPV's dissolution due to negative equity requirements; or (iii) the existence of elements of criminal investigation against the SPV beyond the information disclosed to the Purchaser as of this date; or, if against the SPV's directors or employees, in case such elements would trigger a significant impact on the Project.
Execution of the SPA	EUR 20,000,000	
Issuance of Building Permit for Phase 1.	EUR 22,000,000	"Phase 1" was defined as the development of any of the elements of Component A under the PPP Agreement, i.e., a shopping mall and/or an office park, excluding the development of the Public Authority building.
Obtaining of all permits required for the operation of any of the components (buildings) of Phase I, namely for the office building or for the shopping mall, including the fire permit and the operation permit.	The balance between the Purchase Price and the payments made by that time (see above).	The Purchase Price is defined in the Agreement as Euro 60 million minus 75% of the SPV's liabilities computed based on the closing accounts (as defined in the Agreement) and excluding the inter-company loan granted to the SPV; plus 75% of the SPV's available cash and other current assets as shown in the closing accounts (as defined in the Agreement) and minus, if applicable, the amount agreed upon by the Parties to be reduced from the Purchase Price if the 49-year lease period shall commence before 2012.

- The conditions precedent for the consummation of the Transaction were broadened to include also the receipt of the Company's shareholders' and bondholders' approval for the Transaction as well as no material adverse change, as defined in the Agreement.

- The Company undertook to indemnify the Purchaser against all losses, charges, costs and expenses (including reasonable attorney fees) which the Purchaser sustained or incurred by reason of breach of the warranties set forth in the Agreement.

On July 30, 2019 at the bondholders' meeting of Bonds series A and Bonds Series B it was decided to authorize the company to enter into an agreement and execute the transaction contained therein, despite the Company's failure to comply with the minimum coverage ratio (as defined in the Trust Deed) and notwithstanding the provision of section 4.6 of the Trust Deed. In addition, an extraordinary general meeting of the Shareholders of the Company held on 29 August 2019 approved the transaction as detailed in the Notice of EGM.

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. For additional detailed information refer to Note 6 in the condensed consolidated financial statements.

*Update on disposal of land plot in Miercurea Ciuc, Romania:*

Further to the Company's announcement dated October 17, 2018 regarding signing the pre-agreement for the sale of land plot in Mercuria Ciuc, Romania, the Company grant an option for the purchase of the Plot till mid-April 2019 for a total consideration of EUR 0.11 million which was paid in installments. In March 2019, following negotiations with the purchaser, the parties agreed that (i) the signing date of a definitive agreement will be postponed by 3 months to mid-July 2019, (ii) the receipt of non-refundable advance payments of EUR 250,000 in two tranches by the end of April 2019, and; (ii) the sale price will be increased by EUR 30,000. The company signed a definitive sale agreement after the balance sheet date.

*Disposal of land plot in Lodz, Poland:*

On June 13, 2017, the Company announced that it has signed a preliminary sale agreement for the disposal of a 13,770 sqm plot at its second land holding in Lodz, Poland, (representing 22% of this holding) to a retail developer, for EUR 1.15 million. As part of the agreement, the purchaser paid an immediate installment of EUR 0.035 million followed by an installment of EUR 0.073 million paid in 2018 after obtaining environmental permit for investing in the access road to the plot.

During February 2019 the Company has signed conditional sale agreement for which the remaining balance less 50% of the sum invested in the road (up to maximum amount of circa EUR 0.19 million) will be paid once the final agreement is signed after the municipality confirms that it will not exercise pre-emptive rights.

On March 26, 2019 the Company has signed definitive sale agreement, under terms of which the purchaser paid the rest of consideration (circa EUR 0.84 million) by April 2019.

*Preliminary Agreement for the sale of remaining land plot in Lodz, Poland:*

In May 2019, the Company has signed a Preliminary Agreement (the "Preliminary Agreement") for the sale of its remaining holdings in the Plot (circa 47,860 sqm) to a local developer (the "Purchaser") for a total gross consideration of approximately EUR 1.10 million (the "Consideration").

Under the terms of the Preliminary Agreement: (i) a conditional sale agreement will be signed until September 3, 2019 (the "Closing Date") following due diligence. The Purchaser has the right to withdraw from the transaction until the Closing Date; (ii) a definitive agreement will be signed not later than October 15, 2019 ; (iii) 10% of the Consideration was deposited on notarial deposit upon signing the Preliminary Agreement and will be released upon signing a definitive agreement following municipality's confirmation that it will not exercise preemptive rights (the "Confirmation"); (iiii) 40% of the Consideration will be paid upon signing a definitive agreement and subject to obtaining the Confirmation; and (v) 50% of the Consideration will be paid not later than December 10, 2019. This payment will be secured by a mortgage on the Plot.

*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 certain agreements executed in connection with the Casa Radio Project in Romania and the sale of the US commercial centers (the "Motion"). Such events were previously announced by the Company and are detailed in notes 5(4)(d) and 17(5) of 2018 annual financial statements. In July 2018, the Company filed its response to the relevant court. On January 13, 2019, a Court hearing was held following which the judge decided that the board of directors of each of the Company and Elbit Imaging Ltd. would examine the relevant facts and decide whether or not they should file a lawsuit against any of its officers. The Company and Elbit Imaging Ltd. are required to submit their conclusion to both the court and the plaintiff not later than September 5, 2019 (following an agreed upon extension to the original date of submission) and thereafter the plaintiff will notify the Court whether or not he wishes to continue with the Motion.

*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 procedure. 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 ordered 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. The court hearing has been postponed to October 3, 2019.

*Interest and principal Payments:*

Following Note 8(c) to the consolidated financial statements in which the company announced it will not meet its principal repayment due on December 31, 2018 as provided for in the settlement agreement with Series A and Series B Bondholders from 11 January 2018 (the "Settlement Agreement"), the bondholders approved the

deferral of payment to July 1, 2019 and the company paid principal of circa EUR 250,000 and Penalty interest on arrears of EUR 150,000 on February 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 EUR of which is only 42% of the full amount of interest.

### **Key highlights since the period end:**

#### *Disposal of land plot in Miercurea Ciuc, Romania:*

On July 11, 2019, the Company has signed a definitive agreement for the sale (on an "as is" basis) of its plot, for a total amount of EUR 1.58 million (out of which EUR 0.36 million has already been received as non-refundable advance payments as of balance sheet date).

#### *Belgrade Plaza:*

On January 26, 2017, the Company signed a binding share purchase agreement with BIG Shopping Centers Ltd ("BIG"), for the sale of the SPV holding Belgrade Plaza shopping and entertainment center. The final agreed value of Belgrade Plaza, which comprise circa 32,300 sqm of GLA, will be calculated based on a general cap rate of 8.25% as well as the sustainable NOI after 12 months of operation, which the Company estimated in the range of EUR 6.2-6.5 million per annum.

Further installments will be due to the Company during the first year of operation based on this 12-month figure. The NOI will be re-examined again after 24 months and 36 months of operation, which may lead to an upward adjustment of the final purchase price. The Company did not record a gain from expected future purchase price adjustments at the sale date.

During July 2019 (the second adjustment date) the Second purchase price adjustment was examined and accordingly no additional proceed was made.

On July 20, 2019, BIG paid EUR 108,375 for the stands and signage at the Belgrade Plaza.

In addition, BIG further informed the Company that they intend to hold an additional EUR 1 million until an orderly engineering examination of the mall's technical conditions is completed as part of the final Price adjustment to be performed in May 2020. The Company is currently evaluating its options regarding BIG's intention to hold the EUR 1 million which was not recorded in the consolidated financial statements due to uncertainty related to receipt of such amount.



*Sale agreement of plot in Bangalore, India:*

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

*Interest Payments*

On July 11, 2019, Company announced that its Romanian subsidiary had signed a binding agreement to sell land in Romania (refer to Note 8(d)), 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.

*Dutch statutory auditor*

The Company has not yet been in the position to engage a Dutch statutory auditor for the book year 2019, which is due to the fact that in the Netherlands, the choice of audit firms that are entitled to audit public interest entities (the Company qualifies as such an entity) is extremely limited. The Company has done all efforts to engage an auditor and has even sent a formal letter to the Dutch Ministry of Finance to get out of the deadlock situation. At this moment it is not yet clear what the outcome will be.

Commenting on the results, Executive Director Avi Hakhamov, said:

“Our main goal has continued to centre on asset disposals with the aim of satisfying our obligations to our stakeholders, as reflected by signing of the Casa Radio Pre-Sale Agreement as approved by the bondholders and our shareholders, signing SPA to sell Chennai, considerable efforts that are made to collect the proceed from Bangalore sale and signing preliminary agreements for rest of the plots in CEE. This remains our absolute priority for the second of half of the year.”

“After a long and challenging tenure, please be informed that I intend to retire at the end of the year. I am pleased and privileged to have devoted 13 years to Plaza in a variety of roles. I want to express my gratitude to all of my colleagues at Plaza during this period, while I also want to thank the Board for giving me the opportunity to take the helm”.

***For further details, please contact:***

**Plaza**

Avi Hakhamov, Executive Director

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**Notes to Editors**

Plaza Centers N.V. ([www.plazacenters.com](http://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. Plaza Centers has been active in real estate development in emerging markets for over 23 years.

### **Forward-looking statements**

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

### **MANAGEMENT STATEMENT**

During the first half of 2019 the management's focus has been on executing preliminary agreement for the sale of Company's holding in Casa Radio project, signing SPA for the sale of Chennai project in India, receive cash proceed from the purchaser of Bangalore project, disposals of plots of land in cee and cost reductions and repayments to its bondholders. This disposal and cost cutting process is evidenced by the sale of plot of land in Poland, preliminary agreements for sale of plots left in CEE and significant reduction of administrative expenses. The repayments to its bondholders is evidence by certain payments during the period and after balance sheet date following asset sales.

In addition, following several years of efforts to promote the development of the Casa Radio project, a number of serious proposals were received during the course of 2018 from serious and experienced real estate investors which were examined by management and the board. The management and the board of directors came to the conclusion that the proposed price and terms of LOI are optimal and reasonable considering the Company's current status and decided to sign a LOI with AFI Europe in 2019 followed by a pre-sale agreement signed after balance sheet date, and which was approved by the Company's bondholders and shareholders. This is a significant milestone in efforts to promote the development of the project.

In India, the Company focus its efforts to bring cash flows from Bangalore project in accordance with the signed sale agreement simultaneously with steps taken to protect its rights due to default of the purchaser. In addition the company signed SPA for the sale of its 50% stake in a 74.7-acre plot in Chennai, India with cash deposit.

As a result of this activity, our total portfolio now comprises five assets in three countries, including one plot in Poland, two plots in Romania and two plots in India (under JV with Elbit).

Over the coming months, the Company will maintain its focus on and commitment to the portfolio rationalisation and continuous deleveraging of the balance sheet.

### **Results**

During the first half of the year, Plaza recorded a €10.9 million loss attributable to the shareholders of the Company. This is a 12% increase compared to the losses reported in the first half of 2018 (€9.8 million).

Total result of operations excluding finance cost was loss of €0.5 million in 2019 and €5.5 reported in the first half of 2018. In 2018 losses were generated mainly from write down of trading properties and in 2019 a partial reversal of write down cause an increase of the value of the plot in Romania in amount of €0.5 million.

The consolidated cash position as at 30 June 2019 was €0.6 million (31 December 2018: €1.4 million) and the current cash position is circa €1.1 million.

## Liquidity & Financing

Plaza ended the period with a consolidated cash position of circa €0.6 million, compared to €1.4 million at the end of 2018. An additional cash balance of EUR 0.15 million (Plaza Part) is being held in its 50% subsidiary ("EPI").

As at June 30, 2019 the Group's outstanding obligations to bondholders' total €87.5 million.

Information concerning the Group's obligations and commitments to make future payments under contracts, such as debt agreements in the 18 months starting 1 July 2019, is aggregated in the following table.

<b>Liquidity Requirements</b>	<b>Total Payment Due by period (in TEUR)</b>	
	<b>Within 1 year</b>	<b>Within 1-1.5 year</b>
Bonds including current portion and interest (*)	93,638	-
General & administrative	1,700	800
Total liquidity requirements	95,338	800
Total Sources (**)	3,830	6,500
Total surplus (deficit)	(91,508)	5,700

(\*) Bonds payment schedule presented according to trust deeds. An accrued interest amount of Circa EUR 0.75 million was repaid by the date of approval of these interim condensed consolidated financial statements of this press release following the balance sheet date.

(\*\*) The Company expects to increase the amount of its liquid balances during the 18 months starting July 1, 2019, by sale of plots of lands and price adjustments (including Chennai Project and excluding Bangalore Project due to steps taken to protect the company Rights (INR 80 million assumed to be received till end of 2019 by EPI); Casa Radio is not included at the above period (except of EUR 0.2 million), excluding cash balances as of the date of signing the financial statements of this press release.

Management acknowledges that the above expected cash flows are based on forward-looking plans and estimations which rely on the information known to management at the time of the approval of these interim condensed consolidated financial statements. The materialization of the above forecast is not certain and is subject to factors beyond the Company's control.

Therefore, delays in the realization of the Group's assets and investments or realization at lower price than expected by management could have an adverse effect on the Group's liquidity position and its ability to meet its contractual obligations on a timely manner.

Management further acknowledges that the Company is exposed to foreign currency risk derived from borrowings denominated in currency other than the functional currency of the Group, more specifically a further devaluation of the EUR against the NIS can significantly increase the remaining contractual obligation to

bondholders.

The board and management estimate that the Company is unable to serve its entire debt according to the current repayment schedule. Moreover, following the recent default of purchaser of Bangalore project to meet payments schedule according to the signed amendment agreement (refer to Note 7(1)), and the SPA signed with the purchaser of Chennai Project (refer to Note 7(2)), it is expected that the Company will not be able to meet its entire contractual obligations in the following 12 months.

As of 30 June, 2019 the Company is not in compliance with the Coverage Ratio Covenant ("CRC") as defined in the restructuring plan. This may entitle the bondholders to declare that all or a part of their respective (remaining) claims become immediately due and payable.

### Strategy and Outlook

Plaza's main focus is on its portfolio disposal programme and efforts made to receive proceeds from Bangalore project sale with the aim of meeting the obligations to our bondholders, as far as possible, followed by continuous cost-cutting.

### OPERATIONAL REVIEW

Over the course of the year to date, Plaza has continued to make progress against its operational and strategic objectives. The status of the nine projects is outlined in the table below.

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
Lodz Plaza	Lodz, Poland	Retail & entertainment scheme	47,860	100	Pre-sale agreement signed
Csiki Plaza	Miercurea Ciuc, Romania	Retail & entertainment scheme	36,500	100	Definitive sale agreement signed in July, 2019
Brasov	Brasov, Romania	Retail & entertainment scheme	67,000	100	Preliminary sale agreement
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

Revenue for the period derived from proceeds received from the disposal of Trading properties amounted to €0.9 million, compared to €0.2 million in the first half of 2018. The proceed received in 2018 was related to earn-out payment for the sale of Torun Plaza reduced by NAV adjustment, whilst the revenue of 2019 included the sale of the plot in Lodz, Poland.

Administrative expenses decreased from €1.5 million in the first half of 2018 to €0.7 million as result of a material scale down of the Company's activities, mainly in respect of salaries and related expenses and professional services.

Finance income is nil in the first 6 months of 2019 comparing to €0.1 million for 6 months ended June 30, 2018.

Finance costs increased considerably from €4.4 million to €10.4 million (30 June 2018 and 30 June 2019, respectively). The main components were:

- Foreign exchange movements (NIS-EUR) – the effect on the debentures totalled €5.5 million in expenses (30 June 2018 – €2.7 million expense).
- Interest expenses booked on all series of bonds totalled €2.9 million (30 June 2018 - €3 million expenses recorded).
- €2.0 million expenses recorded associated with amortization of discount on debentures (30 June 2018 - €1.3 million income).

As a result, the loss for the period amounted to circa €10.9 million in H1 2019, representing a basic and diluted loss per share for the period of €1.59 (H1 2018: €1.43 loss).

### Balance sheet and cash flow

The balance sheet as at 30 June 2019 showed total assets of €60 million compared to total assets of €62 million at the end of 2018, mainly as a result of payment of principals and interests for bonds in total amount of circa €1.6 million in 2019, disposal of land plot in Poland resulting payment of circa EUR 0.84 million in March 2019, the receipt of advance payment of EUR 0.25 million for the plot in Miercurea Ciuc, administrative expenses and costs of operations which amounted to EUR 0.8 million for the six months of 2019.

Plaza's consolidated cash position as at 30 June 2019 decreased to €0.6 million (31 December 2018: €1.4 million) and the current cash position is circa €1.1 million. An additional cash balance of EUR 0.15 million (Plaza Part) is being held in its 50% subsidiary ("EPI").

The value of the Company's trading properties decreased from €42.6 million as at 31 December 2018 to €41.1 million at the end of 30 June 2019 following the disposal of 22% of the plot known as "Lodz Mall" in Poland and a reversal of write down of the value of the plot in Miercurea Ciuc, Romania.

Investments in equity accounted investee companies has decreased by €0.7 million to circa €17 million (31 December 2018: €17.7 million) mainly as a result of cash distribution of €0.8 million (31 December 2018: €2.5 million).

As at 30 June 2019, Plaza has a balance sheet liability of €83.9 million (with an adjusted par value of circa €85.9 million) from issuing bonds on the Tel Aviv Stock Exchange. These bonds are presented at amortised cost under current liabilities. Additionally, Plaza recorded provision for interests on bonds as of June 30, 2019, in amount of €1.6 million.

Provision was created with respect to the obligation connected to Casa Radio project (Bucharest Romania) in the amount of €14.1 million (2018: €14.1 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 the independent auditors' report of 2018 financial statements and in view of the management's plans for asset disposals and also in respect of material uncertainty related to Casa Radio project, as described in Notes 6 of these condensed Consolidated Financial Statements in this press release. The board and management estimates that the Company is unable to serve its entire debt according to the current repayment schedule. Moreover, following the recent default of purchaser of Bangalore project to meet payments schedule according to the signed amendment agreement (refer to Note 7(1) of the financial statements), and the SPA signed with the purchaser of Chennai Project (refer to Note 7(2)), 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 required to provide projected cash flow for the period of 24 months following the reporting period, and also provide explanations on differences between previously disclosed estimated projected cash flows with actual cash flows.

**2. Projected cash flow**

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

Following Note 8(c) to the annual consolidated financial statements in which the company announced it will not meet its principal repayment due on December 31, 2018 as provided for in the settlement agreement with Series A and Series B Bondholders from 11 January 2018 (the "Settlement Agreement"), the bondholders approved the deferral of payment to July 1, 2019 and the company paid principal of circa EUR 250,000 and Penalty interest on arrears of EUR 150,000 on February 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 EUR of which is only 42% of the full amount of interest. On July 11, 2019, Company announced that its Romanian subsidiary had signed a binding agreement to sell land in Romania (refer to Note 8(d)), 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.

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.

	<i>H2/2019</i>	<i>H1/2020</i>	<i>H2/2020</i>
<b>Cash - Opening Balance</b>	<b>0.75</b>	<b>1.03</b>	<b>0.78</b>
Proceeds from selling trading properties <sup>(1) (2)</sup>	1.98	1.85	6.50
<b>Total Sources</b>	<b>2.73</b>	<b>2.88</b>	<b>7.28</b>
Bonds – principal <sup>(3)</sup>	-	-	-
Bonds – interests <sup>(3)</sup>	0.80	1.30	5.48
Operational expenses and property maintenance	0.90	0.80	0.80
<b>Total Uses</b>	<b>1.70</b>	<b>2.10</b>	<b>6.28</b>
<b>Cash - Closing Balance</b>	<b>1.03</b>	<b>0.78</b>	<b>1.00</b>

(1) Comprised of the sale of plots: Miercurea Ciuc, Lodz Mall, Brasov and Bangalore (Company's share 50%), price adjustment from Belgrade Plaza during 2019 and 2020, Chennai project;

(2) Including Chennai Project and excluding Bangalore Project due to steps taken to protect the company Rights (INR 80 million assumed to be received till end of 2019 by EPI); Casa Radio is not included at the above period except of EUR 0.2 million

(3) Payment of principal and interest are only estimation. The mandatory final principal repayment is July 1, 2020



Below is a summary table of the comparison between forecasted and actual cash flows, with explanations on the differences published for the 6-month period ending 30 June 2019.

<b>In € millions</b>	<b>Forecast</b>	<b>Actual</b>
	<b>H1/2019</b>	<b>H1/2019</b>
<b>Cash - Opening Balance</b>	<b>1.48</b>	<b>1.48</b>
Proceeds from sales transactions, price adjustments and other income <sup>(1)</sup>	4.16	2.05
<b>Total Sources</b>	<b>5.64</b>	<b>3.53</b>
<b>Cash outflow from operating activity</b>		
Administrative expenses including property maintenance <sup>(2)</sup>	1.00	1.20
<b>Cash outflow from financing activity</b>		
Principal repayment to bondholders	0.25	0.25
Interest repayment to bondholders <sup>(3)</sup>	3.03	1.33
<b>Total Uses</b>	<b>4.28</b>	<b>2.78</b>
<b>Cash - Closing Balance</b>	<b>1.36</b>	<b>0.75</b>

- 1 Forecast included proceeds from: Belgrade Plaza (€ 0.13 m), Miercurea Ciuc (€0.25 m), Lodz Plaza (€ 0.84 m), Bangalore (€ 2.94 m).  
Actual included proceeds: Miercurea Ciuc (€0.36 m), Lodz Plaza (€ 0.84 m), Bangalore (€ 0.94 m).
- 2 Increase mainly as a result of payment for audit cost related to 2018, for which provision was booked in 2018 (€ 0.10 m), upfront payment for perpetual usufruct fee in Poland for 2019 (€ 0.04 m) and insurance costs (€ 0.04 m).
- 3 Including penalty interest on arrears of € 0.15 m paid on February 2019

**Avi Hakhamov**  
**Executive Director**  
**30 August 2019**

**PLAZA CENTERS N.V.**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF JUNE 30, 2019**

**NOT AUDITED AND NOT REVIEWED**

**IN '000 EUR**

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**Interim condensed consolidated statements of profit or loss**

**Interim condensed consolidated statements of comprehensive income**

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**Interim condensed consolidated statements of cash flows**

**Notes to interim condensed consolidated financial statements**

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## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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	<b>June 30, 2019</b>	<b>December 31, 2018</b>
	<b>EUR '000</b>	<b>EUR '000</b>
	<b>Not audited</b>	<b>Audited</b>
	<b>Not reviewed</b>	
<b>ASSETS</b>		
Cash and cash equivalents	569	1,405
Prepayment and Other receivables	235	240
<b>Total current assets</b>	<b>804</b>	<b>1,645</b>
Trading properties	42,145	42,600
Equity accounted investees	17,034	17,676
Property and equipment	17	19
<b>Total non-current assets</b>	<b>59,196</b>	<b>60,295</b>
<b>Total assets</b>	<b>60,000</b>	<b>61,940</b>

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

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
	<b>EUR '000</b>	<b>EUR '000</b>
	<b>Not audited</b>	<b>Audited</b>
	<b>Not reviewed</b>	
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Bonds at amortized cost	83,883	76,698
Accrued interests on Bonds	1,607	-
Trade payables	55	53
Related parties' liabilities	-	3
Other liabilities	403	500
<b>Total current liabilities</b>	<b>85,948</b>	<b>77,254</b>
Provisions	14,087	14,087
<b>Total non-current liabilities</b>	<b>14,087</b>	<b>14,087</b>
Share capital	6,856	6,856
Translation reserve	(29,335)	(29,598)
Other reserves	(19,983)	(19,983)
Share based payment reserve	35,376	35,376
Share premium	282,596	282,596
Retained losses	(315,545)	(304,648)
<b>Total equity</b>	<b>(40,035)</b>	<b>(29,401)</b>
<b>Total equity and liabilities</b>	<b>60,000</b>	<b>61,940</b>

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

**August 29, 2019**

**Date of approval of the  
financial statements**

**Avi Hakhamov  
Executive Director**

**David Dekel  
Director and Chairman of  
the Audit Committee**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

	<b>Six months ended June 30,</b>	
	<b>2019</b>	<b>2018</b>
	<b>EUR '000</b>	<b>EUR '000</b>
	<i>(except per share data)</i>	<i>(except per share data)</i>
	<b>Not audited</b>	<b>Unaudited</b>
	<b>Not reviewed</b>	
<b>Revenues and gains</b>		
Revenue from disposal of trading properties	930	210
<b>Total revenues</b>	930	210
<b>Gains and other</b>		
Other income	48	237
<b>Total gains</b>	48	237
<b>Total revenues and gains</b>	978	447
<b>Expenses and losses</b>		
Cost of trading properties disposed	(955)	-
Cost of operations	(160)	(128)
Write-down of trading properties	500	(3,401)
Share in results of equity-accounted investees	(107)	(397)
Administrative expenses	(669)	(1,485)
Other expenses	(23)	(520)
Finance income	-	144
Finance costs	(10,348)	(4,430)
	(11,762)	(10,217)
<b>Loss before income tax</b>	(10,784)	(9,770)
Income tax expense	(113)	(1)
<b>Loss for the period</b>	(10,897)	(9,771)
<b>Earnings per share</b>		
Basic and diluted loss per share (in EURO)	(1.59)	(1.43)

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,	
	2019	2018
	EUR '000	EUR '000
	<i>(except per share data)</i>	<i>(except per share data)</i>
	<b>Not audited</b>	<b>Unaudited</b>
	<b>Not reviewed</b>	
<b>Loss for the period</b>	(10,897)	(9,771)
<b>Other comprehensive income</b>		
<b><u>Items that are or may be reclassified to profit or loss:</u></b>		
Foreign currency translation differences - foreign operations (Equity accounted investees)	263	(805)
Other comprehensive gain (loss) for the period	263	(805)
Total comprehensive loss for the period	<u>(10,634)</u>	<u>(10,576)</u>

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	Capital reserve from acquisition of non- controlling interests	Retained losses	Total
<b>Balance at January 1, 2019</b>	6,856	282,596	35,376	(29,598)	(19,983)	(304,648)	(29,401)
<b>Comprehensive loss for the period</b>							
Net loss for the period	-	-	-	-	-	(10,897)	(10,897)
Foreign currency translation differences	-	-	-	263	-	-	263
<b>Total comprehensive loss for the period</b>	-	-	-	263	-	(10,897)	(10,634)
<b>Balance at June 30, 2019</b> (Not audited, not reviewed)	6,856	282,596	35,376	(29,335)	(19,983)	(315,545)	(40,035)
	Share capital	Share Premium	Share based payment reserves	Translation Reserve	Other reserves	Retained losses	Total
<b>Balance at January 1, 2018</b>	6,856	282,596	35,376	(28,800)	(19,983)	(267,682)	8,363
Adjustments on initial application of IFRS 9	-	-	-	-	-	1,399	1,399
<b>Comprehensive loss for the period</b>							
Net loss for the period	-	-	-	-	-	(9,771)	(9,771)
Foreign currency translation differences	-	-	-	(805)	-	-	(805)
<b>Total comprehensive loss for the period</b>	-	-	-	(805)	-	(9,771)	(10,576)
<b>Balance at June 30, 2018</b> (Not audited)	6,856	282,596	35,376	(29,605)	(19,983)	(276,054)	(814)

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

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	<b>Six months ended</b>	
	<b>June 30,</b>	
	<b>2019</b>	<b>2018</b>
	<b>EUR '000</b>	<b>EUR '000</b>
	<b>Not audited</b>	<b>Not audited</b>
	<b>Not reviewed</b>	
<u>Cash flows from operating activities:</u>		
Loss for the period	(10,897)	(9,771)
<u>Adjustments necessary to reflect cash flows used in operating activities</u>		
Depreciation of property and equipment	1	156
Net finance costs	10,348	4,286
Share of loss of equity-accounted investees	107	397
Income tax expense	113	1
	<u>(328)</u>	<u>(4,931)</u>
<u>Changes in:</u>		
Trade receivables	1	17
Other receivables	(109)	458
Trading properties	454	3,401
Trade payables	2	26
Other liabilities, related parties' liabilities and provisions	(88)	(839)
	<u>260</u>	<u>3,063</u>
Interest paid	(1,317)	(3,000)
Taxes paid	-	(1)
	<u>(1,385)</u>	<u>(4,869)</u>
<b>Net cash used in operating activities</b>		
<b>Cash from investing activities</b>		
Proceeds from sale of property and equipment	1	1
Distribution received from equity accounted investees	798	2,115
	<u>799</u>	<u>2,116</u>
<b>Net cash provided by investing activities</b>		

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



## **INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

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	<b>Six months ended</b>	
	<b>June 30,</b>	
	<b>2019</b>	<b>2018</b>
	<b>EUR '000</b>	<b>EUR '000</b>
	<b>Not audited</b>	<b>Not audited</b>
	<b>Not reviewed</b>	
<b>Cash from financing activities</b>		
Repayment of debentures	<u>(250)</u>	<u>(40,053)</u>
<b>Net cash used in financing activities</b>	<u>(250)</u>	<u>(40,053)</u>
<b>Effect of exchange fluctuations on cash held</b>	-	(790)
<b>Decrease in cash and cash equivalents during the period</b>	(836)	(43,596)
<b>Cash and cash equivalents as at January 1<sup>st</sup></b>	<u>1,405</u>	<u>44,844</u>
<b>Cash and cash equivalents as at June 30</b>	<u><u>569</u></u>	<u><u>1,248</u></u>

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

## **NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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### **NOTE 1: - CORPORATE INFORMATION**

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 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.

### **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, 2019 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 at 31 December 2018. The interim condensed consolidated financial statements were not reviewed by an Auditor.

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 at and for the year ended December 31, 2018.

The interim condensed consolidated financial statements as of June 30, 2019 were authorized by the Board of Directors on 29 August 2019.

## **NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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### **NOTE 2:- BASIS OF PREPARATION (Cont.)**

- 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 2018, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 16 Leases. As required by IAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim condensed consolidated financial statements of the Group.

#### **Initial adoption of IFRS 16 "Leases":**

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adoption IFRS 16 as at 1 January 2019 did not have a material effect on the financial statements.

- a) Nature of the effect of adoption of IFRS 16

In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 2:- BASIS OF PREPARATION (Cont.)

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 was applied to these leases from 1 January 2019.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

b) Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

- Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

- Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

## **NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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### **NOTE 2:- BASIS OF PREPARATION (Cont.)**

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

- Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below €5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

### **IFRIC Interpretation 23 Uncertainty over Income Tax Treatment**

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The interpretation did not have an impact on the consolidated financial statements of the Group.

## **NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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### **NOTE 2:- BASIS OF PREPARATION (Cont.)**

#### **Amendments to IFRS 9: Prepayment Features with Negative Compensation**

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the consolidated financial statements of the Group.

#### **Amendments to IAS 19: Plan Amendment, Curtailment or Settlement**

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

These amendments had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

#### **Amendments to IAS 28: Long-term interests in associates and joint ventures**

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

These amendments had no impact on the consolidated financial statements as the Group does not have long-term interests in its associate and joint venture.

#### **Annual Improvements 2015-2017 Cycle**

- **IFRS 3 Business Combinations**

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

## **NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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### **NOTE 2:- BASIS OF PREPARATION (Cont.)**

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where a joint control is obtained.

- **IFRS 11 Joint Arrangements**

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where a joint control is obtained.

- **IAS 12 Income Taxes**

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

- **IAS 23 Borrowing Costs**

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted.

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 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, 2018, save for the changes highlighted above. Refer also to Note 4 below for significant estimations performed.

### NOTE 4: - GOING CONCERN AND LIQUIDITY POSITION OF THE COMPANY

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.

The Group's primary need for liquidity is to repay its debts and fund general corporate purposes. The Group has incurred losses and experienced negative operating cash flows for the past several years, and accordingly, it has taken a number of actions to continue to support its operations and meet its obligations.

As at June 30, 2019 the Group's outstanding obligations to bondholders are EUR 87.5 million.

Information concerning the Group's obligations and commitments to make future payments under contracts such as debt agreements in the 18 months starting July 1, 2019 is aggregated in the following tables.

<b>Liquidity Requirements</b>	<b>Total Payment Due by period (EUR '000)</b>	
	<b>Within 1 year</b>	<b>Within 1-1.5 year</b>
Bonds including current portion and interest (*)	93,638	-
General & administrative, property maintenance	1,700	800
Total liquidity requirements	95,338	800
Total Sources (**)	3,830	6,500
Total deficit	(91,508)	5,700

(\*) Bonds payment schedule presented according to trust deeds. An accrued interest amount of Circa EUR 0.75 million was repaid by the date of approval of these interim condensed consolidated financial statements following the balance sheet date.

(\*\*) The Company expects to increase the amount of its liquid balances during the 18 months starting July 1, 2019, by sale of plots of lands and price adjustments (Including Chennai Project and excluding Bangalore Project due to steps taken to protect the company Rights (INR 80 million assumed to be received till end of 2019 by EPI); Casa Radio is not included at the above period except of EUR 0.2 million), excluding cash balances as of the date of signing the financial statements.



## **NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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### **NOTE 4: - GOING CONCERN AND LIQUIDITY POSITION OF THE COMPANY (Cont.)**

Management acknowledges that the above expected cash flows are based on forward-looking plans and estimations which rely on the information known to management at the time of the approval of these interim condensed consolidated financial statements. The materialization of the above forecast is not certain and is subject to factors beyond the Company's control.

Therefore, delays in the realization of the Group's assets and investments or realization at lower price than expected by management could have an adverse effect on the Group's liquidity position and its ability to meet its contractual obligations on a timely manner.

Management further acknowledges that the Company is exposed to foreign currency risk derived from borrowings denominated in currency other than the functional currency of the Group, more specifically a further devaluation of the EUR against the NIS can significantly increase the remaining contractual obligation to bondholders.

The board and management estimate that the Company is unable to serve its entire debt according to the current repayment schedule. Moreover, following the recent default of purchaser of Bangalore project to meet payments schedule according to the signed amendment agreement (refer to Note 7(1)), and the SPA signed with the purchaser of Chennai Project (refer to Note 7(2)), it is expected that the Company will not be able to meet its entire contractual obligations in the following 12 months.

As of June 30, 2019, the Company is not in compliance with Coverage Ratio Covenant ("CRC") as defined in the restructuring plan. This may entitle the bondholders to declare that all or a part of their respective (remaining) claims become immediately due and payable.

The Company's financial statements as of December 31, 2018 include an auditor's opinion with emphasis of matter to going concern uncertainty. As a result, there is a risk that the bondholders could argue that there exists a substantial suspicion with respect to the Company's ability to repay its obligations that entitles them to immediate repayment.

In addition, based on trust deeds in case of material deterioration in the Company's business and substantial suspicion exists that the Company will not be able to repay the bonds on time, the bondholders may declare immediate repayment of bonds.

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. As at the date of these condensed consolidated financial statements the bondholders have not taken steps to assert their rights.

A 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.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 5: - 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, 2019	December 31, 2018	June 30, 2019	December 31 2018
	Not audited Not reviewed	Audited	Not audited Not reviewed	Audited
	EUR '000	EUR '000	EUR '000	EUR '000
<b>Statement of financial position</b>				
Debentures A at amortized cost – Israeli NIS bonds	34,876	31,767	10,004	9,388
Debentures B at amortized cost – Israeli NIS bonds	49,007	44,931	12,521	14,365
Accrued interests on Bonds	1,607	-	-	-

The total contractual liability of the Debentures was EUR 87.5 million as at June 30, 2019.

### NOTE 6: - CASA RADIO

- Following Note 5(4)(d) to the annual financial statements which discloses potential irregularities regarding to Casa Radio project in Romania and their potential implications, there have been no significant events since the publication of the annual financial statement as of December 31, 2018.
- Following Note 5(4)(c) to the annual financial statements which discloses that the public authorities may seek to terminate the Public Private Partnership Agreement and 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, 2018.
- Following Note 5(4)(f) to the annual consolidated financial statements which discloses that the Company signed the non-binding Letter of Intent ("LOI") 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"), the Parties have agreed to extend the time period for executing the Pre-Sale agreement for the sale of the Project until no later than July 5, 2019.

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 as buyer entered into a pre-sale agreement for the sale of the shareholding in Dambovita Center S.R.L ("Dambovita RO") (**Pre-Sale Agreement**). Pursuant to the terms of the Pre-Sale Agreement, AFI Europe shall carry out a due diligence review which review 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 (**SPA**) and an intragroup loan assignment/novation agreement.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 6: - CASA RADIO (Cont.)

The Company, as guarantor under the Pre-Sale Agreement, will undertake to indemnify AFI Europe, jointly and severally, against all losses, charges, costs and expenses (including reasonable attorney's fees) which AFI Europe 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 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 in connection with the fulfillment 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 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 (**Company Guarantee**).

Conditions precedent in the Pre-Sale Agreement comprise inter alia (i) the satisfactory completion of a due diligence investigation by AFI Europe 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 fulfillment thereof more onerous; (v) issuance of a Government Decision confirming that Dambovita NL may transfer the shares to AFI Europe (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 (vi); amendment of the PPP Agreement in order to transfer the rights of Elbit Imaging Limited and the Company to AFI Europe; (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 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.

The fulfillment of the condition's precedent relating to the approval of the Company's shareholders and bondholders as referred to above must occur no later than at 5 September 2019. 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).

On July 30, 2019 at the bondholders' meeting of Bonds series A and Bonds Series B it was decided to authorize the company to enter into an agreement and execute the transaction contained therein, despite the Company's failure to comply with the minimum coverage ratio (as defined in the Trust Deed) and notwithstanding the provision of section 4.6 of the Trust Deed.

## **NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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### **NOTE 6: - CASA RADIO (Cont.)**

In addition, an extraordinary general meeting of the Shareholders of the Company held on 29 August 2019 approved the transaction as detailed in the Notice of EGM.

#### **PRE-SALE AGREEMENT – SPECIFIC PROVISIONS**

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

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 information as disclosed to AFI Europe or, if such investigation would be held against Dambovita RO's directors or 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.

Upon execution of the SPA, AFI Europe 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 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.

At the moment, it is not possible to give a forecast in respect of which monetary amounts will be received by Dambovita NL on the Closing Date nor in respect of when the Closing Date will be.

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.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 7:- EQUITY ACCOUNTED INVESTEEES

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. As of June 30, 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 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.

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 August 2020 is subject to receipt of payments due by November 2019 (approximately Eur 12 million) and subject to mutually agreed payment terms; and (ii) the consideration will be increased to INR 356 crores (approximately Eur 45.1 million) (Plaza part approximately Eur 22.6 million) (the "Consideration").

On July 25, 2019, the Company announced that the Partner paid Eur 0.127 million (INR 1 crore) (Company part approximately EUR 0.063 million) and thereby having paid Euro 0.76 million (INR 6 crores) out of the approximately EUR 3.05 million (INR 24 crores) to be paid until the end of July 2019, and that the Partner seeks more time without committing to a schedule for payment of the remaining amount. During august 2019 the Partner paid ad additional INR 1 crore (EUR 0.125 million).

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 7:- EQUITY ACCOUNTED INVESTEEES (Cont.)

At this stage, there is no clarity on payment of the remaining amount and 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.

As of this date, the Partner paid EPI approximately EUR 11.1 million (INR 87 crores) (Company part approximately EUR 5.57 million) on account of the Consideration (which EPI is entitled to forfeit if the Partner does not close the transaction as per the agreement), instead of a total of INR 1,100 crores (approximately Euro 14 million) that should have been received by this date. A total of approximately Euro 5.4 million (INR 43 crores) should be paid in unequal monthly installments until the Closing Date; and a total of approximately Euro 28.5 million (INR 226.6 crores) should be paid upon Closing Date.

The company estimates that the procedures for separating from the Partner and canceling his 10% undivided interest in the Plot, will cost up to EUR 1 million and will required the time frame of one year to four years. (The difference in costs and the length of time associated with such separation process is depend on the legal proceedings that EPI will take as well as whether or not the Partner will seek to compromise during legal proceedings).

#### 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.

#### Net realizable value measurement of Bangalore project

As for December 31, 2018 and 2017, the net realizable value of the project according the following methods is:

<b>The evaluation method</b>	<b>Value in INR million</b>	<b>Value in EUR million</b>
Comparable Method	2,350	29.5
DCF Method	2,190	27.49
Mantri Deal Value	2,267	28.46

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 7:- EQUITY ACCOUNTED INVESTEEES (Cont.)

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 14.73 million (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. The local authorities have proposed a revised master plan for Bangalore under which it is proposed to change the zoning of the Plot from residential to open Space/ parks/ recreation zone which if given effect might adversely affect the development prospects on the Plot. It should be clarified that as long as the proposed change has not been definitively approved, the land zoning remains intact (residential zoning). However, there is no certainty as to the response of the local authorities if and as a construction plan is submitted to them during this period (before a final decision is made as to whether or not to approve the change). The Company being aggrieved by the proposed change was entitled to and has filed (as well as other third parties) the necessary objections with the concerned authorities (the period for submitting objections to the revised master plan has expired) and believes that the current zoning regulations will be maintained. Management believes that the current discount rate used towards this end is an appropriate estimation in the current circumstances.

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)	96
Discount on account of Revised Master Plan 2015 Buffer zone norms (%)	-25%
Presence of minority shareholder	-20%
Discount on account of possible change in zoning (open space/parks)	-25%

#### 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").

## **NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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### **NOTE 7:- EQUITY ACCOUNTED INVESTEEES (Cont.)**

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 descendants of the landowners of the Property, who wish to recognize them as owners of 1.6% 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.

The JDA may be terminated in the event that the required governmental approvals for establishment of access road to the Property has not been achieved within 12 (twelve) months period from the execution date of the JDA. The required approvals have not yet been obtained at the target date. Upon such termination, the Developer shall be entitled to the refund of the relevant amounts paid as Refundable Deposit and any other cost related to such access road or the title over the Property.

On July 5, 2018 EPI signed a term sheet ("Term Sheet") with the Developer for the sale of the Property for a total consideration of approximately Euro 13.2 million (INR 1,060 million). The closing of the transaction was expected in February 2019. As the transaction was not completed the Term Sheet was terminated by EPI.

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.

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 Euro 0.625 million) in order to provide the Developer with an additional six months to complete the closing, which may be extended by another month upon payment by the Developer of an additional deposit of INR of 5 crores. As of this date, the Developer has deposited a total of INR 15 crores (approximately Euro 1.875 million) (the "Deposits"); (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 Euro 13.5 million (INR 108 crores) (the "Consideration") will be shared 67% by the Developer and 33% by EPI.



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 7:- EQUITY ACCOUNTED INVESTEEES (Cont.)

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.

#### Net realizable value measurement of Chennai project

The valuation of the property is based on the comparable method. As for December 31, 2018 and 2017 the Group measured the net realizable value of the project which was INR 1,351 million (EUR 16.93 million);

<b>The evaluation method</b>	<b>Value in INR (Millions)</b>	<b>Value in Euro (Millions)</b>
Comparable Method	1,351	16.93
DCF Method	1,233	15.45

In light of the Company's intention to sell the Property to the Developer or to any other third party (see above), the Company believes that the Comparable Method reliably reflects the net realizable value of the property and therefore the Property is presented in the financial statements at the value of INR 1,351 million.

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

<u>Parameter</u>	<u>Premium (Discount)</u>
Applicable Land Value INR million/acre	18.08
Discount for shape and contiguity	-20%
Discount for size	-10%
Additional cost to be incurred at the site due to illegal excavation	-5%
Other Discounts (including due to negotiation, access road, topography, FSI)	-20%
Total discount on account	-55%

## **NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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### **NOTE 8:- MATERIAL EVENTS DURING THE REPORTING PERIOD**

- a. Pre-Agreement for the sale of a Plot of Land in Brasov, Romania

On February 5, 2019 the Company signed a Pre-Agreement for the sale of a plot in Brasov, Romania for a total gross amount of EUR 620,000 (the "Transaction"). The consummation of the Transaction (which will take place not later than January 15, 2020) is subject to the fulfilment of certain conditions, including, inter alia:

(i) the former financing bank of the Project did not exercise its right to purchase the Property until December 6, 2019; (ii) successful conclusion by the potential purchaser of its due diligence investigations; and (iii) the execution of definitive agreement.

During the period commencing on the date of the execution of the Pre-Agreement and ending on the earlier of: (i) January 15, 2020, or (ii) the date of the termination of the Pre-Agreement, the Company and its representatives have undertaken to refrain from negotiating with any other third party other than the Purchaser (and other than the bank as mentioned above) for the purpose of selling its Plot of land.

As of the date hereof, there can be no certainty that a definitive agreement will be signed and/or that the Transaction will be consummated.

- b. Update regarding the transaction for the sale of Plot in Chennai and Bangalore in India

Please refer to Note 7.

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

Please refer to Note 6.

- d. Update on disposal of land plot in Miercurea Ciuc, Romania

Further to the Company's announcement dated October 17, 2018 regarding signing the pre-agreement for the sale of land plot totaling approximately 37,000 sqm in Mercuria Ciuc, Romania, the Company grant an option for the purchase of the Plot till mid-April 2019 for a total consideration of EUR 0.11 million. In March 2019, following negotiations with the purchaser, the parties agreed that (i) the signing date of a definitive agreement was postponed by 3 months to mid-July 2019, (ii) the receipt of non-refundable advance payments of EUR 0.25 million in two tranches by the end of April 2019, and; (ii) the sale price will be increased by EUR 30,000. As a result, the company recorded a gain in amount of EUR 0.5 million due to partial reversal of write down.

On July 11, 2019, the Company has signed a definitive agreement for the sale (on an "as is" basis) of its plot for a total amount of EUR 1.58 million (out of which EUR 0.36 million has already been received as non-refundable advance payments as of balance sheet date). The advanced are included in Other liabilities.

- e. Disposal of land plot in Lodz, Poland

On June 13, 2017, the Company announced that it has signed a preliminary sale agreement for the disposal of a 13,770 sqm plot at its second land holding in Lodz, Poland, (representing 22% of this holding) to a retail developer, for EUR 1.15 million. As part of the agreement, the purchaser paid an immediate installment of EUR 0.035 million followed by an installment of EUR 0.073 million paid in 2018 after obtaining environmental permit for investing in the access road to the plot.

## **NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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### **NOTE 8:- MATERIAL EVENTS DURING THE REPORTING PERIOD (Cont.)**

During February 2019 the Company has signed conditional sale agreement for which the remaining balance less 50% of the sum invested in the road (up to maximum amount of circa EUR 0.19 million) will be paid once the final agreement is signed after the municipality confirms that it will not exercise preemptive rights.

On March 26, 2019 the Company has signed definitive sale agreement, under terms of which the purchaser paid the rest of consideration (circa EUR 0.84 million) in two installments: EUR 0.76 million was paid at the date of the signing of the definitive sale agreement and the remaining amount of EUR 0.09 million was paid on April 29, 2019.

f. Preliminary Agreement for the sale of remaining land plot in Lodz, Poland

In May 2019, the Company has signed a Preliminary Agreement (the "Preliminary Agreement") for the sale of its remaining holdings in the Plot (circa 47,860 sqm) to a local developer (the "Purchaser") for a total gross consideration of approximately EUR 1.10 million (the "Consideration").

Under the terms of the Preliminary Agreement: (i) a conditional sale agreement will be signed until September 3, 2019 (the "Closing Date") following due diligence. The Purchaser has the right to withdraw from the transaction until the Closing Date; (ii) a definitive agreement will be signed not later than October 15, 2019 ; (iii) 10% of the Consideration was deposited on notarial deposit upon signing the Preliminary Agreement and will be released upon signing a definitive agreement following municipality's confirmation that it will not exercise preemptive rights (the "Confirmation"); (iiii) 40% of the Consideration will be paid upon signing a definitive agreement and subject to obtaining the Confirmation; and (v) 50% of the Consideration will be paid not later than December 10, 2019. This payment will be secured by a mortgage on the Plot.

g. 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 certain agreements executed in connection with the Casa Radio Project in Romania and the sale of the US commercial centers (the "Motion"). Such events were previously announced by the Company and are detailed in notes 5(4)(d) and 17(5) of 2018 annual financial statements. In July 2018, the Company filed its response to the relevant court. On January 13, 2019, a Court hearing was held following which the judge decided that the board of directors of each of the Company and Elbit Imaging Ltd. would examine the relevant facts and decide whether or not they should file a lawsuit against any of its officers. The Company and Elbit Imaging Ltd. are required to submit their conclusion to both the court and the plaintiff not later than September 5, 2019 (following an agreed upon extension to the original date of submission) and thereafter the plaintiff will notify the Court whether or not he wishes to continue with the Motion.

h. 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 procedure. 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.

## **NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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### **NOTE 8:- MATERIAL EVENTS DURING THE REPORTING PERIOD (Cont.)**

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. The court hearing has been postponed to October 3, 2019.

i. Interest and principal Payments

Following Note 8(c) to the annual financial statements in which the company announced it will not meet its principal repayment due on December 31, 2018 as provided for in the settlement agreement with Series A and Series B Bondholders from 11 January 2018 (the "Settlement Agreement"), the bondholders approved the deferral of payment to July 1, 2019 and the company paid principal of circa EUR 250,000 and Penalty interest on arrears of EUR 150,000 on February 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 EUR of which is only 42% of the full amount of interest.

On July 11, 2019, Company announced that its Romanian subsidiary had signed a binding agreement to sell land in Romania (refer to Note 8(d)), 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.

### **NOTE 9: - SUBSEQUENT EVENTS**

a. Disposal of land plot in Miercurea Ciuc, Romania

Refer to note 7.

b. Belgrade Plaza

On January 26, 2017, the Company signed a binding share purchase agreement with BIG Shopping Centers Ltd ("BIG"), for the sale of the SPV holding Belgrade Plaza shopping and entertainment center. The final agreed value of Belgrade Plaza, which comprise circa 32,300 sqm of GLA, will be calculated based on a general cap rate of 8.25% as well as the sustainable NOI after 12 months of operation, which the Company estimated in the range of EUR 6.2-6.5 million per annum.

## **NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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### **NOTE 9: - SUBSEQUENT EVENTS (Cont.)**

Further installments will be due to the Company during the first year of operation based on this 12-month figure. The NOI will be re-examined again after 24 months and 36 months of operation, which may lead to an upward adjustment of the final purchase price. The Company did not record a gain from expected future purchase price adjustments at the sale date. During June 2018 (the first adjustment date) the First purchase price adjustment was examined and accordingly no additional proceed was made. During December 2018, BIG paid to the Company EUR 0.466 million for the stands and signage recorded as Revenue from disposal of trading property.

During July 2019 (the second adjustment date) the Second purchase price adjustment was examined and accordingly no additional proceed was made.

On July 20, 2019, BIG paid EUR 0.11 million for the stands and signage at the Belgrade Plaza. In addition, BIG further informed the Company that they intend to hold an additional EUR 1 million until an orderly engineering examination of the mall's technical conditions is completed as part of the final Price adjustment to be performed in May 2020. The Company is currently evaluating its options regarding BIG's intention to hold the EUR 1 million which was not recorded in the consolidated financial statements due to uncertainty related to receipt of such amount.

- c. Partial Interest payment on Debentures

Refer to Note 7 (i).

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