

29 March, 2024

PLAZA CENTERS N.V.

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

Plaza Centers N.V. ("Plaza" / "Company" / "Group") today announces its results for the year ended 31 December 2023.

Financial highlights:

- Reduction in total assets by €2.5 million to €5.8 million mainly as a result of general and legal expenses.
- Consolidated cash position as of December 31, 2023 decreased by circa €2.1 million to app. €5.7 million (December 31, 2022: €7.8 million) as result of general and legal expenses.
- €1.7 million loss recorded at an operating level (December 31, 2022: €0.4 million gain) mainly due to general and legal expenses.
- Recorded loss of €38.9 million (December 31, 2022: €8.5 million), mainly due to finance results on bonds and translation differences due to the realization of foreign operations, general and legal expenses.
- Basic and diluted loss per share of €5.68 (31 December 2022: loss per share of €1.24).

Material events during the period:

Tax authority investigation:

On March 27, 2023 the Company announced that the Tax Authority of the state of India initiated certain actions at the office of Elbit Plaza India Management Services Private Limited (which is a private company wholly owned by Elbit Plaza India Real Estate Holdings Limited) (hereinafter: "EPM") including a search and seizer of certain documents relating to EPM's activities/transactions in India in recent years. At this stage it is not yet clear what the purpose of the investigation is, including whether EPM is the purpose of the investigation or whether the investigation is related to any third party.

Update regarding a change in Elbit Imaging Ltd holdings:

During 2023, Elbit Imaging sold about 1 375 thousand shares of the Company, thus, Elbit Imaging holdings in the Company have diminished to 0% of the Company's issued and paid-up capital as of December 31, 2023.

Deferral of payment of Debentures and partial interests' payment:

Refer to the below in Liquidity & Financing.

Dutch statutory auditor:

Refer to Note 16 (b)(6) in the annual consolidated financial statements.

Update regarding submission of a request for arbitration against Romania with respect to the "Casa Radio" project:

On April 11, 2023 the Company announced, that having on May 16, 2022 issued a Request for Arbitration against Romania with respect to the "Casa Radio" project (the "Project"), on April 6, 2023 the Company filed its Memorial and supporting evidence at the International Centre for the Settlement of Investment Disputes, setting out its claims against Romania. The Company seeks full compensation for its losses with respect to the Project, currently estimated to be up to EUR 367,700,000 as at 31 March, 2023.

Further, on May 18, 2023 the Company submitted its objection to Romania's Request for Bifurcation into separate phases on jurisdiction and the merits. Romania's application has been rejected and it has now been determined that the Arbitration will not be bifurcated. Romania is now required to file its defence to the Company's claims.

On July 12, 2023, Plaza and Dambovitza Center SRL (a subsidiary of Plaza and the Project Company in charge of the Casa Radio Project) received a notice of default from the Ministry of Finance under the public-private partnership contract governing the Casa Radio Project. The Company denies all claims formulated by the Ministry of Finance, including any made in the ongoing ICSID arbitration with Romania.

Update regarding a lawsuit against entities involved in the sale of U.S.A shopping centers in 2011:

On June 19, 2023 the Company announced, further to its announcements, regarding the filing of a lawsuit by the Company and Elbit Imaging Ltd. ("Elbit") against certain parties (certain officers of the Company and Elbit, a portion of the heirs of the late Mr. Motti Zisser (the Company's and Elbit's former controlling shareholder) and other parties) (the "Respondents") who were involved in a transaction of the Company and Elbit for the sale of real estate properties in the U.S.A. in 2011 and for which funds (brokerage fees) were allegedly illegally transferred to private companies controlled by the late Mr. Motti Zisser (the "Lawsuit"); and further to the Company's announcement dated August 10, 2021 and to the details provided in Note 16(b)(5) in the Company's annual consolidated financial statements for the year 2022 regarding the approval by the District Court of an application submitted by one of the respondents, Mr. Philip Meyer, for the dismissal in limine of the Lawsuit and the appeal submitted by the Company and Elbit to the Supreme Court on November 14, 2021; and further to the Company's announcement dated May 31, 2023 regarding the fact that the Company's and Elbit's appeal was accepted by the Supreme Court; the Company hereby announces that a settlement agreement has been reached between the plaintiffs and two of the Respondents. The court approved the settlement agreement and gave it the effect of a judgment and imposed a publication ban on its details. According to the provisions of the settlement agreement, the Company's portion after deducting expenses is a few hundred thousand euros and should be received over a period of several months, and the Company and Elbit will continue to handle the legal proceeding in the District Court while each party shall maintain all of its claims in the main proceeding.

Annual General Meeting:

Annual general meeting of the Shareholders of the Company was held on December 01, 2023, all the proposed resolutions were rejected.

Appointment of Company's auditor:

On December 27, 2023 the Company announced that further to its previous announcement dated December 04, 2023 regarding results of Annual General Meeting, the Board of Directors of the Company decided to reappoint KOST FORER GABBAY & KASIERER (a member of the global network of EY firms) as the audit company authorised to audit the consolidated financial statements of the Company for the year ended December 31, 2023 in order to ensure the reporting requirements and enable the Company's proper operations.

Key highlights since the period end:***Tax authority investigation:***

On March 25, 2024 the Company announced that further to its announcement dated March 27, 2023 with regards to the search and seizure operations carried by the Indian tax authorities at the offices of Elbit Plaza India Management Services Private Limited (hereinafter: "EPIM") (which is a private company wholly owned by Elbit Plaza India Real Estate Holdings Limited), EPIM has received a favorable order under which investigation for one of the three years under investigation is completed without imposing any liability on EPIM. Inquiry into the remaining periods of the investigation is continuing and the Company will update on any development.

Update regarding a change in Ragnar Trade holdings:

On January 31, 2024 the Company announced that Ragnar Trade spółka z ograniczoną odpowiedzialnością ("Ragnar Trade") acquired about 343.9 thousand shares of the Company, which amounted to 5.02% of the Company's issued and paid capital. On February 5, 2024 the Company announced that Ragnar Trade acquired share of the Company up to level of 11.70% of the Company's issued and paid capital and on February 19, 2024 it was announced that Ragnar Trade holdings in the Company is decreased below 5% of the Company's issued and paid capital, thus Ragnar Trade ceased to be related party of the Company.

Update regarding submission of a request for arbitration against Romania with respect to the "Casa Radio" project:

On March 29, 2024 the Company announced, that it has received a further engagement letter ("Further Engagement Letter"), from the Company's primary legal advisers in connection with the arbitration for the "Casa Radio" project (the "Project"). The Further Engagement Letter is in line with Company's projected cash flow that was approved at Bondholders' Meeting from October 11, 2023.

Commenting on the results, executive director Ron Hadassi said:

“The Company is continuing to take all necessary steps with Casa Radio Project. The Company has submitted with the International Centre for Settlement of Investment Disputes (“ICSID”) a Request for Arbitration (the “Request”) against Romania for compensation of losses incurred due to failure of the Romanian authorities to cooperate, negotiate and adjust the PPP agreement. The Company expects the Hearing on Jurisdiction to take place in 4th quarter of 2024 after which the Tribunal’s decision will be taken.”

For further details, please contact:

Plaza

Ron Hadassi, Executive Director

972-526-076-236

Notes to Editors

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

Forward-looking statements

This press release may contain forward-looking statements with respect to Plaza Centers N.V. future (financial) performance and position. Such statements are based on current expectations, estimates and projections of Plaza Centers N.V. and information currently available to the Company. Plaza Centers N.V. cautions readers that such statements involve certain risks and uncertainties that are difficult to predict and therefore it should be understood that many factors can cause actual performance and position to differ materially from these statements.

MANAGEMENT STATEMENT

During 2023 the Company continued cost reductions and partial repayments to its bondholders.

In connection with Casa Radio Project, as stated above, the Company submitted the Request and we hope this will help us to unblock the current status of the Project. In addition, on December 04, 2023 the Company and AFI Europe N.V. (“AFI Europe”) agreed to extend the Long Stop Date, which is the date on which the parties will execute a share purchase agreement, subject to the satisfaction of conditions precedent (the “SPA”), until December 31, 2024.

Due to the board and management estimation that the Company is unable to serve its entire debt according to the current redemption date (July 1, 2024) in its current liquidity position, the Company intends to request from the bondholders of both series (Series A and Series B) postponement of the repayment of the remaining balance of the bonds.

Results

During the year, Plaza recorded a €38.9 million loss attributable to the shareholders of the Company. This is an increase compared to the losses reported in 2022 (loss of €8.5 million). The losses were mainly from the Net Finance Costs which were increased to €37.2 million in 2023, from €8.9 million in 2022 mainly due to foreign currency losses on bonds (including inflation), interests’ expenses accrued on the debentures (partly

due to penalty interest calculated on the deferred principal) and translation differences due to the realization of foreign operations; and from administrative expenses and legal costs.

Total result of operations excluding finance income and finance cost was a loss of €1.7 million in 2023 compared to the reported gain of €0.4 million in 2022.

The consolidated cash position (cash on standalone basis as well as fully owned subsidiaries) as of 31 December 2023 was €5.7 million (31 December 2022: €7.8 million).

Liquidity & Financing

Plaza ended the period with a consolidated cash position of circa €5.7 million, compared to €7.8 million at the end of 2022.

As of December 31, 2023, the Group's outstanding obligation to bondholders (including accrued interests) are app. €134.3 million.

As disclosed by the Company in Note 8 in the annual consolidated financial statements, the Company was not able to meet its final redemption obligation to its (Series A and Series B) bondholders, due on July 1, 2023. During June 2023 the bondholders of Series A and Series B approved: (i) to postpone the final redemption date to January 1, 2024; ; (ii) that on July 1, 2023 the Company will pay to its bondholders a partial interest payment in the total amount of EUR 750,000 and to deferral all other unpaid interest.

During November 2023, the bondholders of Series A and Series B approved: (i) to postpone the final redemption date to July 1, 2024; (ii) that on January 1, 2023 the Company will pay to its bondholders a partial interest payment in the total amount of EUR 200,000 and to deferral all other unpaid interest.

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

Strategy and Outlook

The Company's priorities are focused on efforts to unblock the current status of the Casa Radio project. The Company also intends to seek for bondholders' approval for postponement of the repayment of the bonds.

OPERATIONAL REVIEW

The Company's current assets are summarised in the table below (as of balance sheet date):

Asset/ Project	Location	Nature of asset	Plaza's effective ownership %	Status
Casa Radio	Bucharest, Romania	Mixed-use retail, hotel and leisure plus office scheme	75	for further information refer to note 5 (2) in the annual consolidated financial statements)

FINANCIAL REVIEW

Results

In 2023, the administrative expenses amounted to €1.7 million, an increase comparing to €1.4 million in 2022. The increase was a result of additional expenses for legal services in respect to initiated by the Company of an arbitration process in Romania as states above in connection with Casa Radio Project.

Net finance costs changed from €8.9 million loss in 2022 to €37.2 million loss in 2023. The main components of net finance costs were foreign currency gain on bonds (including inflation), interests' expenses accrued on the debentures which includes also penalty interest calculated on the deferred principal and translation differences due to the realization of foreign operations.

As a result, the loss for the period amounted to circa €38.9 million in 2023, representing a basic and diluted loss per share for the period of €5.68 (2022: €8.5 loss).

Balance sheet and cash flow

The balance sheet as of 31 December 2023 showed total assets of €5.8 million compared to total assets of €8.3 million at the end of 2022, mainly as a result of general expenses and legal costs.

The consolidated cash position (cash on standalone basis as well as fully owned subsidiaries) as of 31 December 2023 decreased to €5.7 million (31 December 2022: €7.8 million).

As of 31 December 2023, Plaza has a balance sheet liability of app. €95.5 million from issuing bonds on the Tel Aviv Stock Exchange. Additionally, Plaza recorded provision for interests on bonds as of December 31, 2023, in amount of €38.8 million (31 December 2022: €29.9 million).

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

1. General Background

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

The material uncertainty related to going concern was included in the independent auditors' report and in Note 1(b) in the consolidated financial statements as of December 31, 2023. In light of the material uncertainty that the SPA between the Company and AFI Europe N.V. will eventually be executed and/or that the transaction will be consummated as presented above or at all (refer to Note 5 in the consolidated financial statements as of December 31, 2023), the board and management estimates that the Company is unable to serve its entire debt according to the due date the bond holders approved to postpone the final redemption date. Accordingly, it is expected that the Company will not be able to meet its entire contractual obligations in the following 12 months.

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

2. Projected cash flow

The Company has implemented the restructuring plan that was approved by the Dutch Court on July 9, 2014 (the "Restructuring Plan"). Under the Restructuring Plan, principal payments under the bonds issued by the Company and originally due in the years 2013 to 2015 were deferred for a period of four and a half years, and principal payments originally due in 2016 and 2017 were deferred for a period of one year. During first three months 2017, the Company paid to its bondholders a total amount of NIS 191.7 million (EUR 49.2 million) as an early redemption. Upon such payments, the Company complied with the Early Prepayment Term (early redemption at the total sum of at least NIS 382 million) and thus obtained a deferral of one year for the remaining contractual obligations of the bonds.

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

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

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

On July 11, 2019, the Company announced that its Romanian subsidiary had signed a binding agreement to sell a land in Romania, and that the Company would use part of the proceeds now received by it EUR 0.75 million (hereinafter: "the amount payable"), in order to make a partial interest payment to the bondholders

(Series A) and (Series B) issued by the Company. The payment required changes in the repayment schedule and amendments of the trust deeds which was approved unanimously by the Bondholders. The amount payable was paid on August 14, 2019 and reflects 30% of accrued interest as of that date.

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

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

Following receiving the Settlement Amount related to the final price adjustment of the sale of Belgrade Plaza and in light of the potential negative impact of the Covid-19 on the possibility to receive future proceeds from the Company's plots in India, the Company decided to increase the amount to be paid to the bondholders on July 1, 2020, from EUR 250,000 to EUR 500,000. The amount reflected 6.74% of accrued interest as of that date.

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

On April 12, 2021, the bondholders of Series A and Series B approved: (i) to postpone the final redemption date to January 1, 2022; (ii) that on July 1, 2021 the Company will pay to its bondholders a partial interest payment in the total amount of EUR 125,000 and to deferral all other unpaid interest. The amount reflected 0.84% of accrued interest as of that date.

On November 25, 2021, the bondholders of Series A and Series B approved: (i) to postpone the final redemption date to July 1, 2022; (ii) that on January 1, 2022 the Company will pay to its bondholders a partial interest payment in the total amount of EUR 200,000 and to deferral all other unpaid interest. The amount reflected 0.92% of accrued interest as of that date.

On June 16, 2022, the bondholders of Series A and Series B approved to postpone the final redemption date to January 1, 2023.

On November 8, 2022, the bondholders of Series A and Series B approved: (i) to postpone the final redemption date to July 1, 2023; (ii) that on January 1, 2023 the Company will pay to its bondholders a partial interest payment in the total amount of EUR 2,000,000 and to deferral all other unpaid interest. The amount reflected 6.08% of accrued interest as of that date.

During June 2023 the bondholders of Series A and Series B approved: (i) to postpone the final redemption date to January 1, 2024; ; (ii) that on July 1, 2023 the Company will pay to its bondholders a partial interest payment in the total amount of EUR 750,000 and to deferral all other unpaid interest.

During November 2023, the bondholders of Series A and Series B approved: (i) to postpone the final redemption date to July 1, 2024; (ii) that on January 1, 2023 the Company will pay to its bondholders a partial interest payment in the total amount of EUR 200,000 and to deferral all other unpaid interest.

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

In € millions	2024	2025
Cash - Opening Balance ⁽²⁾	5.7	2.4
Proceeds from other income ⁽³⁾	-	-
Total Sources	5.7	2.4
Debtures – principal	-	-
Debtures - interest ⁽⁴⁾	-	-
Other operational costs ⁽⁵⁾	2.5	0.85
G&A expenses (including property maintenance) ⁽⁵⁾	0.8	0.8
Total Uses	3.3	1.65
Cash - Closing Balance ⁽²⁾	2.4	0.75

(1) The above cash flow is subject to the approval of the bondholders of both series to postponement of the repayment of the remaining balance of the bonds which are due on July 1, 2023.

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

(3) The Company did not include any proceeds from pre-sale agreement signed with AFI, due to the uncertainty as to the fulfilment of the conditions set out in the preliminary agreement as mentioned in Note 5(1)€ of the consolidated financial statements as of December 31, 2023, thus there can be no certainty an the SPA will eventually be executed and/or that the Transaction will be completed.

(4) Payments of interests are subject to the approval of the bondholders of both series.

(5) The cost includes a provision for arbitrations / legal costs based on projection of arbitration process.

(6) Total general and administrative expenses includes both cost of the Company and of all the subsidiaries.

Ron Hadassi
Executive Director
29 March 2024

PLAZA CENTERS N.V.
CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023

IN 000 EUR

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Report on the Audit of the Consolidated Financial Statements

Independent Auditors' Report

To the shareholders of Plaza Centers N.V.

Opinion

We have audited the consolidated financial statements of Plaza Centers N.V. and its subsidiaries ("the Company"), which comprise the consolidated statement of financial position as at December 31, 2023 and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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

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

Material Uncertainty Related to Going Concern

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

The board and management estimate that the Company is unable to serve its entire debt to bondholders according to the current repayment schedule in total amount of EURO 134.4 million as of December 31, 2023 which is due on July 1, 2024). The Company is dependent on the bondholders' approval for any postponement of payments. In addition, the Company is not in compliance with the main Covenants as defined in the restructuring plan (for more details refer also to Note 8), hence in default which could trigger early repayment by the bondholders.

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



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Emphasis of Matter

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

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other matters to communicate in our report.

Other information included in The Company's 2022 Annual Report

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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



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We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent report is Mr. Yeshayahu Silberstrom .

March 29, 2024
Tel Aviv, Israel

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION IN '000 EUR

		December 31,	
	Note	2023	2022
ASSETS			
Cash and cash equivalents	3	5,705	7,769
Restricted bank deposits		24	422
Prepayments and other receivables		93	48
Total current assets		5,822	8,239
Equity - accounted investees	6	-	63
Total non-current assets		-	63
Total assets		5,822	8,302
LIABILITIES AND SHAREHOLDERS' EQUITY			
Bonds at amortized cost	8	95,462	98,738
Accrued interests on bonds	8	38,842	29,893
Trade payables		41	28
Other liabilities	7	472	431
Total current liabilities		134,817	129,090
Share capital	10	6,856	6,856
Translation reserve	10	-	(30,742)
Other reserves		(19,983)	(19,983)
Share based payment reserve	10	35,376	35,376
Share premium	10	282,596	282,596
Accumulated deficit		(433,840)	(394,891)
Total equity		(128,995)	(120,788)
Total equity and liabilities		5,822	8,302

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

March 29, 2024

Date of approval of the
financial statements

Ron Hadassi
Executive Officer

David Dekel
Chairman of the Board of
Directors

CONSOLIDATED STATEMENT OF PROFIT OR LOSS IN '000 EUR

	Note	Year ended December 31,	
		2023	2022
Other income	4	192	181
Expenses and losses			
Cost of operations		(114)	(81)
Share in results of equity-accounted investees	6	(52)	1,786
Administrative expenses	13	(1,724)	(1,454)
		<u>(1,890)</u>	<u>251</u>
Expenses and losses			
Finance income	14	4,596	2,795
Finance costs	14,6	(41,847)	(11,724)
		<u>(39,141)</u>	<u>(8,678)</u>
Finance income (costs), expenses and losses			
Loss before income tax		(38,949)	(8,497)
Income tax	9	-	-
Loss for the year		<u>(38,949)</u>	<u>(8,497)</u>
Earnings per share			
Basic and diluted loss per share (EUR)	11	<u>(5.68)</u>	<u>(1.24)</u>

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME IN '000 EUR

	Year ended	
	December 31,	
	2023	2022
Loss for the year	(38,949)	(8,497)
Other comprehensive income		
Items that are or may be reclassified to profit or loss:		
Transfer to profit and loss for the realization of foreign operations	30,753	-
Foreign currency translation differences - foreign operations (Equity accounted investees)	<u>(11)</u>	<u>96</u>
Other comprehensive profit for the year, net of income tax	<u>30,742</u>	<u>96</u>
Total comprehensive loss for the year	<u><u>(8,207)</u></u>	<u><u>(8,401)</u></u>

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY IN '000 EUR

	Share capital	Share Premium	Share based payment reserves	Translation Reserve	Capital reserve from acquisition of non- controlling interests	Accumulated deficit	Total
Balance on January 1, 2022	6,856	282,596	35,376	(30,838)	(19,983)	(386,394)	(112,387)
Comprehensive income for the year							
Net loss for the year	-	-	-	-	-	(8,497)	(8,497)
Foreign currency translation differences	-	-	-	96	-	-	96
Total comprehensive loss for the year	-	-	-	96	-	(8,497)	(8,401)
Balance on December 31, 2022	6,856	282,596	35,376	(30,742)	(19,983)	(394,891)	(120,788)
Comprehensive income for the year							
Net loss for the year	-	-	-	-	-	(38,949)	(38,949)
Transfer to profit and loss for the realization of foreign operations	-	-	-	30,753	-	-	30,753
Foreign currency translation differences	-	-	-	(11)	-	-	(11)
Total comprehensive loss for the year	-	-	-	30,742	-	(38,949)	(8,207)
Balance on December 31, 2023	6,856	282,596	35,376	-	(19,983)	(433,840)	(128,995)

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

CONSOLIDATED STATEMENT OF CASH FLOWS IN '000 EUR

	Year ended	
	December 31,	
	2022	2022
Cash flows from operating activities		
Loss for the year	(38,949)	(8,497)
<u>Adjustments necessary to reflect cash flows used in operating activities</u>		
Net finance costs	37,251	8,929
Share of loss/gain of equity-accounted investees, net of tax	<u>52</u>	<u>(1,786)</u>
Cash flow from operations before changes in working capital	<u>(1,646)</u>	<u>(1,354)</u>
<u>Changes in:</u>		
Trade receivables	8	3
Other receivables	(53)	(12)
Trade payables	13	(82)
Other liabilities, related parties' liabilities and provisions	<u>41</u>	<u>6</u>
Cash flow from changes in working capital	<u>9</u>	<u>(85)</u>
Interest paid	(950)	(2,000)
Interest received	<u>143</u>	<u>-</u>
Net cash used in operating activities	<u>(2,444)</u>	<u>(3,439)</u>
Cash from investing activities		
Distribution received from Equity Accounted Investees	-	6,932
Investment in (receipt of) restricted deposit	<u>398</u>	<u>(422)</u>
Net cash provided by investing activities	<u>398</u>	<u>6,510</u>
Net cash used in financing activities	<u>-</u>	<u>-</u>
Increase (decrease) in cash and cash equivalents during the year	(2,046)	3,071
Effect of movement in exchange rate fluctuations on cash held	(18)	10
Cash and cash equivalents at beginning of period	<u>7,769</u>	<u>4,688</u>
Cash and cash equivalents at end of period	<u>5,705</u>	<u>7,769</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 1: - CORPORATE INFORMATION

- a. Plaza Centers N.V. ("the Company" and together with its subsidiaries, "the Group") was incorporated and is registered in the Netherlands. The Company's registered office is at Tolstraat 112, 1074 VK, Amsterdam, the Netherlands. In past the Company conducted its activities in the field of establishing, operating and selling of shopping and entertainment centres, as well as other mixed-use projects (retail, office, residential) in Central and Eastern Europe (starting 1996) and India (from 2006). Following debt restructuring plan approved in 2014 the Group's main focus is to reduce corporate debt by early repayments following sale of assets and to continue with efficiency measures and cost reduction where possible.

The consolidated financial statements for each of the periods presented comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in jointly controlled entities.

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

Until December 19, 2018 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. At that date EUL informed the Company that it had signed a trust agreement according to which EUL will deposit all of its outstanding investment with a trustee and no longer consider itself to be the controlling shareholder of the Company. As of December 31, 2023 EUL had sold all of the Company's shares and therefore ceased to be a related party (please refer to note 17).

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

As of December 31, 2023, the Company's outstanding obligations to bondholders (including accrued interests) are app. EUR 134.4 million with due date that was postponed to July 1, 2024 (the "**Current Due date**") (please refer to note 8).

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

1. Cash and cash equivalents (including the cash of fully owned subsidiaries) of approximately EUR 5.705 million.
2. As detailed in note 5(1)(e), the Company and AFI Europe N.V. entered into an addendum to the pre-sale agreement entered into between the Parties in connection with the sale of its subsidiary (the "SPV") which holds 75% in the Casa Radio Project (the "Project") (the "Addendum" and the "Agreement", respectively) pursuant to which the Parties agreed to extend the Long Stop Date, which is the date on which the parties will execute a share purchase agreement, subject to the satisfaction of conditions precedent (the "SPA"), until December 31, 2024. 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 THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 1: - CORPORATE INFORMATION (Cont.)

3. In addition, as detailed in note 5(2), the Company has submitted with the International Centre for Settlement of Investment Disputes ("ICSID") a Request for Arbitration (the "Request") against Romania for compensation of losses incurred due to failure of the Romanian authorities to cooperate, negotiate and adjust the PPP agreement as described in the note 5(1)(c) which include the Company's investment in the Project SPV, loss of potential profit, and costs and expenses of the arbitration. At this stage there is no certainty about the result of the dispute, hence no resources are expected to be available in the foreseeable future.

As of December 31, 2023, the Company is not in compliance with the main Covenants as defined in the restructuring plan (for more details refer also to Note 8), hence constituting an event of default which could also trigger early repayment demand by the bondholders.

Due to the abovementioned and due to the board and management estimation that the Company is unable to repay its entire debt on the updated due date, the Company intends to request the bondholders of both series an additional postponement of the repayment of the remaining balance of the bonds. However, there is no certainty that the bondholders will approve the request. In the case that the bondholders would declare their remaining claims to become immediately due and payable, the Company would not be in a position to settle those claims and would need to enter to an additional debt restructuring.

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

NOTE 2:- MATERIAL ACCOUNTING POLICIES

- a. Basis of preparation of these financial statements:

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

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

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

These consolidated financial statements are not intended for statutory filing purposes. The Company is required to file consolidated financial statements prepared in accordance with the Netherlands Civil Code.

At the date of approval of these financial statements the Company had not yet submitted consolidated financial statements for the year ended December 31, 2019, December 31, 2020, December 31, 2021, December 31, 2022 and December 31, 2023 in accordance with the Netherlands Civil Code (for more details refer to Note 16(b)(6)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 2:- MATERIAL ACCOUNTING POLICIES (Cont.)

The consolidated financial statements were authorized to be issued by the Board of Directors on March 29, 2024.

b. Functional and presentation currency:

These consolidated financial statements are presented in EURO ("EUR"), which is the Company's functional currency. All financial information presented in EUR has been rounded to the nearest thousand, unless otherwise indicated.

c. Functional and presentation currency

The EUR is the functional currency for Group companies (with the exception of Indian companies - in which the functional currency is the Indian Rupee - INR) since it is the currency of the economic environment in which the Group operates. This is because the EUR (and in India the INR) is the main currency in which management determines its pricing with potential buyers and suppliers, determine its financing activities and budgets and assesses its currency exposures.

d. Use of estimates and judgments:

The preparation of the consolidated financial statements in conformity with IFRS as adopted by the EU requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Notes 5, 6 - key assumptions used in determining the net realisable value of trading properties;
- Notes 5,16 - recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

e. Basis of consolidation:

1. Subsidiaries:

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 2:- MATERIAL ACCOUNTING POLICIES (Cont.)

ceases. Where necessary, adjustments are made to the financial statements of the subsidiaries in order to bring the accounting policies used in line with the ones used by the Group in the consolidated financial statements.

f. Foreign currency:

1. Foreign currency transactions:

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

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

2. Foreign operations:

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 2:- MATERIAL ACCOUNTING POLICIES (Cont.)

If the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, then foreign currency differences arising from such item form part of the net investment in the foreign operation. Accordingly, such differences are recognised in other comprehensive income and accumulated in the translation reserve.

3. Index-linked monetary items:

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

g. Cash equivalents:

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

h. Financial instruments:

1. Financial liabilities:

a) Financial liabilities measured at amortized cost:

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

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

2. De-recognition of financial liabilities:

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

i. Fair value measurement

A number of the Group's accounting policies and disclosures require the measurement of fair value, for both financial and non-financial assets and liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 2:- MATERIAL ACCOUNTING POLICIES (Cont.)

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. The Company's finance department reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes, is used to measure fair values, then the finance department assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

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

Note 15 - Financial instruments

j. Trading properties:

Trading properties are being designated for sale in the ordinary course of business and as such are classified as trading properties (inventory) and measured at the lower of cost and net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs to complete construction and selling expenses. If net realizable value is less than the cost, the trading property is written down to net realizable value.

In each subsequent period, a new assessment is made of net realizable value. When the circumstances that previously caused trading properties to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised net realizable value.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 2:- MATERIAL ACCOUNTING POLICIES (Cont.)

k. Finance income and cost:

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

l. Initial application of new Amendments

1. Amendment to IAS 8, "Accounting Policies, Changes to Accounting Estimates and Errors":

In February 2021, the IASB issued an amendment to IAS 8, "Accounting Policies, Changes to Accounting Estimates and Errors" ("the Amendment"), in which it introduces a new definition of "accounting estimates".

Accounting estimates are defined as "monetary amounts in financial statements that are subject to measurement uncertainty". The Amendment clarifies the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors.

The Amendment is to be applied prospectively for annual reporting periods beginning on or after January 1, 2023 and is applicable to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Early application is permitted.

The application of the above Amendment did not have a material impact on the Company's consolidated financial statements.

2. Amendment to IAS 1 – “Disclosure of Accounting Policies”:

In February 2021, the IASB issued an amendment to IAS 1, "Presentation of Financial Statements" ("the Amendment"), which replaces the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. One of the main reasons for the Amendment is the absence of a definition of the term 'significant' in IFRS whereas the term 'material' is defined in several standards and particularly in IAS 1.

The Amendment is applicable for annual periods beginning on or after January 1, 2023. Early application is permitted.

The application of the above Amendment had an impact on disclosures of accounting policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR**NOTE 3:- CASH AND CASH EQUIVALENTS**

	December 31,	
	2023	2022
Bank deposits and cash denominated in		
EUR - bank balances (1)	5,533	7,763
New Israeli Shekel (NIS) - bank balances	138	3
Other currencies	34	3
	<u>5,705</u>	<u>7,769</u>

(1) As of December 31, 2023, including call deposit of EUR 4,9 million – 3,5% interests rate (as of December 31, 2022 – EUR 6,4 million – 1,57% interests rate).

NOTE 4:- OTHER INCOME

	December 31,	
	2023	2022
Other income (1)	192	181
	<u>192</u>	<u>181</u>

(1) 2023 - refer to Note 16(b)(5).

NOTE 5:- TRADING PROPERTIES

(1) Casa Radio:

(a) General:

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

Pursuant to the PPP agreement, the Project SPV was granted development and exploitation rights in relation to the site for a period of 49 years, starting December 2006 (34 years remaining at the end of the reporting period). As part of its obligations under the PPP agreement, the Project SPV has committed to construct a public authority building ("PAB") measuring approximately 11.000 square meters for the Romanian Government at its own cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 5:- TRADING PROPERTIES (Cont.)

Large scale demolition, design and foundation works were financed by loans given to the Project SPV by the Company. These works were performed on site until 2010. Construction and development were put on hold due to difficulties procuring further financing because of the global financial crisis and later, as well as, the lack of progress in the renegotiation of the PPP agreement with the Romanian authorities,

as detailed in subsection (c) below. These circumstances (and mainly the bureaucratic deadlock with the Romanian authorities to deal with the issues specified below) caused the Project SPV not to meet the development timeline of the Project as specified in the PPP agreement. However, management believes that it had legitimate reasons for the delays in this timeline, as discussed in subsection (c) below.

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

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

(c) Discussions with the Romanian authorities:

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 5:- TRADING PROPERTIES (Cont.)

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

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

Management has taken a number of steps in order to unblock the development of the project and mitigate the risk of termination of the PPP agreement, including commencing a process to identify third party investors willing and capable to join in the development of the Project and/or potential buyers of the Company's interest in the Project. Management believes that reputable investors with considerable financial strength can enhance negotiation position vis-à-vis the Romanian authorities and assist in advancing an amicable agreement with the relevant authorities with respect to the development of the Project. As a result of the Company's ongoing efforts, a pre-sale agreement for the sale of its shareholding in the Project SPV and its interests in the Project was signed on 3 July 2019 (see subsection (e) below).

(d) Provision in respect of PAB:

As mentioned in point (a) above, when the Company entered into an agreement to acquire 75% interest in the Project SPV it assumed a commitment to construct the PAB at its own costs for the benefit of the Romanian Government. As detailed in note 5(2) below, the carrying amount of the trading property was fully written off as of December 31, 2020. Accordingly, the Company also fully reduced the provision in respect of the construction of the PAB as of December 31, 2020.

(e) On 3 July 2019 the Company's wholly owned subsidiary Dambovita Center Holding B.V ("Dambovita NL") as seller, the Company as guarantor and AFI Europe N.V. as buyer entered into a pre-sale agreement for the sale of the shareholding in Dambovita Center S.R.L ("Dambovita RO") (the "Pre-Sale Agreement"). Pursuant to the terms of the Pre-Sale Agreement, AFI Europe N.V. shall carry out a due diligence review which shall be completed no later than 5 September 2019 following which, subject to the satisfaction of the other Conditions precedent in the Pre-Sale Agreement, the parties to the Pre-Sale Agreement will execute a share purchase agreement in the short form being Annex 3 to the Pre-Sale Agreement (the "SPA") and an intragroup loan assignment/novation agreement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 5:- TRADING PROPERTIES (Cont.)

Conditions precedent in the Pre-Sale Agreement comprise inter alia (i) the satisfactory completion of a due diligence investigation by AFI Europe N.V. by the latest on 5 September 2019; (ii) the Romanian competition council having issued competition approval for the transaction; (iii) publication of the contemplated sale of the shares in Dambovita RO by Dambovita NL in the Official Gazette of the Romanian Government and the lapse of a 30-day objection period with no opposition being lodged; (iv) no pending or imminent material adverse change (which includes insolvency of Dambovita RO, termination of the PPP Agreement or a significant amendment of the terms and conditions of the PPP Agreement rendering the fulfilment thereof more onerous; (v) issuance of a Government Decision confirming

that Dambovita NL may transfer the shares to AFI Europe N.V.(or any of its affiliates) and that the Company and Elbit Imaging Ltd. may transfer their rights and obligations under the PPP Agreement to AFI Europe N.V.(vi); amendment of the PPP Agreement in order to transfer the rights of Elbit Imaging Limited and the Company to AFI Europe N.V.; (vii) obtaining a written confirmation that the 49 years term of the PPP Agreement shall be calculated, the earliest, starting from 2012,

however, in case the 49 years concession term is calculated from any other previous date, the parties to the Pre-Sale Agreement will try to find an amicable compromise, discounting the Purchase Price (as defined below) to reflect the shorter concession term; in case of such parties' failure to reach an agreement with respect to the discounted Purchase Price, AFI Europe N.V. has the right to consider this condition precedent as not being fulfilled; and (viii) the receipt of approval of the General Meeting and the Company's bondholders for the Transaction.

Upon satisfactory completion of the due diligence to be carried out by AFI Europe, there will be a down payment of EUR 200,000, which shall be repaid upon the occurrence of (i) cancellation of the PPP Agreement; (ii) initiation of Dambovita RO's dissolution due to negative equity requirements; (iii) the existence of elements of criminal investigation against Dambovita RO, beyond the 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. The fulfilment of the Conditions precedent relating to the approval of the Company's shareholders and bondholders as referred to above must occur no later than 5 September 2019. On 30 July 2019, the bondholders of Bonds series A and Bonds Series B decided to authorize the Company to enter into the agreement and execute the transaction contained therein. In addition, an extraordinary general meeting of Shareholders of the Company held on 29 August 2019 approved the transaction as detailed in the Notice of EGM.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 5:- TRADING PROPERTIES (Cont.)**PRE-SALE AGREEMENT – SPECIFIC PROVISIONS**

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 5:- TRADING PROPERTIES (Cont.)

The Parties have further agreed that in case of any litigation and/or arbitration process to which the Company is a party, will result in the loss of any of their rights under the PPP Agreement with the Government of Romania to develop the Casa Radio site in the city center of Bucharest, AFI shall no longer be bound by its obligations under the Agreement and the Company shall reimburse AFI with the entire advance payment of EUR 200,000 already paid by AFI. The prepayment of EUR 200,000 is included in Other Liabilities in the consolidated statement of financial position. The Addendum was subject to the approval of the Company's bondholders which was obtained on 12 November 2020.

On December 20, 2021 the Company, Dambovita NL and AFI have signed an additional addendum to the Agreement (the "Addendum 2") which pursuant to the Addendum 2 the Parties agreed to extend the Long Stop Date until December 31, 2022.

On December 13, 2022 the Company, Dambovita NL and AFI have signed an additional addendum to the Agreement (the "Addendum 3") which pursuant to the Addendum 3 the Parties agreed to extend the Long Stop Date until December 31, 2023.

Further to the above, on December 4, 2023 the Company, Dambovita NL and AFI have signed an additional addendum to the Agreement (the "Addendum 4") which pursuant to the Addendum 4 the Parties agreed to extend the Long Stop Date until December 31, 2024.

As of the date hereof, there can be no certainty that either the conditions precedent in the Pre-Sale Agreement as detailed above will be met, that the Sale Agreement will be executed and/or that the Transaction will be consummated as presented above or at all.

(2) Write-down of trading properties:

Trading properties are measured at the lower of cost and net realizable value.

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

Actual results could be significantly different than the Company's estimates and could have a material effect on the Company's financial results.

These valuations become increasingly difficult as they relate to estimates and assumptions for projects in the preliminary stage of development.

Management is responsible for determining the net realizable value of the Group's trading properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 5:- TRADING PROPERTIES (Cont.)

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

Because of the abovementioned issues surrounding the satisfaction of the conditions precedent in the pre-sale agreement, it is currently not certain whether the sale agreement as contemplated in the pre-sale agreement would be entered into and whether therefore the transaction with AFI would proceed. As such the Company, Dambovita NL and AFI Europe N.V. agreed to extend the Long Stop Date until December 31, 2024. Additionally, as the external appraisers, in their opinion from the previous years did not reflect the risk related to the uncertainty in respect of fulfilment of the conditions precedent set out in the pre-sale agreement, as described above, management has concluded that it can't measure the net realizable value of the Project based on either the pre-sale agreement or based on the residual value approach as management would need to assume that it would receive the

Romanian authorities approval to restructure and adjust the PPP agreement. As a result, the value of the trading property of the Project was fully reduced.

Still, the Company believes that despite this reduction there is no change in the value of the Company's rights under the PPP Agreement. In addition, management, believes that the Company has a good case to claim compensation for economic damages. On the other hand, if the Company comes to an understanding with the Romanian authorities, it will measure the Casa Radio NRV to reflect its updated financial projections.

In light of the above the Company is exploring all its options in order to obtain progress, including among others its legal options. Accordingly, as of May 16, 2022 the Company has submitted with the International Centre for Settlement of Investment Disputes ("ICSID") a Request for Arbitration (the "Request") against Romania. In the Request the Company seeks full compensation of the losses it incurred due to failure of the Romanian authorities to cooperate, negotiate and adjust the PPP agreement as described in the note 5(1)(c) which include but not limited to the Company's investment in the Project SPV, loss of potential profit, and costs and expenses of the arbitration. The Request was registered by ICSID on June 3, 2022. The Tribunal was constituted on November 1, 2022. On April 6, 2023 the Company filed its Memorial and supporting evidence at the International Centre for the Settlement of Investment Disputes, setting out its claims against Romania. On May 18, 2023 the Company submitted its objection to Romania's Request for Bifurcation into separate phases on jurisdiction and the merits. Romania's application has been rejected and it has now been determined that the Arbitration will not be bifurcated.

On July 12, 2023, Plaza and Dambovita Center SRL (a subsidiary of Plaza and the Project Company in charge of the Casa Radio Project) received a notice of default from the Ministry of Finance under the public-private partnership contract governing the Casa Radio Project. The Company denies all claims formulated by the Ministry of Finance, including any made in the ongoing ICSID arbitration with Romania.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR**NOTE 5:- TRADING PROPERTIES (Cont.)**

At the current stage, the Company is in the process of preparation for the reply on the Merits and Counter-Memorial on Jurisdiction.

NOTE 6:- EQUITY ACCOUNTED INVESTEEES

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

<u>Company name</u>	<u>Country</u>	<u>Activity</u>	<u>Interest of holding (percentage) as of December 31,</u>	
			<u>2023</u>	<u>2022</u>
Elbit Plaza India Real Estate Holdings Ltd. ("EPI") (*)	Cyprus	Mixed-use large-scale projects	47.5%	47.5%

- (*) Though EPI is 47.5% held by the Company, the Company is accounted for 50% of the results, as the third party holding 5% in EPI is deemed not to participate in accumulated losses, hence Elbit and the Company, the holders of the remaining 95% each account for 50% of the results of EPI.

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

	<u>2023</u>	<u>2022</u>
Balance as of 1 January	63	5,113
Distribution received from equity-accounted investees	-	(6,932)
Share in results of equity-accounted investees, net of tax (6b)	(52)	1,786
Effect of movements in exchange rates	<u>(11)</u>	<u>96</u>
Balance as of 31 December	<u>-</u>	<u>63</u>

On September 1, 2022 the transaction for the sale of EPI's whole rights in major schemes in Bangalore was completed for a total of INR 117 crores (approximately EUR 14.3 million) and EPI received the full consideration as mentioned.

During 2023 the investee's operation has been closed, and accordingly, a total of EUR 30.7 million was transferred from the translation difference fund accrued in respect of this foreign activity to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 7:- OTHER LIABILITIES

	December 31,	
	2023	2022
Prepayments (*)	200	200
Salaries and related expenses (**)	23	16
Accrued expenses	249	215
Total	<u>472</u>	<u>431</u>

(*) Comprises EUR 200 thousand payable due to down payment in regard to pre-sale agreement for the sale of Casa Radio Project (refer to note 5(1)(e)).

(**) Refer to Note 17.

NOTE 8:- BONDS

a. Composition:

	Effective interest rate	Contractual interest rate	Principal final maturity	Carrying amounts as at December 31 2023
Series A Bonds	11.58%	CPI+8%(*)	July 2024	39,402
Series B Bonds	13.83%	CPI+8.9%(*)	July 2024	56,059
				<u>95,462</u>

(*) Including 2% interest on arrears

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

2024	<u>95,462</u>
	<u>95,462</u>

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 8:- BONDS

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

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

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

c. Settlement agreement with Bondholders of Israeli Series of Bonds:

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

- New repayment ratios between the two Israeli Series of Bonds (new ratio: Bond A- 39% Bond B- 61%);
- An increase in the level of the mandatory early repayments from 75% to 78% of the relevant net income;
- New repayment schedule;
- An increase in the compensation to be paid to the Bondholders in the event of successful disposal of Casa Radio Project;
- A waiver of claims to the Company and its directors and officers; and
- To waive the request for publication of quarterly financial reports by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 8:- BONDS (Cont.)

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

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

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

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

2019

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 8:- BONDS (Cont.)

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 19.06.2019, and the payment date was fixed as of 01.07.2019. The Company paid on the said date a total amount of circa EUR 1.17 million of which is only 42% of the full amount of interest.

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

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

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

2020

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

Following receiving the Settlement Amount related to the final price adjustment of the sale of Belgrade Plaza and in light of the potential negative impact of the Covid-19 on the possibility to receive future proceeds from the Company's plots in India, the Company decided to increase the amount to be paid to the bondholders on July 1, 2020, from EUR 0.25 million to EUR 0.5 million. The amount reflected 6.74% of accrued interest as of that date.

On November 12, 2020, the bondholders of Series A and Series B approved: (i) to postpone the final redemption date to July 1, 2021 of all the scheduled Principal; that on January 1, 2021 the Company will pay to its bondholders a partial interest payment in the total amount of EUR 0.2 million and to defer all other unpaid scheduled Interest payment. The amount reflected 1.84% of accrued interest as of that date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 8:- BONDS (Cont.)2021

On April 12, 2021, the bondholders of Series A and Series B approved: (i) to postpone the final redemption date to January 1, 2022; (ii) that on July 1, 2021 the Company will pay to its bondholders a partial interest payment in the total amount of EUR 125,000 and to defer all other unpaid interest. The amount reflected 0.84% of accrued interest as of that date.

On November 25, 2021, the bondholders of Series A and Series B approved: (i) to postpone the final redemption date to July 1, 2022; (ii) that on January 1, 2022 the Company will pay to its bondholders a partial interest payment in the total amount of EUR 200,000 and to defer all other unpaid interest. The amount reflected 0.92% of accrued interest as of that date.

2022

On June 16, 2022, the bondholders of Series A and Series B approved to postpone the final redemption date to January 1, 2023.

On November 8, 2022, the bondholders of Series A and Series B approved: (i) to postpone the final redemption date to July 1, 2023; (ii) that on January 1, 2023 the Company will pay to its bondholders a partial interest payment in the total amount of EUR 2,000,000 and to defer all other unpaid interest. The amount reflected 6.08% of accrued interest as of that date.

2023

Further in 2023, the bondholders of Series A and Series B approved: (i) to postpone the final redemption date to January 1, 2024; (ii) that on July 1, 2023 the Company will pay to its bondholders a partial interest payment in the total amount of EUR 750,000 and to defer all other unpaid interest. The amount reflected 2.18% of accrued interest as of that date.

On November 11, 2023, the bondholders of Series A and Series B approved: (i) to postpone the final redemption date to July 1, 2024; (ii) that on January 1, 2024 the Company will pay to its bondholders a partial interest payment in the total amount of EUR 200,000 and to defer all other unpaid interest. The amount reflected 0.51% of accrued interest as of that date.

As detailed in Note 1(b) the Company expects that it will not be able to meet its entire contractual obligations in the following 12 months.

Accordingly, it intends to request the bondholders of both series to postponement of the repayment of the remaining balance of the Bonds.

d. Covenants:

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

In respect of the Coverage Ratio Covenant ("CRC"), as defined in the restructuring plan, as at December 31, 2023 the CRC is not in compliance with 118% minimum ratio required.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 8:- BONDS (Cont.)

e. Credit rating:

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

NOTE 9:- INCOME TAXES

a. Unrecognized deferred tax assets:

Deferred tax assets have not been recognized in respect of tax losses in a total amount of EUR 97,547 thousand (2022: EUR 97,018 thousand). Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits. From January 1, 2022 onwards, an indefinite loss carry forward applies.

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

b. Reconciliation of effective tax rate:

	<u>2023</u>	<u>2022</u>
Dutch statutory income tax rate	25.8%	25.8%
Loss from continuing operations before income taxes	(8,196)	(8,497)
Tax benefit at the Dutch statutory income tax rate	(2,115)	(2,192)
Effect of tax rates in foreign jurisdictions	256	(641)
Current year tax loss and other timing differences for which no deferred taxes are created	1,808	3,054
Non-deductible expenses (exempt income)	51	(221)
Tax Expense	<u><u>-</u></u>	<u><u>-</u></u>

c. The main tax laws imposed on the Group companies in their countries of residence:

The Netherlands:

- a. Companies resident in the Netherlands are subject to corporate income tax at the general rate of 25.8% (2022 – 25.8%). The first EUR 200,000 (2022 - EUR 395,000) of profits is taxed at a rate of 19% (2022 - 15%). In 2021, 2020, and 2019 tax losses may be carried back for one year and carried forward for six years (for 2018 and before – nine years). From January 1, 2022 onwards, an indefinite loss carry forward applies. For the carry forward of losses, losses incurred in financial years that started on or after 1 January 2013 also fall under the new scheme that comes into effect on 1 January 2022, so these losses will be indefinite.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR**NOTE 9:- INCOME TAXES (Cont.)**

- b. Starting January 1, 2022 losses will be offset (forward or backward) in accordance with the following restrictions:
1. Up to 1 million EUR - unlimited
 2. Over 1 million EUR - against 50% of the remaining profit in that year
- c. The Dutch participation exemption gives a full exemption from corporation tax applies to benefits such as dividends and capital gains derived from a qualifying participation. The participation exemption generally applies if the parent Company holds at least 5 percent of the shares in the participation. The requirements to meet the participation exemption are as follows:
1. The parent Company has an interest of at least 5 percent in the participation; and
 2. At least one of the following three tests is met:
 - a) The parent Company's objective with respect to its participation is to obtain a return that is higher than a return that may be expected from normal active asset management ("Motive Test"); or
 - b) The participation is subject to a "reasonable taxation" according to Dutch tax standards ("Subject-to-Tax Test"); or
 - c) The direct and indirect assets of the participation generally consist of less than 50 percent of 'low taxed free passive investments' ("Asset Test").

NOTE 10:- EQUITY

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
<u>Remarks</u>	<u>Number of shares</u>	
Authorized ordinary shares of par value EUR 1 each	<u>10,000,000</u>	<u>10,000,000</u>
Issued and fully paid	<u>6,855,603</u>	<u>6,855,603</u>

Translation reserve

The translation reserve comprises, as of December 31, 2023, all foreign currency differences arising from the translation of the financial statements of foreign operations in India.

Restriction of dividend

The Company shall not make any dividend distributions, unless (i) at least 75% of the Unpaid Principal Balance of the Bonds has been repaid and the Coverage Ratio on the last Examination Date prior to such Distribution is not less than 150% following such Distribution, or (ii) a Majority of the Plan Creditors consents to the proposed Distribution.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR**NOTE 10:- EQUITY (Cont.)**

Notwithstanding the aforesaid, in the event an additional capital injection of at least EUR 20 million occurs, then after one year following the date of the additional capital injection, no restrictions other than those under the applicable law shall apply to dividend distributions in an aggregate amount of up to 50% of such additional capital injection.

NOTE 11:- EARNINGS PER SHARE

The calculation of basic earnings per share ("EPS") at December 31, 2023 was based on the loss attributable to ordinary shareholders of EUR 8,196 thousand (2022: loss of EUR 8,497 thousand) and a weighted average number of ordinary shares outstanding of 6,856 thousand (2022: 6,856 thousand).

Weighted average number of ordinary shares basic and diluted:

In thousands of shares with a EUR 1 par value	December 31,	
	2023	2022
Issued ordinary shares at 1 January	6,856	6,856
Weighted average number of ordinary shares at 31 December	<u>6,856</u>	<u>6,856</u>

NOTE 12:- EMPLOYEE SHARE OPTION PLAN

	Number of options 2023	Number of options 2022
Outstanding at the beginning of the year	21,210	39,970
Share options expired during the year	<u>(16,090)</u>	<u>(18,760)</u>
Outstanding at the end of the year	<u>5,120</u>	<u>21,210</u>
Exercisable at the end of the year	<u>5,120</u>	<u>21,210</u>

During 2023 and 2022 there were no employee costs for the share options granted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 13:- ADMINISTRATIVE EXPENSES

	Year ended December 31	
	2023	2022
Salaries and related expenses	342	401
Professional services (1)	1,314	1,003
Offices and office rent	51	34
Travelling and accommodation	2	9
Others	15	7
Total	1,724	1,454

(1) Expenses include Arbitration costs incurred in 2023 in amount of 990 thousand EUR (2022: 676 thousand EUR).

NOTE 14:- FINANCE INCOME AND FINANCE COSTS

	Year ended December 31	
	2023	2022
Foreign currency gain on bonds (including inflation)	4,453	2,784
Other finance income	143	11
Finance income	4,596	2,795
Interest expense on bonds	(11,081)	(11,695)
Other finance expenses	(13)	(29)
Translation differences due to the realization of foreign operations (1)	(30,753)	-
Finance costs	(41,847)	(11,724)
Net finance costs	(37,251)	(8,929)

(1) Refer to Note 6

NOTE 15:- FINANCIAL INSTRUMENTS

Financial Risk Management:

Overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 15:- FINANCIAL INSTRUMENTS (Cont.)

This Note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Board of Directors has established a continuous process for identifying and managing the risks faced by the Group (on a consolidated basis), and confirms that it is responsible to take appropriate actions to address any weaknesses identified.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Company's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

a. Credit risk:

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's financial instruments held in banks and from other receivables.

Management had a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

Cash and deposits and other financial assets

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

b. Liquidity risk:

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

Liquidity risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 15:- FINANCIAL INSTRUMENTS (Cont.)

December 31, 2023

<u>Non-derivative financial liabilities</u>	<u>Carrying amount</u>	<u>Contractual cash flow</u>	<u>6 months or less</u>	<u>6-12 months (*)</u>
Bonds issued (*)	(134,304)	(134,106)	-	(134,106)
Trade and other payables	(271)	(271)	(271)	-
	<u>128,775</u>	<u>(134,250)</u>	<u>(144)</u>	<u>(134,106)</u>

December 31, 2022

<u>Non-derivative financial liabilities</u>	<u>Carrying amount</u>	<u>Contractual cash flow</u>	<u>6 months or less</u>	<u>6-12 months (*)</u>
Bonds issued (*)	(128,631)	(134,106)	-	(134,106)
Trade and other payables	(144)	(144)	(144)	-
	<u>128,775</u>	<u>(134,250)</u>	<u>(144)</u>	<u>(134,106)</u>

(*) Refer to Note 8.

c. Market risk:

Currency risk:

Currency risk is the risk that the Group will incur significant fluctuations in its profit or loss as a result of utilizing currencies other than the functional currency of the respective Group Company.

The Group is exposed to currency risk mainly on borrowings (Bonds issued in Israel) that are denominated in NIS.

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

<i>EUR</i>	<u>Average rate</u>		<u>Reporting date Spot rate</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
NIS 1	0,251	0,283	0,249	0,266

NIS denominated bonds – a change of 5 percent in EUR/NIS rates at the reporting date would increase/decrease loss by circa EUR 4.7 million, as a result of having issued NIS linked Bonds.

This effect assumes that all other variables, in particular CPI index, remain constant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 15:- FINANCIAL INSTRUMENTS (Cont.)

Interest Rate Risk (including inflation):

The Group's interest rate risk arises mainly from Bonds issued at fixed interest rate expose the Group to changes in fair value, if the interest is changing. Pursuant to the Company's Restructuring Plan, as described in note 8, the Company executes only partial interests payments based on current sources and subject to approval of bondholders of both series.

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

A change of 3 percent in Israeli Consumer Price Index ("CPI") at the reporting date (and in 2022) would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

For the year ended December 31,	Carrying amount of bonds	Profit (loss) effect	
		CPI increase effect	CPI decrease effect
2023	95,462	(2,864)	2,864
2022	98,738	(2,962)	2,962

Shareholders' equity management:

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

Fair values:

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

	Carrying amount		Fair value (*)	
	2023	2022	2022	2022
Bonds A at amortized cost - Israeli bonds	39,403	40,755	2,991	4,007
Bonds B at amortized cost - Israeli bonds	56,059	57,983	5,176	6,154

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

NOTE 16:- CONTINGENT LIABILITIES AND COMMITMENTS

- a. Contingent liabilities and commitments to related parties:
1. The Company entered into an indemnity agreement with all of the Company's directors and senior management - the maximum indemnification amount to be granted by the Company to the directors shall not exceed 25% of the shareholders' equity of the Company based on the shareholders' equity set forth in the Company's last consolidated financial statements prior to such payment. No consideration was paid by the Company in this respect since the agreement was signed.
 2. The Company maintains Directors' and Officers' liability cover, presently at the maximum amount of USD 5 million for a term of 12 months commencing on May 1, 2023. Pursuant to the terms of this policy, all the Directors and Senior Managers are insured.
- b. Contingent liabilities and commitments to others:
1. As part of the completion of the restructuring plan (refer also to Note 8), the Group has taken the following commitments and collaterals towards the creditors:
 - a) Restrictions on issuance of additional bonds - The Company undertakes not to issue any additional bonds other than as expressly provided for in the Restructuring Plan.
 - b) Restrictions on amendments to the terms of the bonds - The Company shall not be entitled to amend the terms of the bonds, with the exception of purely technical changes, unless such amendment is approved under the terms of the relevant series and the applicable law and the Company also obtains the approval of the holders of all other series of bonds issued by the Company by ordinary majority. Refer to Note 8 for recent amendments.
 - c) Coverage Ratio Covenant ("CRC") - the CRC is a fraction calculated based on known Group valuation reports and consolidated financial information available at each reporting period. The CRC to be complied with by the Group is 118% ("Minimum CRC") in each reporting period. For December 31, 2023 the calculated CRC is not in compliance with Minimum CRC (also refer to Note 8(d) regarding breach of covenant). In the event that the CRC is lower than the Minimum CRC, then as from the first cut-off date on which a breach of the CRC has been established and for as long as the breach is continuing, the Company shall not perform any of the following: (a) a sale, directly or indirectly, of a Real Estate Asset ("REA") owned by the Company or a subsidiary, with the exception that it shall be permitted to transfer REA's in performance of an obligation to do so that was entered into prior to the said cut-off date, (b) investments in new REA's; or (c) an investment that regards an existing project of the Company or of a subsidiary, unless it does not exceed a level of 20% of the construction cost of such project (as approved by the lending bank of these projects) and the certain loan to cost ratio of the projects are met.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

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

If a breach of the Minimum CRC has occurred and continued throughout a period comprising two consecutive quarterly reports following the first quarterly/year-end report on which such breach has been established, then such breach shall constitute an event of default under the trust deeds, and the Bondholders shall be entitled to declare that all or a part of their respective (remaining) claims become immediately due and payable.

- d) Minimum Cash Reserve Covenant ("MCRC") - cash reserve of the Company has to be greater than the amount estimated by the Company's management required to pay all administrative and general expenses and interest payments to the bondholders falling due in the following six months, minus sums of proceeds from transactions that have already been signed (by the Company or a subsidiary) and closed and to the expectation of the Company's management have a high probability of being received during the following six months. MCRC is not maintained as of December 31, 2023.
- e) Negative Pledge on REA of the Company - The Company undertakes that until the bonds have been repaid in full, it shall not create any encumbrance on any of the REA, held, directly or indirectly, by the Company except in the event that the encumbrance is created over the Company's interests in a subsidiary as additional security for financial indebtedness ("FI") incurred by such subsidiary which is secured by encumbrances on assets owned by that subsidiary.
- f) Negative Pledge on the REA of Subsidiaries - The subsidiaries shall undertake that until the bonds have been repaid in full, none of them will create any encumbrance on any of REA except in the event that:
 - (i) the subsidiary creates an encumbrance over a REA owned by such subsidiary exclusively as security for new FI incurred for the purpose of purchasing, investing in or developing such REA; Notwithstanding the aforesaid, subsidiaries shall be entitled to create an encumbrance on land as security for FI incurred for the purpose of investing in and developing, but not for purchasing, an REA held by a different Group company (hereinafter: a "Cross Pledge"), provided the total value of the lands owned by the Group charged with Cross Pledges after the commencement date of the plan does not exceed EUR 35 million, calculated on the basis of book value (the "Sum of Cross Pledges"). When calculating the Sum of Cross Pledges, lands that were charged with Cross Pledges created prior to the commencement date of the plan or created solely for the purpose of refinancing an existing FI shall be excluded. The Group did not have cross-pledge as of December 31, 2023.
 - (ii) The encumbrance is created over an asset as security for new FI that replaces existing FI and such asset was already encumbered prior to the refinancing. Any excess net cash flow generated from such refinancing, shall be subject to the mandatory early prepayment of 75%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

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

The encumbrance is created over interests in a Subsidiary as additional security for FI incurred by such subsidiary which is secured by encumbrances on assets owned by that subsidiary as permitted by subsection (i) above.

The encumbrance is created as security for new FI that is incurred for purposes other than the purchase of and/or investment in and development of a REA, provided that at least 75% of the net cash flow generated from such new FI is used for mandatory early prepayment.

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

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

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

Such indemnifications are limited in time and amount. No indemnifications were exercised against the Group till the date of the statement and approval of the financial position

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

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

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

In case Tesco leaves the mall before expiration of lease period the Company will be liable to repay the remaining consideration in amount of EUR 1.29 million as of balance sheet date, unless the buyer finds another tenant that will pay higher annual lease payment than Tesco. The management does not expect to bear a material loss.

4. Contingent liabilities due to legal proceedings:

The Company is involved in litigation arising in the ordinary course of its business. Although the final outcome of each of these cases cannot be estimated at this time, the Company's management believes, that the chances these litigations will result in any material outflow of resources to settle them is remote, and therefore no provision or disclosure is required.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

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

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

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

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

On February 2, 2021, Ran Shtarkman filed a motion to dismiss the lawsuit against him in limine. On April 5, 2021, the court rejected the defendant Ran Shtarkman's motion to dismiss the lawsuit against him in limine. An appeal that was filed to the Supreme Court in respect of this decision was denied.

On April 4, 2021, one of the defendants, Philip Meyer, filed a motion for dismissal in limine of the lawsuit against him. On August 10, 2021, the motion was accepted. On November 14, 2021, the Company and Elbit filed an appeal to the Supreme Court upon this court decision. In addition, Mr. Philip Meyer filed an appeal in respect of the court expenses which were ruled in his favor in the court ruling. The Supreme Court scheduled dates on submission of summaries by the parties and a court hearing with regard to the appeals filed, to be held on May 11, 2023.

On September 14, 2021, the defendant David Zisser also filed a motion to dismiss in limine the lawsuit against him. Following the Company's and Elbit's motions, on November 4, 2021, the court ordered that the discussion on the abovementioned motion will be stayed until a decision of the Supreme Court on the appeal against Philip Meyer.

On May 31, 2023 the Company's and Elbit's appeal was accepted by Supreme Court and a settlement agreement has been reached between Company, Elbit and the Respondents, which was approved by the court.. According to the provisions of the settlement agreement, the Company's portion after deducting expenses is a few hundred thousand euros and was received partially in 2023. The Company and Elbit will continue to handle the legal proceeding in the District Court while each party shall maintain all of its claims in the main proceeding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR

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

6. Dutch statutory auditor:

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

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

The Company has proposed to the authorities various alternative solutions to get the annual accounts of 2019 audited. It appeared that none of those are legally feasible and none of the addressees came up with any alternatives. It is now time to emphasize that the Company exhausted its sources to comply with the requirements of mandatory Dutch law.

Due to the above and in order to avoid an outright violation of applicable stock exchange regulations, the Company decided to engage EY Israel to audit its IFRS consolidated annual accounts and to issue an auditors' report on those statements. The Company submitted the annual consolidated financial statements as of December 31, 2019, December 31, 2020, December 31, 2021 and as of December 31, 2022 which were filed with the London Stock Exchange, the Warsaw Stock Exchange and the Tel Aviv Stock Exchange, to the Authority for the Financial Markets and to other relevant Dutch authorities.

As of the date of approval of these consolidated financial statements the Company still didn't find any solution to have the annual accounts of 2019, 2020, 2021, 2022 and 2023 audited therefore, it will submit the annual consolidated financial statements as of December 31, 2023 that are filed to the London Stock Exchange, the Warsaw Stock Exchange and the Tel Aviv Stock Exchange, to the Authority for the Financial Markets and to any other relevant Dutch authorities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR**NOTE 17:- RELATED PARTY TRANSACTIONS**

Related party transactions

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

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

	Year ended December 31,	
	2023	2022
Costs and expenses		
Compensation to key management personnel	56	117
Compensation to board members (1)	240	245

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

(1) 2023 – two board members; 2022 - two board members.

	Year ended December 31,	
	2023	2022
Other liabilities		
Amounts due to directors and key management personnel	19	37

As of December 31, 2023, the Company identified Davidson Kempner Capital Management LLC ("DK") among the Company's related parties.

DK holds 26.3% of the Company's outstanding shares of the Company as of the reporting date. DK has no outstanding balance as of the reporting date with any of the Group companies.

Update regarding a change in Elbit Imaging Ltd holdings

As of December 31, 2023 EUL had sold all of the Company's shares and therefore ceased to be a related party

NOTE 18:- DISCLOSURE OF MATERIAL EVENTS AFTER THE REPORTING PERIOD

a. Tax authority investigation:

On March 25, 2024 the Company announced that further to its announcement dated March 27, 2023 with regards to the search and seizure operations carried by the Indian tax authorities at the offices of Elbit Plaza India Management Services Private Limited (hereinafter: "EPIM") (which is a private company wholly owned by Elbit Plaza India Real Estate Holdings Limited), EPIM has received a favorable order under which investigation for one of the three years under investigation is completed without imposing any liability on EPIM. Inquiry into the remaining periods of the investigation is continuing and the Company will update on any development.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN '000 EUR**NOTE 18:- DISCLOSURE OF MATERIAL EVENTS AFTER THE REPORTING PERIOD (Cont.)**

b. Update regarding a change in Ragnar Trade holdings:

On January 31, 2024 the Company announced that, Ragnar Trade spółka z ograniczoną odpowiedzialnością ("Ragnar Trade") acquired about 343.9 thousand shares of the Company, which amounted to 5.02% of the Company's issued and paid capital. On February 5, 2024 the Company announced that Ragnar Trade acquired share of the Company up to level of 11.70% of the Company's issued and paid capital and on February 19, 2024 it was announced that Ragnar Trade holdings in the Company is decreased to 4.81% of the Company's issued and paid capital, thus Ragnar Trade ceased to be related party of the Company.

c. Update regarding Arbitration against Romania with respect to the "Casa Radio" project:

On March 29, 2024 the Company announced that, it has received a further engagement letter ("Further Engagement Letter"), from the Company's primary legal advisers in connection with the arbitration for the "Casa Radio" project (the "Project"). The Further Engagement Letter is in line with Company's projected cash flow that was approved at Bondholders' Meeting from October 11, 2023.

NOTE 19:- LIST OF GROUP ENTITIES

As of December 31, 2023, the Company owns the following companies (all are 100% held subsidiaries at the end of the reporting period presented unless otherwise indicated):

	ACTIVITY	REMARKS
ROMANIA		
<u>Indirectly or jointly owned</u>		
Dambovita Center S.R.L.	Mixed-use project	75% held by Dambovita Centers Holding B.V. Casa Radio project
THE NETHERLANDS		
<u>Directly wholly owned</u>		
Plaza Dambovita Complex B.V.	Holding company	
Plaza Centers Enterprises B.V.	Finance company	100% held by Plaza Dambovita Complex B.V.
Mulan B.V. (Fantasy Park Enterprises B.V.)	Holding company	Holds Fantasy Park subsidiaries in CEE
Plaza Centers Management B.V.	Holding company	
Dambovita Centers Holding B.V.	Holding company	100% held by Plaza Centers N.V.
CYPRUS – INDIA		
<u>Indirectly or jointly owned</u>		
Elbit Plaza India Real Estate Holdings Ltd.	Holding company	Equity accounted investee 47.5% held by Plaza Centers N.V.
Polyvendo Ltd.	Holding company	100% held by Elbit Plaza India Real Estate Holdings Ltd.
Elbit Plaza India Management Services Pvt. Ltd.	Management company	99.99% held by Polyvendo Ltd.
Vilmadoro Ltd.	Holding company	100% held by Elbit Plaza India Real Estate Holdings Ltd.