Board of Directors Report:

Corporation’s State of Affairs

Board of Directors' Report on the Corporation's State of Affairs

Brack Capital Properties NV (hereinafter: "the Company" or "the Corporation") hereby submits the Board of Directors' report for the three months ending March 31, 2022 (hereinafter: "the Reported Period" or "the Report Period", respectively) in accordance with the Securities Regulations (Periodic and Immediate Reports – 1970, the Reports' Regulations).

The financial statements attached to this periodic report are presented according to International Standards; the IFRS.

All data in this report refers to consolidated financial statements, unless otherwise stated.

In this report:

"The report date" or "the date of the report" refers to March 31, 2022.

"Report signing date" or "the date of signing the report" or " the report signing day" refers to May 25, 2022.

" the reported quarter" or "the reported period" – the first quarter of 2022.

The review presented below is limited in scope, relating to material events and changes that occurred in the state of the Company's affairs during the report period, the impact of which is material and should be reviewed together with the Company's periodic report for 2021; including the financial statements and the Company's board of directors' report, as of December 31, 2021, published on March 24, 2022 (reference number: 2022-01-029652) (2021 Periodic Report).

Preamble

Below are the Company's principal results for three months ending March 31, 2022.

Profitability – In the first quarter of 2022, the Company's net income (loss) attributed to the Company's shareholders amounted to a loss of approximately EUR 12.7 million compared to a gain of EUR 30.8 million in the corresponding quarter last year. It should be indicated that the loss during the current quarter is mainly due to an expense following a provision of approximately EUR 20.4 million for tax liability, which may accrue for the Company's subsidiaries following the completion of the acquisition of the Company's shares by LEG. For further details, including regarding the credit facility agreement into which the Company entered after the date of the report, see the Company's immediate report dated May 15 and May 19, 2022 (reference number: 2022-01-057913 and 2022-01-061300, respectively), which is hereby included by way of reference.

The following is the contribution of the income-producing real estate and the residential development segments to the Company's results:

- **Income-producing real estate -** In the first quarter of 2022, the FFO amounted to EUR 6.4 million compared to EUR 6.3 million in the corresponding quarter last year. In addition, in the first quarter of 2022, the Company's NOI amounted to EUR 12.2 million (compared to EUR 12.7 million in the corresponding quarter last year) and the EBITDA of the Company amounted to EUR 9.4 million (compared to EUR 9.4 million in the corresponding quarter last year). It is indicated that the decline in NOI in the current quarter compared to the corresponding quarter of 2021 is due entirely to the sale of assets from the Company's commercial real estate portfolio according to the Company's strategic decision to focus on the income producing real estate and the residential development segments which contributed among others to a considerable decline in the Company's leverage scope.

- The growth in rent in the field of residential income producing real estate in the first quarter of 2022 amounted to about 3.40% in rent from identical assets compared to the corresponding quarter in 2021. As of the report signing date, the average rent is EUR 6.75 per square meter; the rental in new leases in the Company's income producing residential portfolio is about 11.40% higher than the current average.

- **Residential development activity** - The Company did not recognize a profit from the sale of apartments in 2022 due to the fact that the Company's development real estate, which is under construction, is intended for rent. For further details regarding the projects under construction, see section 5 below.

1. Operating segments – key operational data

2.1 Income-producing real estate [1]

Zoning	Area ('000 square meters)	NRI Return[2]	ERV Return[3]	Actual NOI return[4]	NOI return according to ERV[5]	Occupancy rate
Residential	720	4.3%	4.8%	3.7%	4.2%	96.9%
Commercial	56	7.0%	7.0%	0.7%	0.7%	71.8%
Total	**776**	**4.4%**	**4.9%**	**3.6%**	**4.1%**	**96.0%**

* Excluding an asset in associate with an area of 5,000 sqm.

3 Balance sheet structure and financial solvency -

3.1 **Equity and EPRA NRV**: The equity attributed to the Company's shareholders amounted to approximately EUR 863.6 million the EPRA NRV[6] amounted to EUR 1,207.2 million and the EPRA NTA amounted to EUR 1,171.7 million, as of the report date.

3.2 **Debt ratios**: The LTV ratio[7] is 36.16% as of the report date. The EBITDA ratio to interest expenses (from only the income producing portfolio, excluding operating income from development activity) was 3.33 in the first quarter of 2022.

3.3 **Liquidity**: Cash balances (consolidated) amounted to approximately EUR 179.4 million as of the report date.

[1] Assets consolidated in the Company's financial statements, including assets for which binding sale agreements were signed.
[2] Data from March 2022 on an annual basis, divided by the carrying value.
[3] ERV" (Estimated rental value) – the expected annual return, provided that all assets are leased in full occupancy in return for the rental fees prevailing in the market.
[4] Data from March 2022 on an annual basis, divided by the carrying value.
[5] Actual NOI plus the difference between actual rental fees and the ERV, divided by the carrying values.
[6] EPRA NRV – for details regarding the index and the calculation manner see section 10.3 of this report.
[7] Net debt to total real estate assets and inventory

3.4 **Financing**: The Company has bank loans with a total balance of EUR 459.3 million, at an average annual interest of 1.49% and duration of 6.14 years. The Company has a specific loan for financing the Gerresheim project with a total balance of EUR 147.5 million which is expected to be repaid on June 1, 2022. In addition, and further to the Company's bond expansion (Series B) that was completed in the first quarter of 2022, the Company has bonds at a total balance of EUR 230.6 million at an average annual interest of 3.29% and duration of 2.0 years. For additional details regarding the Company's bonds see Part B to this report - "Specific Disclosure for Bond Holders. For details regarding the agreement with an international banking corporation to receive a credit facility in the amount of EUR 30 million see section 11.7 below. For details regarding the receipt of a credit facility from the controlling shareholder in the amount of EUR 200 million, see section 11.9 of this report.

It is clarified that the Company's assessments in connection with the foregoing, including regarding the repayment date of the loan to finance the Gerresheim project, constitute forward-looking information, as defined in the Securities Law, 1968 ("Securities Law"). These assessments may not be realized or realized differently than the Company's assessments, among other things, due to circumstances beyond the Company's control, including decisions of third parties not under the Company's control, the state of the world capital markets.

4 Concise description of the Corporation and its business environment

As of the report date, the Company, its subsidiaries and associates (hereinafter, collectively: ("**the Group"**) have been operating in three main areas of activity: residential income producing real estate, commercial income producing real estate, (collectively: the income producing segment); development residential real estate in Dusseldorf, and the betterment of land in Dusseldorf (collectively: the group's areas of activity).

Further to that what is stated in the Company's periodic report for 2021 and the Company's previous reports[8] in connection with the refocus of Company's strategy in the income producing and residential development sectors, agreement and completion of transactions for selling part of its businesses, the Company is continuing to carry out actions for selling additional assets from its commercial real estate portfolio.

For details in connection with the Company's operations as aforesaid and in relation to the Company's strategy, see Section 1.1.3.1 of Chapter A of the periodic report for 2021.

As of the end of 2021 and during the first quarter of 2022, LEG Grundstücksverwaltung GmbH ("LEG") completed the acquisition of the Company's shares, so that as of the report publication date, LEG holds approximately 34.51% of the Company's shares. The purchase of said shares was made, inter alia, in two significant transactions, one with certain shareholders in the Company (in connection with approximately 24% of the Company's shares) and the other with ADLER Real Estate AG ("ADLER"), the Company's controlling shareholder (in connection with approximately 6.7% of the Company's shares). The said LEG-ADLER transaction also includes an obligation of ADLER to participate in any tender offer to be initiated by LEG, in respect of the balance of the Company's ordinary shares held by ADLER, provided that said tender offer is made by September 30, 2022 at a minimum price per share stipulated in the agreement between said parties and is EUR 157 per share.

It is clarified that as of the report publication date, the Company is uncertain whether such tender offer will indeed be made, in what manner it will be made or on what date.

For further details regarding the acquisition of the Company's shares by LEG, see Section 1.1.2 of Chapter A of the annual report for 2021, Section 4 of the Company's Board of Directors' Report for 2021, as well as an immediate report of the Company dated December 1, 2021 (Reference No.: 2021-01-175176) and also, reports regarding changes in LEG's holdings from January 6, 2022 (reference number: 2022-01-004201) and March 2, 2022 (reference number: 2022-01-025459) which are hereby included by way of reference.

[8] In the specifications of the special tender offer published by ADLER, the controlling shareholder of the Company, dated February 19, 2018, as it has been amended on March 20, 2018 (Reference No. 2018-09-016558 and 2018-09-026776, respectively); For the Company's immediate reports dated March 23, 2019, June 2, and June 30, 2019 and the Company's reports dated September 23, 2019, December 29, 2019 and March 31, 2020 (Reference No.: 2019-01-098212, 2019-01-114996 and 2020-01-033495, respectively which are hereby included by way of reference.

4.1 Changes in Company's board of directors

On January 27, 2022, and following the work of a search committee that was established among the directors, Mr. John Rouweler was appointed as an external director on the Company's Board of Directors. For further details, see the Company's immediate report dated January 27, 2022 (Reference No.: (2022-01-012439) which is hereby included by way of reference.

On May 8, 2022, Ms. Liselot Dalenoord was appointed as Non-Executive director on the Company's Board of Directors. For further details, see the Company's immediate report dated May 8, 2022 (Reference No.: (2022-01-055306). which is hereby included by way of reference. It should be noted that on May 13, 2022, Ms. Liselot Dalenoord was classified as an independent director of the Company. For further details, see the Company's immediate report dated May 14, 2022 (Reference No.: 2022-01-057886).

4.2 **For details regarding the spread of the Corona virus and its impact on the Company's operations in the reported period, see section 11.3 to this report.**

4.3 for details regarding the war that broke out in Ukraine and its impact on the Company's operations in the reported period see section 11.4 below.

4.4 Concise description can be found below regarding the major developments in group's principal areas of activity, as occurred in the reported period up until the signing date of the report:

4.4.1 **Residential Income-Producing Real-Estate -** As of the report signing date, the Group owns 12,158 apartments with a total leasing area of approximately 720,000 m^2**.**

4.4.2 **Commercial Income-Producing Real-Estate -** As of the report signing date, the Group owns 6 commercial income-producing properties in the commercial segment (commercial and offices) with an overall leasing area of approximately 56,000 m^2, including assets for which the Company has entered into a binding sale contracts (excluding an asset of associate with an area of 5,000 square meters).

For details regarding the income-producing real estate, see section 1.6 to Chapter A of the periodic report for 2021.

4.4.3 **Residential Real Estate Under Development** - For details regarding the performance status of the projects under construction, see the tables below. As of the report date, As of the date of the report, substantial marketing procedures have not yet begun in connection with the projects under construction.

5. Projected costs for the stages in progress and stages under the approved urban planning scheme, the performance of which has not yet commenced in the Grafental residential project (EUR in thousands):

5.1 Costs

		Stage I – Grafental			Aachen		
		Q1 2022	2021	2020	Q1 2022	2021	2020
Costs invested	Cumulative costs for land, at the end of the period	12,932	12,932	12,932	2,215	2,215	2,215
	Cumulative costs for development, taxes and fees	724	724	596	1,274	1,212	1,074
	Cumulative construction costs	39,381	36,301	7,596	20,355	14,196	3,395
	Cumulative financing costs (capitalized)	94	-	-	-	-	-
	Total cumulative cost	**53,131**	**49,957**	**21,124**	**23,844**	**17,623**	**6,684**

		Stage I – Grafental			Aachen		
		Q1 2022	2021	2020	Q1 2022	2021	2020
Costs not yet invested	Costs for land not yet invested (estimate)	-	-	-	-	-	-
	Costs for development, taxes and fees not yet invested (estimate)	-	-	43	-	233	370
	Construction costs not yet invested (estimate)	8,395	11,569	39,209	150	5,363	16,165
	Cumulative costs for financing expected to be capitalized in the future (estimate)	-	-	-	-	-	-
	Total costs not yet invested	**8,395**	**11,569**	**39,252**	**150**	**5,596**	**16,535**
	Completion rate (monetary) (excluding land) (%)	82.7%	76.2%	17.3%	99.3%	73.4%	21.3%
	Expected construction completion date	Q4 2022	Q4 2022	Q4 2022	Construction completed	Q1 2022	Q4 2022

For further details regarding stages I-L of the Grafental residential project and regarding the Grafenberg project see section 1.8.3.6 in Chapter A of the annual report of the Company for 2021.

6. Costs of the Gerresheim project (EUR in thousands)

		Q1 2022	2021	2020
Costs invested	Cumulative costs for land, at the end of the period	141,645	141,645	141,645
	Cumulative costs for development, taxes and fees	4,671	4,393	3,446
	Cumulative construction costs	-	-	-
	Cumulative financing costs (capitalized)	21,206	18,769	11,675
	Total cumulative cost	**167,522**	**164,807**	**156,766**

7. **Land in Dusseldorf for development -** The Company owns two land complexes in Dusseldorf, Germany, undergoing advanced procedures for obtaining building permits. For details regarding the Company's progress for obtaining building permits see Chapter A of the periodic report for 2021.

Part A – Board of Directors' Explanations in regard to the State of the Corporations' Businesses, the Results of its Activities, Equity and Cash Flow

8. Financial Position:

Assets	**March 31, 2022**	**March 31, 2021**	**December 31, 2021**	**Explanation for the change**
		EUR in thousands		
Current assets				
Cash and cash equivalents	179,442	42,746	24,861	Increase mainly derives from private issuance of bonds completed by the Company during the period. For details see section 11.2 below.
Restricted deposits, financial assets, and other receivables	29,135	17,313	25,980	
Income receivable from the sale of apartments	554	3,070	554	Decrease derives from payment of apartment purchasers for sale of apartments in stage H.
Tenants and trade receivables, net	2,691	2,374	1,641	
Inventory of buildings under construction	-	1,715	-	
Assets of disposal groups held for sale	30,346	16,892	30,331	Balance derives from the sale of two commercial assets which was not yet completed. For details see notes 8(5), 8(6) in the financial statements for 2021.
Total current assets	**242,168**	**84,110**	**83,367**	
Non-current assets:		**EUR in thousands**		
Investments and loans in companies measured at equity	2,069	24,071	2,069	
Investments in financial assets, measured at fair value through profit or loss	16,291	42,539	13,344	Decrease derives from decline in fair value of financial asset. For details, see Note 14 (1) in the Company's financial statements for 2021.
Inventory of real estate and inventory of real estate under construction	218,901	58,727	215,527	Increase derives from cancelling the Gerresheim transaction and the full consolidation of the Gerresheim project in the Company's balance sheets (see section 11.6 below)
Investment property – real	87,457	66,031	99,100	

estate rights and investment property under construction				
Investment property – income-producing assets	1,338,441	1,250,825	1,317,230	Increase derives mainly from valuations carried out during the period for all of the Company's income producing residential real estate assets.
Restricted deposits for investments in assets	7,198	6,734	7,026	
Other accounts receivable, and other financial assets	165	215	11,626	
Deferred taxes	8,716	179	5,371	Increase derives from cancelling the Gerresheim transaction and the full consolidation of the Gerresheim project in the Company's balance sheets (see section 11.6 below)
Total non-current assets	**1,679,238**	**1,449,321**	**1,671,293**	
Total assets	**1,921,406**	**1,533,431**	**1,754,660**	

Liabilities	**March 31, 2022**	**March 31, 2021**	**December 31, 2021**	**Explanation for the change**
		EUR in thousands		
Current liabilities				
Current maturities of loans from banking corporations	244,273	32,724	244,468	Increase derives from cancelling the Gerresheim transaction and the full consolidation of the Gerresheim project in the Company's balance sheets (see section 11.6 below)
Current maturities of debentures	63,689	10,094	11,508	Increase mainly derives from private issuance of bonds completed by the Company during the period. For details see section 11.2 below.
Accounts payable and other financial liabilities	13,693	12,281	15,868	
Advances from apartment purchasers	-	4,528	-	Decrease derives from payment of apartment purchasers for sale of apartments in stage H.
Deferred tax liabilities	25,855	7,757	14,674	Increase mainly derives from a provision recognized in the reported period for expected tax liability of the Company's subsidiaries. For details see section 11.5 below.
Liabilities of disposal groups held for sale	357	3,388	287	
Total current liabilities	**347,867**	**70,772**	**286,805**	
Non-current liabilities:		**EUR in thousands**		
Loans from banks	361,823	391,908	356,186	
Debentures	171,592	63,514	60,841	Increase mainly derives from private issuance of bonds completed by the Company during the period. For details see section 11.2 below.
Other financial liabilities	2,614	166	-	
Deferred taxes	138,682	129,860	139,393	
Total noncurrent liabilities	**674,711**	**585,448**	**556,420**	
Total liabilities	**1,022,578**	**656,220**	**843,225**	
Equity				
Equity attributable to equity holders of the company	863,623	835,528	876,290	
Non-controlling interests	35,205	41,683	35,145	Decrease derives from purchasing minority rights in Grafental project. See section 18(5) of Chapter C of the periodic report for 2021).
Total equity	**898,828**	**877,211**	**911,435**	
Total liabilities and equity	**1,921,406**	**1,533,431**	**1,754,660**	

9. Activity Results:

	Three months ended March 31,		Year ended December 31	Explanation for the change
	2022	2021	2021	
	EUR in thousands			
Revenues from rental of properties	14,906	15,053	59,243	The decrease in the scope of revenues and cost of revenues is due to the sale of assets during the years 2019-2022, as part of refocusing the Company's strategy as specified in section 4 above.
Revenues from property management and others	5,924	6,031	23,706	
Property management expenses	(6,122)	(5,833)	(23,644)	
Cost of maintenance of rental properties	(2,461)	(2,599)	(10,228)	
Rental and management revenues, net	**12,247**	**12,652**	**49,077**	
Revenues from sale of apartments	-	1,582	8,301	Stage H has been completed and sold in full. As of the date of the report, the stages in construction are for rental.
Cost of sale of apartments	-	(1,465)	(7,304)	
Income from the sale of apartments	**-**	**117**	**997**	
Equity in earnings (losses) of companies accounted at equity	-	-	(2,083)	
General and administrative expenses	(2,913)	(3,314)	(11,547)	
General and administrative expenses attributed to inventory of buildings under construction and inventory of real estate	(554)	(615)	(1,502)	
Increase in value of investment property, net	-	33,669	111,603	
Operating profit	**8,780**	**42,509**	**146,545**	
Financing expenses excluding the effect of exchange rate differences, CPI, and currency hedging transactions, net	(2,948)	(2,713)	(10,635)	
Effect of exchange rate differences, CPI, and currency hedging transactions, net	(769)	(645)	(10,023)	
Change in fair value of financial instruments, credit losses and others	1,428	(31)	(28,949)	
Other expenses	(22,224)	-	-	The increase is mainly due to a provision recognized during the period in respect of an expected tax liability of the Company's subsidiaries. For details see section 11.5 below.
Income (loss) before taxes on income	**(15,733)**	**39,120**	**96,938**	

Taxes on income	3,126	(7,339)	(24,362)	
Net comprehensive income (loss) for the period	**(12,607)**	**31,781**	**72,576**	
Net and comprehensive income (loss) attributed to:				
Company shareholders	(12,667)	30,799	72,676	
Non-controlling interests	60	982	(100)	

10. Financing sources, liquidity and Cash flows:

	Three months ended March 31		Year ended December 31	
	2022	**2021**	**2021**	**Explanation for the change**
	EUR in thousands			
Cash flows provided by (used in) operating activities	(6,654)	2,634	20,032	See statement of cash flows
Cash flows provided by (used in) investing activities	(5,575)	10,498	(18,042)	See statement of cash flows
Cash flows provided by (used in) financing activities	166,810	(5,200)	(11,943)	Increase mainly derives from private issuance of bonds completed by the Company during the period. For details see section 11.2 below.

10.1 Access to financing sources:

10.1.1 As of the report date, the Company finances its current operations mainly from cash flows received from the Company's subsidiaries from their current activities and from bank financing and debentures including the proceeds from bond expansion (Series B) performed by the Company during the reported period in return for NIS 576 million as specified in section 11.2 below.

10.1.2 In May 2022, the Company entered into agreement to obtain a credit facility of EUR 30 million from an international banking corporation as specified in section 11.7.

10.1.3 In addition, in May 2022, the Company entered into agreement with ADLER, the controlling shareholder to obtain a credit facility of EUR 200 million as specified in section 11.9. As of the report signing date, the Company received EUR 100 million from the credit facility.

10.1.4 For details regarding the transactions for selling part of its income-producing and development real estate assets, see section 1.1.3.1 of Chapter A to the periodic report for 2021.

10.1.5 For further details regarding the refinancing of the Company's loans, see section 1.12 of Chapter A to the periodic report for 2021.

10.1.6 For further details regarding the Company's compliance with financial covenants and liabilities, see section 1.12 of Chapter A to the periodic report for 2021.

It should be noted that following the Corona crisis, the Company examined several scenarios and performed Stress Testing in order to assess the Company's ability to cope with the economic consequences of the Corona crisis. The Company's board of directors considered the economic consequences of the spread of the Corona pandemic (Covid- 19) on the Company's operations, among others, according to various scenarios presented to the Company's board of directors in connection with the Company's ability to meet its obligations in stress conditions and the estimated effects on the Company's operations if the crisis continues. In the Company's opinion, the continued Corona crisis will not impair its ability to meet its obligations, among other things, in view of focusing the Company's activity in the field of residential real estate transactions in which the Company entered into contracts in recent years.

For further details regarding the financing sources of the group see section 1.12 of Chapter A to the periodic report for 2021.

The Company's estimates regarding the consequences of the Corona crisis and the war in Ukraine and its ability to cope with the economic consequences of the above issues constitute forward-looking information as defined in the Securities Law. These estimates may not materialize or materialize other than estimated by the Company, inter alia, due to circumstances beyond the Company's control, including changes in virus infection, changes in the scope of the war in Ukraine, the state of world capital markets and government assistance in Germany to individuals and companies affected by the virus.

Examination of warning signs

In view of the Group's financial structure and on the basis of the financial data specified in the Company's consolidated as reviewed by the Company's management, and taking into account the fact that if the Company had a cash flow need, the Company could have withdrawn management fees or dividends from its subsidiaries, the Board of Directors has determined that the fact that the Company's solo statements indicate ongoing negative cash flow from operating activities and the fact that the Company's consolidated financial statements have working capital deficiency[9] does not indicate a liquidity problem therefore as of the date of this report, no warning signs are present.

The main considerations underlying the Board of Directors' decision, among other things, as per the estimate of the Company's Board of Directors were the fact that the Company, if required, has access to additional sources of financing such as:

- Unutilized credit facilities at a material scope (for further details regarding the credit facilities in a total amount of EUR 230 million which were extended to the Company in May 2022 and the amounts that were drawn down from them as of the report date, see sections 11.7 and 11.9 below);

- Bond raising funds in the amount of NIS 576 million raised by the Company in a private placement by expanding the Company's existing bonds (Series B) designated for refinancing each of the loans whose maturity date is in the second quarter of 2022 in favorable conditions relative to the same loan;

- The Company's access to the capital markets for the purpose of raising capital and issuing bonds, subject to the state of the markets; and-

- Proceeds received during 2021 in connection with the sale of the Company's assets, forecast to receive additional proceeds by virtue of transactions for the sale of assets that have not yet been completed, as well as the Company's option to realize additional assets.

In its decision, the Board of Directors also examined the fact that the Company meets its financial covenants and obligations, and also examined the Company's ability to meet its obligations given various scenarios and found that the Company could meet them in the next twenty-four (24) months also under stress scenarios.

[9] The working capital deficiency in the Company's consolidated financial statements is due to loans to be repaid in the coming year which the Company intends to repay and/or refinance. It is clarified that the Company's estimates constitute forward-looking information, as defined in the Securities Law, based on the Company's estimates. The Company's estimates may not materialize or materialize differently than expected, inter alia, in view of decisions of third parties unrelated to the Company, changes in the capital market including due to the Corona crisis, and the realization of some of the risk factors listed in Chapter A of the periodic report for 2021.

It should be noted that the controlling shareholder in the Company, the ADLER Group, which recently experienced a significant decrease in the rating of its bonds, among other things following an audit report published in its case. In the Company's opinion, notwithstanding the foregoing, while paying attention to the foregoing, as of the report date, ADLER's financial position does not materially affect the Company to meet its obligations.

It is clarified that the foregoing, including in connection with the Company's estimates regarding its access to sources of financing and the impact of ADLER's financial position in this regard and in general, are forward-looking information, as defined in the Securities Law, which may not materialize or materialize differently than the aforesaid, among others, due to factors beyond the Company's control, including changes in relation to ADLER and the state of the markets.

10.2 FFO (Funds from Operations):

The FFO index is calculated as the net profit (loss) attributed to the Company's shareholders **from the income generating activity only** - **excluding the income from the sale of apartments in the Grafental project** (for further details on this project, see section 1.8 of Chapter A of the periodic report for 2021), with certain adjustments for non-operating items, affected by the revaluation of the fair value of assets and liabilities. The main adjustments include the fair value of investment properties, miscellaneous capital profits and losses, miscellaneous amortizations, adjustment of management and marketing expenses in connection with the establishment of the residential project in Grafental (as the revenues in respects to this project are not taken into account in the FFO), changes in fair value recognized for financial instruments, deferred taxes, and non-controlling interests for the above items.

The Company believes that this index more accurately reflects the Company's operating results, without the effects of the development segment, and its publication will provide a more accurate basis for the comparison of the Company's operating results in a certain period with prior periods and will allow comparisons between the operating results and other real-estate companies in both Israel and Europe.

The Company clarifies that the FFO index does not represent cash flows from operating activity in accordance with generally accepted accounting principles, nor does it reflect cash held by the Company and its ability to distribute it and further does not replace the reported net profit (loss). In addition, it is clarified that these indices do not constitute data audited by the Company's auditors.

Below is the calculation of the Company's FFO for said periods:

	Three months ending March 31, 2022	Three months ending March 31, 2021	Year ending December 31, 2021
Net profit (loss) attributed to the Company's shareholders	(12,667)	30,799	72,676
Adjustments for net profit (loss)			
a. Adjustments for revaluations			
Increase in value of investment property and adjustments of liability value relating to investment property	-	(32,350)	(111,144)
Equity in losses (earnings) of companies accounted at equity	-	-	2,083
Change in fair value of financial assets and interest swap transactions at fair value	(1,427)	(503)	28,948
b. Adjustments for non-cash items			
Effects of indexing, and non-cash exchange rate differences and hedging transactions	902	904	10,800
Deferred tax expenses and taxes for prior years	(3,213)	7,220	21,214
c. one-off items / new activities / discontinued activities / other			
One-off adjustments and others	22,295	(240)	(363)
Expenses relating to project management and marketing, in connection with the establishment of the residential project in Düsseldorf, and adjustments in respect of current leasing activity in the project	498	528	1,353
Adjustments for sale of apartments	-	(100)	(897)
Total of adjustments to net profit	**19,055**	**(24,541)**	**(48,006)**
F.F.O	**6,388**	**6,258**	**24,670**

As mentioned above, in the three months ended March 31, 2022, FFO totaled EUR 6.4 million. As per the Company's estimate, the FFO's representative annual level, considering the events that occurred this quarter, will amount to approximately EUR 25.6 million.

The estimates above, set forth by the Company in regards to the FFO's representative annual level, are forward-looking information as defined in the Securities Law, which is uncertain and may not materialize as it is effected by a variety of factors beyond the Company's full control including the state of the commercial real estate market and the residential real estate market in Germany.

10.3 EPRA NAV index– Net Asset Value (EUR in millions):

The EPRA NAV index is an index purported to show the net asset value of a real estate company. According to the status paper of EPRA - European Public Real Estate Association, which was published in 2019 and implemented for the first time in 2020, the EPRA NAV Index has been replaced by three different new indices: EPRA Net Reinstatement Value (NRV), EPRA Net Tangible Asset (NTA) and EPRA Net Disposal Value (NDV). The new indices replace the EPRA NAV index that the Company presented in the past. In addition, the Company continues to present the EPRA NAV index according to the previous guidelines and in addition the Company presents the new EPRA indices:

- The EPRA Net Reinstatement Value Index (NRV) - the purpose of the index is to reflect the net asset value of the company deriving from long-term real estate holdings. For the purpose of the calculating the index the Company neutralizes the effect of deferred taxes on investment property, revaluation of derivative financial instruments, transaction costs (as reflected in appraisal reports) and also revalues the assets presented as inventory at their fair value.

- The EPRA Net Tangible Assets (NTA) Index - the purpose of the index is to reflect the establishment costs of the company, including involved costs (transaction costs, etc.).

- EPRA Net Disposal Value (NDV) - the purpose of the index is to present the value of the company to shareholders under the scenario of immediate realization ("liquidation sale") of all assets. Therefore, this index takes into account all the effects of deferred taxes and transaction costs that are expected to materialize in this scenario.

The Company clarifies that the EPRA NRV, EPRA NTA and EPRA NDV data does not represent a valuation, nor does it represent a substitute for the data contained in the financial statements. It is further clarified that this data is not audited by the Company's auditors.

The following is the calculation of the Company's EPRA indices as of March 31, 2022:

	EPRA NAV	EPRA NRV	EPRA NTA	EPRA NDV
Equity attributed to the Company's shareholders	863.6	863.6	863.6	863.6
Plus deferred taxes for EPRA adjustments (net of non-controlling interests)	139.5	139.5	139.5	-
Net of the fair value of derivative financial instruments, net	0.1	0.1	0.1	-
Revaluation of inventories	93.6	93.6	93.6	93.6
Plus Real Estate Transfer tax (RETT) and other transaction costs	-	110.4	74.9	-
Early repayment costs [10]	-	-	-	(24.0)
total	**1,096.8**	**1,207.2**	**1,171.7**	**933.2**

[10] EPRA NDV deducts the value of the difference between current interest on the Company's loans and the market interest according to the loans' duration

For the purpose of comparative figures, the following is calculation of the Company's EPRA indices as of December 31, 2021:

	EPRA NAV	EPRA NRV	EPRA NTA	EPRA NDV
Equity attributed to the Company's shareholders	876.3	876.3	876.3	876.3
Plus deferred taxes for EPRA adjustments (net of non-controlling interests)	140.4	140.4	140.4	-
Net of the fair value of derivative financial instruments, net	0.3	0.3	0.3	-
Plus profits not yet recognized for apartments sold and are under construction	98.6	98.6	98.6	98.6
Plus Real Estate Transfer tax (RETT) and other transaction costs	-	109.7	74.4	-
Early repayment costs	-	-	-	(8.7)
total	**1,115.6**	**1,225.3**	**1,190.0**	**966.2**

11. Material events and changes in the reporting period and thereafter until the publication date of this report:

11.1 The Company's rating

For further details regarding the Company's rating see section 14 below.

11.2 Issuance of bonds

During March 2022, the Company completed a private placement of NIS 528,440,367 par value of bonds (Series B) of the Company by way of an expansion of registered series to refinance the Company's short term liabilities and financing the operating activities of the Company. The additional bonds were allocated to offerees by private placement by series expansion at a uniform price of 109 Agorot for every 1 NIS par value (Series B) of the Company, which reflects an effective interest rate in respect of the additional bonds of approximately 1%. The total gross proceeds of the private placement of approximately NIS 576 million were received in the reported period. In order to meet the conditions prescribed in the trust deed for B Series, including with respect to the collateral ratio, the Company charged an additional 75,000 shares (beyond the charged shares as of the report date) of Brack German Properties B.V. used as collateral for such bond series. For further details, see the Company's immediate report from February 28, 2022 and March 3, 2022 (as amended on March 9, 2022) (Reference No.: 2022-01-024238, 2022-01-026257 and 2022-01-028054), which are hereby included by way of reference. It should be noted that on May 16, 2022, the Company pledged an additional 50,000 shares of Brack German Properties B.V. used as collateral for such bond series.

11.3 Spread of the Corona virus

For details regarding the spread of the Corona virus and its impact on the Company's operations, see Note 1C to the Company's financial statements for 2021. During the reported period, the Company is not aware of material changes that occurred following the Corona pandemic which had a material impact on its operations.

11.4 The war in Ukraine

For details regarding the war in Ukraine, see section 1.5.5.1 of Chapter A of the Periodic Report for 2021. It should be noted that as of the approval date of the report, said event has no material effect on the Company's operations. However, in view of the existing uncertainty regarding the continued fighting and the expansion of the crisis, the Company is unable to assess at this stage the possible impact, if any, on its future operations.

The Company's assessments in relation to the consequences of the war in Ukraine constitute forward-looking information within the meaning of the Securities Law. These assessments may not materialize or materialize differently than the Company's assessments, inter alia, due to circumstances beyond the Company's control, including changes in the scope of fighting, the state of world capital markets, deterioration or continuation of the economic crisis and the effect on the availability and prices of raw materials due to the war and the involvement of any of the countries, including Israel and Germany in the fighting.

11.5 Tax liability that may result to the Company's subsidiaries

Further to what is specified in the above section in connection with the acquisition of the shares by LEG, following an examination conducted by the Company and despite the fact that the Company is in no way a party to the transaction, the Company estimates that as a result of the acquisition of the shares tax liability may result to the Company's subsidiaries which as of this date is estimated at EUR 20.4 million, in light of the tax laws applicable in Germany. Despite the fact that the amount to be paid may be lower the Company resolved to provide for the entire amount in the first quarter of 2022. For further details, see the Company's immediate report dated January 6, 2022 (reference number: 2020-01-004231), which is hereby included by reference and Note 5 (1) to the Company's financial statements attached to this report.

It should be noted that the Company's assessments in connection with said tax liability, including in relation to the tax liability itself, its amount and schedules, constitute forward-looking information, as defined in the Securities Law, 1968. Such estimates may not materialize or materialize differently than the Company's estimates, among other things, in light of decisions of third parties not related to the Company, including German authorities, and the realization of any of the risk factors listed in section 1.22 of Chapter A of the periodic report for 2021.

11.6 Cancellation of the Gerresheim transaction

On January 3, 2022, the Company announced the entry into a binding agreement (subject to conditions precedent) for the cancellation of the Gerresheim transaction. For further details, see Note 6B (1) to the Company's financial statements for 2021, as well as the Company's immediate report from January 3, 2022 (reference number: 2022-01-001300), which are hereby included by reference. For further details regarding the Company's assessments regarding the date of receipt of the required approvals in connection with the Zoning Plan for the Gerresheim project, see the Company's immediate report dated May 26, 2022 (reference number: 2022-01-052479), which is hereby included by reference.

11.7 On May 13, 2022, the Company entered into an agreement with an international banking corporation, with which it has not previously entered into an agreement, to receive a credit facility in the amount of approximately EUR 30 million. The credit facility will be provided to the Company by the middle of the first quarter of 2023 (with an extension option by about two months), and will be repaid in one payment at the end of the credit period. It should be noted that the withdrawal of funds from the credit facility by the Company is subject to a number of conditions precedent, including the presentation of a tax assessment to the Company by the German tax authorities.

11.8 Approval of the Company's remuneration policy

On May 8, 2022, the Company's general meeting approved the Company's amended remuneration policy. For further details, see the Company's immediate report dated May 8, 2022 (reference number: 2022-01-055303), which is hereby included by way of reference.

11.9 On May 19, 2022, the Company entered into an agreement with the controlling shareholder ADLER, under which ADLER will provide a credit facility to the Company in the total amount of EUR 200 million, inter alia, in order to provide the Company with an additional source of financing, as required, so the Company will refinance the loans it has taken.

The credit facility will be provided to the Company for the purpose of refinancing the Company's financial liabilities which are due to be repaid during 2022, payment of the Company's tax liability and financing expenses in connection therewith, and those only. It is indicated that as of the report signing date, the Company received EUR 100 million from the credit facility.

For further details, see the Company's immediate reports dated May 19, 2022 and May 23, 2022 (References No.: 2022-01-061300 and 2022-01-050802, respectively).

11.10 For further details regarding material events in the Company see Note 5 to the financial statements attached to this report.

12. Following are details regarding to the liability certifications issued by the Company, which are at the possession of the public at the date of the report, according to the eighth addendum of the securities regulations of the reports' regulations:

	Bonds (Series B)	Bonds (Series C)
Is the series material as this term is defined in Regulation 10(B)(13)(a) of the Reports' Regulations?	Yes	Yes
Date of issue	May 21, 2013	July 22, 2014
Date of expanding series	February 4, 2014, March 9, 2022	April 4, 2016
Par value on the date of issue (thousands NIS)	175,000	102,165
Par value on the date of expanding series (thousands NIS)	636,440	160,180
Par value as at 31.3.2022 (thousands NIS)	636,440	140,566
Linked par value as at 31.3.2022 (thousands NIS)	667,133	145,333
Sum of cumulative interest plus linkage differentials (thousands NIS) as at 31.3.2022	1,223	927
Value in financial statements as at 31.3.2022including interest payable (thousands NIS)	685,410	145,778
Value at the stock exchange as at 31.3.2022 (thousands NIS)	727,960	168,187
Type and rate of interest	3.29% (annual, linked, fixed rate), subject to adjustments in case of changes in the rating of the bonds (Series B) and/or non-compliance with the financial covenants as specified in Sections 2.8.4.12 and 2.8.4.13 of the shelf prospectus[11]	3.30% (annual, linked, fixed rate), subject to adjustments in case of changes in the rating of the bonds (Series C) and/or non-compliance with the financial covenants as specified in Sections 2.8.4.12 and 2.8.4.13 of the shelf prospectus
Dates of paying principal	Payable in 12 unequal annual instalments on December 31 of each year 2013 to 2024 (inclusive), as such that each of the first seven instalments	Payable in 12 unequal annual instalments on July 20 of each year 2015 to 2026 (inclusive), as such that each

[11] The Company's shelf prospectus dated May 24, 2012 and its amendments from May 24, 2012, May 9, 2013 and July 14, 2014 (Reference: 2012-01-134232, 2012-01-135258, 2012-01-058417 and 2014 -01-113694, which is hereby included by way of reference ("shelf prospectus").

	will constitute 4% of the principal of the total par value of the bonds (Series B), and each of the last five instalments will constitute 14.4% of the principal of the total par value of bonds (Series B); the first principal payment is on December 31, 2013.	of the first nine instalments will constitute 2% of the principal of the total par value of the bonds (Series C), the tenth payment will constitute 17% of the principal of the total par value of bonds (Series C), and each of the final two instalments will constitute 32.5% of the principal of the total par value of bonds (Series C); the first principal payment is on July 20, 2015.
Dates of paying interest	Payable on December 31 and June 30 of each year 2013 to 2024 (inclusive), effective from December 31, 2013. The last interest instalment will be paid on December 31, 2024.	Payable on January 20 and July 20 of each year 2015 to 2026 (inclusive), effective from January 20, 2015. The last interest instalment will be paid on July 20, 2026.

Linkage base (principal and interest)	Linked (principal and interest) to the consumers' price index published on February 15, 2013 in respect of April 2013	Linked (principal and interest) to the consumers' price index published on May 15, 2014 in respect of June 2014.
Are they convertible?	No	No
Company's right to perform early redemption or forced conversion	The Company may (but is not obligated to), at any time and at its sole discretion, make an early redemption of some or all of the bonds (Series B), as it chooses, until the date of the final repayment of the bonds (Series B), according to the decisions of the Company's Board of Directors. For further details, please see Section 2.8.15 of the shelf prospectus.	The Company may (but is not obligated to), at any time and at its sole discretion, make an early redemption of some or all of the bonds (Series C), as it chooses, until the date of the final repayment of the bonds (Series C), according to the decisions of the Company's Board of Directors. For further details, please see Section 2.8.15 of the shelf prospectus.
Was a guarantee provided for the payment of the Company's liabilities under the deed of trust?	No	No

13. Details on the trustee

Bonds (Series B)

(A)	Name of trust company:	Reznik Paz Nevo Trust Ltd.
(B)	Name of person responsible for the series of bond certificates in the trust company:	Yosi Reznik, CPA
(C)	Contact details:	Tel: 03-6399200 Fax: 03-6389222 Email: trust@rpn.co.il
(D)	Mailing address for documents:	14 Yad Harutzim Street, Tel-Aviv

Bonds (Series C)

(A)	Name of trust company:	Reznik Paz Nevo Trust Ltd.
(B)	Name of person responsible for the series of bond certificates in the trust company:	Yosi Reznik, CPA
(C)	Contact details:	Tel: 03-6399200 Fax: 03-6389222 Email: trust@rpn.co.il
(D)	Mailing address for documents:	14 Yad Harutzim Street, Tel-Aviv

14. Rating:

On February 15, 2022, Maalot S&P announced the inclusion of the Company's ratings in credit watch with negative consequences following the weakening of the Adler Group's credit quality. For further details, see immediate report dated February 15, 2022 (Reference No.: 2022-15-018541), which is hereby included by way of reference. Subsequently, on March 3, 2022, Maalot S&P announced the issuance of ilAA/Watch Neg rating for the issuance of bonds amounting to up to NIS 576 million par value. For further details, see immediate report dated March 3, 2022 (Reference No.: 2022 -01-026074), which is hereby included by reference.

After the report date, on April 5, 2022, Maalot S&P announced the ratification of the Company's ratings 'ilAA-' leaving them on credit watch with negative consequences. For further details, see immediate report dated April 5, 2022 (Reference No.: 2022-15-036099).

After the report date, on May 16, 2022, Maalot S&P announced that it had lowered the rating of the Company to 'ilA-' and left it in credit watch with negative consequences. For further details, see immediate report dated May 16, 2022 (Reference No.: 2022-15-048171). it should be indicated that following the lowering of the rating and in accordance with the terms of the deeds of trust of the Company's bonds, there will be a 0.25% increase in the interest rate on the bonds (Series B and Series C). For further details, see immediate report dated May 17, 2022 (reference number: 2022-01-060172).

Bond series	**B**	
Name of rating company	Maalot	
	Bonds' rating	**Issuer's rating**
Rating of the issuer and bonds on the date of initial issue (May 2013)	ilA+	ilA+ stable
Rating of the issuer and bonds on the date of expanding the series – February 2014	ilA+	ilA+ stable
Rating of the issuer and bonds – June 2014	ilA+	ilA+ stable
July 2015	ilA+	ilA+, stable
March 2016	ilAA-	ilAA-, stable
March 2017	ilAA-	ilAA-, stable
March 2018	ilAA-	ilAA-, stable
March 2019	ilAA-	ilAA-, stable
March 2020	ilAA-	ilAA-, stable
March 2021	ilAA	ilAA-, stable
February 2022	ilAA	ilAA- negative outlook
March 2022	ilAA	ilAA- negative outlook
April 2022	ilAA	ilAA- negative outlook
May 2022	ilA	ilA- negative outlook
Rating of the issuer and bonds as of the date of the report	ilA	ilA- negative outlook
Bond series	**C**	
Name of rating company	Maalot	
	Bonds' rating	**Issuer's rating**
Rating of the issuer and bonds on the date of initial issue (July 2014)	ilA+	ilA+ stable
July 2015	ilA+	ilA+, stable
March 2016	ilAA-	ilAA-, stable
March 2017	ilAA-	ilAA-, stable
March 2018	ilAA-	ilAA-, stable
March 2019	ilAA-	ilAA-, stable
March 2020	ilAA-	ilAA-, stable
March 2021	ilAA	ilAA-, stable
February 2022	ilAA	ilAA- negative outlook
March 2022	ilAA	ilAA- negative outlook
April 2022	ilAA	ilAA- negative outlook
May 2022	ilA	ilA- negative outlook
Rating of the issuer and bonds as of the date of the report	ilA	ilA- negative outlook

15. Compliance with terms and liabilities according to the deed of trust:

To the Company's best knowledge, as of the report date and over the reported year, the Company has complied with all terms and liabilities according to the deeds of trust[12], including at the end of the Report Period, when the Company complied with all the financial covenants prescribed in the deed of trust of February 24, 2011 (as amended on October 30, 2012 and January 29, 2017) between the Company and Reznik Paz Nevo Trust Ltd, the trustee for the bond holders (series A) that were fully repaid as specified in section 11.4 above and in the deed of trust dated May 9, 2013 (as amended on January 29, 2017, July 3, 2017 and May 27, 2018) between the Company and Reznik Paz Nevo Trust Ltd, the trustee for the bond holders (series B), and in the deed of trust for bond holders dated July 14, 2014 (as amended on January 29, 2017, July 3, 2017 and May 27, 2018) between the Company and Reznik Paz Nevo Trust Ltd, the trustee for the bond holders (Series C), (below and respectively: the trustee and the deeds of trust) including the following financial covenants:

A. At the end of each quarter the ratio of the Company's equity to its financial debt, net, according to solo reports for that date, will not be under 187.5%[13]:

The Company's equity, which is attributed to the majority shareholders at the Report Period, namely, as of March 31, 2022, is EUR 863.6 million.

The financial debt, net, according to solo reports of the Company, as of the same date, is EUR 67.9 million.

Therefore, the ratio of the Company's equity to the financial debt, net, according to solo reports as of the end of the Report Period, namely, as of March 31, 2022, is approximately 1,272.12%.

B. The ratio of the charged share value to net debt will not be less than the basic ratio (as defined hereunder).

With respect to the bond holders (Series B):

"The Basic Ratio": the ratio of the charged shares' value to a net debt of 175%.

"Net debt": the ratio of the bonds' principal (series B), plus accumulated linkage differentials and interest that are not yet paid.

The number of charged shares of BGP as of March 31, 2022: 765,027.

The total issued share capital of BGP as of March 31, 2022 and the report signing date: 1,978,261.

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[12] As for the issue of the existence of grounds for calling for immediate repayment of the bonds (Series A, B, and C) due to change in control of the Company and the resolution of the bondholders (Series A, B, and C) to grant a waiver regarding such grounds which were established, see section 19 to the board of directors' report for 2018 attached as chapter B to the Company's 2018 periodic report (reference number 021450-01-2019) which is included herein by way of reference.

[13] The requirement to meet this ratio is relevant only to the bondholders of Series A and B.

The rate of charged shares out of the issued capital share of BGP as of the report signing date: 38.7%.

BGP's equity, attributed to its shareholders, as appears in the Company's financial statements as of March 31, 2022: EUR 922,222 thousand.

The EUR/NIS representative exchange rate known, published by the Bank of Israel, as of the signing date of the report: NIS 3.5854.

The value of the charged shares: NIS 1,278,693 thousand.

Net debt: NIS 668,059 thousand.

Accordingly, the ratio between the charged shares' value to net debt, as of the end of the Report Period, is approximately 191%, therefore the Company meets this ratio as well.

With respect to the bond holders (Series C):

"The Basic Ratio": the ratio of the charged shares' value to a net debt of 175%.

"Net debt": the ratio of the bonds' principal (series C), plus accumulated linkage differentials and interest that are not yet paid.

The number of charged shares of BGP as of March 31, 2022: 394,430.

The total issued share capital of BGP as of March 31, 2022 and the report signing date: 1,978,261

The rate of charged shares out of the issued capital share of BGP as of the report signing date 19.9%.

BGP's equity, attributed to its shareholders, as appears in the Company's financial statements as of March 31, 2022: EUR 922,222 thousand.

The EUR/NIS representative exchange rate known, published by the Bank of Israel, as of the signing date of the report: NIS 3.5854

The value of the charged shares: NIS 659,264 thousand.

Net debt: NIS 146,260 thousand.

Accordingly, the ratio between the charged shares' value to net debt, as at the end of the Report Period, is approximately 451%, therefore the Company meets this ratio as well.

In addition, the Company committed under the financial covenants set forth in the deeds of trust that:

a. **Minimum equity:** Pursuant to the Series B and C deeds of trust - the equity attributed to the majority shareholders shall not fall below EUR 150 million and EUR 190 million, respectively. As of the report date, the equity attributed to the majority shareholders is EUR 863.6 million.

b. **Restrictions on dividend distribution:** Under Series B and C deeds of trust -not to distribute dividends and/or distribute equity to its shareholders, and/or repurchase its treasury shares or its convertible securities if it will result in equity attributed to the majority shareholders that is lower than EUR 160 million and EUR 200 million, respectively, and/or the debt ratio to CAP (as defined below) that will exceed 70%.

   As of the report date, the equity attributed to the majority shareholders is EUR 863.6 million and the debt ratio to CAP is 42.35% (as detailed below).

c. **Maximum CAP ratio:** The ratio between the net financial liabilities and its equity in addition to non-controlling interests and other financial liabilities (CAP) shall not exceed 75% pursuant to the Series B and C deeds of trust and is calculated in the following manner: (it is indicated that the value of items B - deferred loans - and C - negative equity - defining CAP as specified in the bond deed is zero):

	EUR in Thousands
Financial liabilities according to solo reports	235,281
Financial liabilities of the subsidiaries	606,096
Net of cash, cash equivalents and deposits	(181,224)
Net financial debt – consolidated	**660,153**
CAP[14]	
Equity including non-controlling interests	898,828
Net financial debt, consolidated	660,153
CAP	**1,558,981**

Therefore, **this ratio is 42.35%** whereas according to the deeds of trust such a ratio should be lower than 75% for Series B and C.

[14] Total equity and debt (CAP) – "the net consolidated financial debt" in addition to all the items below: a) the Company's equity (including minority interests) as stated in the audited or reviewed consolidated statements of the Company; b) the Company's deferred loan balance (as defined below); and c) impairments recorded in the consolidated financial statements (as far as recorded) in respect to the charged assets to secure the loans in the amount of the difference between the recourse and the loan carrying value in the Company's consolidated financial statements. "Deferred loans" – any loan the Company received from any party, which under its terms is subordinate in the repayment level to bonds (Series A), bonds (Series B), bonds of Series C - F, or convertible bonds Series G – K to be issued, as far as they will issue, according to the shelf prospectus and which cannot be repaid (principal and/or interest) throughout the term of the aforementioned bonds.

16. Description of the charged properties for securing the Corporation's undertakings according to the liability certificates:

For details regarding the charges for securing the Company's undertakings pursuant to the terms of the Company's bonds (Series B and Series C), which are in force pursuant to any law and the Company's incorporation instruments, as of the report date and the report signing date, see section 20 of the board of directors' report for 2021 attached as Chapter B to the periodic report of the Company for 2021 (reference number 029652-01-2022) which included herein by way of reference (2021 periodic report).

It should be noted that following the private placement that took place during March, 2022, the Company charged an additional 125,000 shares of Brack German Properties B.V., for Series B debenture holders. For further details, see Note 11.2 above.

17. Attaching the financial statements of BGP:

According to the legal position No 103-29 of the Securities Authority (" due diligence findings with respect to disclosure regarding securities and/or liens provided by reporting corporations to secure the repayment of liability certificates") in the case of pledging the investee's shares, the corporation is required to attach audited/reviewed financial statements of the investee, as the case may be, on a quarterly basis, until the date of full repayment of the liability certificates.

However, as of the date of the Periodic Report, the only differences between the financial statements of the Company and the financial statements of BGP, the 100% investee company held by the Company whose shares are pledged to bondholders (the pledged investee company) is the amount of cash held by the Company itself on the assets' part and the bonds issued by the Company on the liabilities' part (as reflected in the Company's solo reports), so as a result the consolidated financial statements of the Company are virtually identical to those of the pledged investee company (excluding cash held by the Company and the bonds it issued) and therefore the Company has not attached separate financial statements of the pledged investee company.

The following is data as of March 31, 2022, with respect to the assets and liabilities of the Group which are not included in the consolidated statements of the pledged investee company, compared to the assets and liabilities of the pledged investee and the total consolidated balance sheet:

Data as of March 31, 2022 (EUR in thousands)	**The Company Consolidated**	**Assets/liabilities In the pledged investee company**	**Assets/liabilities In unpledged companies**
Total assets	1,921,406	1,744,078	177,328
Current assets	242,168	74,606	* 167,562
Noncurrent assets	1,679,238	1,669,472	9,766
Total liabilities	1,022,578	786,651	235,927
Current liabilities	347,867	283,532	** 64,335
Noncurrent liabilities	674,711	503,119	*** 171,592
Non- controlling interests	35,205	35,205	-
Total equity	863,623	922,222	(58,599)
Rate of assets out of the total assets in the balance sheet	100%	91%	9%
Rate of liabilities out of the total liabilities in the balance sheet	100%	77%	23%
Rate of equity out of the total equity in the balance sheet	100%	107%	(7%)

* Mainly cash and liquid balances held by the Company (solo);
** Mainly current maturity of principal of bonds (Series B – C) issued by the Company and interest payable for said bonds;
*** Mainly balance of bonds principal (Series B – C) issued by the Company.

Names of signatories	Position	Signature
Patrick Burke	Chairman of the Board of Directors	___________________
Thierry Beaudemoulin	CEO	___________________

May 25, 2022

BRACK CAPITAL PROPERTIES N.V.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2022

UNAUDITED

IN THOUSANDS OF EUROS

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Auditor Review Report to the Shareholders of Brack Capital Properties N.V.

Introduction

We have reviewed the accompanying financial information of Brack Capital Properties N.V. and its subsidiaries (hereinafter – the Group), which includes the condensed consolidated statement of financial position as of March 31, 2022 and the condensed consolidated statements of profit and loss and comprehensive income, changes of equity and cash flows for the three-month period ending that date. The Board of Directors and Management are responsible for preparing and presenting financial information for these interim periods in accordance with IAS 34, Interim Financial Reporting, and are responsible for preparing financial information for these interim periods in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.Our responsibility is to express our conclusions with regard to the financial information for these interim periods, based on our review.

The condensed consolidated interim financial information as at March 31, 2021 and for a period of three months ending that date was reviewed by the previous auditors whose report of May 11, 2021 included an unqualified conclusion.

Scope of the Review

We conducted our review in accordance with Review Standard 2410 (Israel) of the Institute of Certified Public Accountants in Israel - "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of financial information for interim periods consists of inquiries, mainly from people responsible for finances and accounting, and of the application of analytical and other reviewing procedures. A review is significantly limited in scope relative to an audit conducted according to generally accepted Israeli auditing standards, and therefore does not allow us to achieve assurance that we have been made aware of all material issues that might have been identified in an audit. Accordingly, we are not expressing an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the above financial information has not been prepared, in all material aspects, in accordance with IAS 34.

In addition to the previous paragraph, based on our review, nothing has come to our attention that causes us to believe that the above financial information does not comply, in all material respects, with disclosure provisions according to Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Somekh Chaikin
Certified Public Accountants (Isr)
May 25, 2022

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31,		December 31,
	2022	2021	2021
	(Unaudited)		(Audited)
	€ in thousands		
Current Assets			
Cash and cash equivalents	179,442	42,746	24,861
Restricted deposits, financial assets and other receivables	29,135	17,313	25,980
Income receivable and other receivables from the sale of apartments	554	3,070	554
Tenants and trade receivables, net	2,691	2,374	1,641
Inventory of buildings under construction	-	1,715	-
Assets of disposal groups held for sale	30,346	16,892	30,331
Total current assets	242,168	84,110	83,367
Non-Current Assets			
Investments and loans in companies accounted at equity	2,069	24,071	2,069
Investment in financial assets measured at fair value through profit or loss	16,291	42,539	13,344
Inventory of real estate and inventory of real estate under construction	218,901	58,727	215,527
Investment property – real estate rights and investment property under construction	87,457	66,031	99,100
Investment property – income generating assets	1,338,441	1,250,825	1,317,230
Restricted deposits for investments in assets	7,198	6,734	7,026
Other accounts receivable and other financial assets	165	215	11,626
Deferred taxes	8,716	179	5,371
Total non-current assets	1,679,238	1,449,321	1,671,293
Total assets	1,921,406	1,533,431	1,754,660

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31, 2022	March 31, 2021	December 31, 2021
	(Unaudited)		(Audited)
	€ in thousands		
Current Liabilities			
Current maturities of loans from banks	244,273	32,724	244,468
Current maturities of debentures	63,689	10,094	11,508
Accounts payable and other financial liabilities	13,693	12,281	15,868
Advances from apartment purchasers	-	4,528	-
Deferred tax liabilities	25,855	7,757	14,674
Liabilities of disposal groups held for sale	357	3,388	287
Total current liabilities	347,867	70,772	286,805
Non-Current Liabilities			
Loans from banks	361,823	391,908	356,186
Debentures	171,592	63,514	60,841
Other financial liabilities	2,614	166	-
Deferred taxes	138,682	129,860	139,393
Total non-current liabilities	674,711	585,448	556,420
Total liabilities	1,022,578	656,220	843,225
Equity Attributable to Company Shareholders			
Share capital	77	77	77
Premium on shares	144,237	144,237	144,237
Treasury shares	(746)	(746)	(746)
Other capital reserves	(531)	584	(531)
Statutory capital reserve	530,385	466,107	530,385
Retained earnings	190,201	225,269	202,868
Total equity attributable to Company shareholders	863,623	835,528	876,290
Non-controlling interests	35,205	41,683	35,145
Total equity	898,828	877,211	911,435
Total liabilities and equity	1,921,406	1,533,431	1,754,660

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

May 25, 2022			
Date of approval of the financial statements	Patrick Burke Chairman of the Board of Directors	Thierry Beaudemoulin CEO	Eran Edelman CFO

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT AND LOSS AND COMPREHENSIVE INCOME

	Three months ended March 31, 2022	Three months ended March 31, 2021	Year ended December 31, 2021
	(Unaudited)	(Unaudited)	(Audited)
	Euros in thousands (except net earnings per share data)		
Revenues from rental of properties	14,906	15,053	59,243
Revenues from property management and others	5,924	6,031	23,706
Property management expenses	(6,122)	(5,833)	(23,644)
Cost of maintenance of rental properties	(2,461)	(2,599)	(10,228)
Rental and management revenues, net	12,247	12,652	49,077
Revenues from sale of apartments	-	1,582	8,301
Cost of sale of apartments	-	(1,465)	(7,304)
Gain from sale of apartments	-	117	997
Equity in earnings (losses) of companies accounted at equity	-	-	(2,083)
General and administrative expenses	(2,913)	(3,314)	(11,547)
General and administrative expenses relating to inventory of buildings under construction and real estate inventory	(554)	(615)	(1,502)
Operating profit before change in value of investment property, net	8,780	8,840	34,942
Appreciation (impairment) of investment property, net	-	33,669	111,603
Operating income	8,780	42,509	146,545
Finance expenses net of exchange rate effect and currency hedging transactions	(2,948)	(2,713)	(10,635)
Exchange rate effect, CPI and currency hedging transactions, net	(769)	(645)	(10,023)
Change in fair value of financial instruments, credit losses and others	1,428	(31)	(28,949)
Other expenses, net (1)	(22,224)	-	-
Income (loss) before taxes on income	(15,733)	39,120	96,938
Tax benefit (taxes on income)	3,126	(7,339)	(24,362)
Net and comprehensive income (loss) for the period	(12,607)	31,781	72,576
Net and comprehensive income (loss) attributable to:			
Equity holders of the Company	(12,667)	30,799	72,676
Non-controlling interests	60	982	(100)
	(12,607)	31,781	72,576
Net earnings (loss) per share attributable to equity holders of the Company (in Euro) - basic and diluted	(1.64)	3.98	9.40

(1) See Note 5(1) below.

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity Attributable to Company Shareholders								
	Share Capital	Premium on Shares	Treasury Shares	Other capital reserves	Statutory Capital Reserve	Retained Earnings	Total	Non-Controlling Interests	Total Equity
	Unaudited								
	€ in thousands								
Balance as of January 1, 2022 (audited)	77	144,237	(746)	(531)	530,385	202,868	876,290	35,145	911,435
Total net and comprehensive income	-	-	-	-	-	(12,667)	(12,667)	60	(12,607)
Balance as of March 31, 2022 (unaudited)	77	144,237	(746)	(531)	530,385	190,201	863,623	35,205	898,828

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity Attributable to Company Shareholders								
	Share Capital	Premium on Shares	Treasury Shares	Other capital reserves	Statutory Capital Reserve	Retained Earnings	Total	Non-Controlling Interests	Total Equity
	Unaudited								
	€ in thousands								
Balance as of January 1, 2021 (audited)	77	144,237	(746)	584	438,591	221,986	804,729	40,701	845,430
Total net and comprehensive income	-	-	-	-	-	30,799	30,799	982	31,781
Classification as per provisions of Dutch law	-	-	-	-	27,516	(27,516)	-	-	-
Balance as of March 31, 2021 (unaudited)	77	144,237	(746)	584	466,107	225,269	835,528	41,683	877,211

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity Attributable to Company Shareholders								
	Share Capital	Premium on Shares	Treasury Shares	Other capital reserves	Statutory Capital Reserve	Retained Earnings	Total	Non-Controlling Interests	Total Equity
	Unaudited								
	€ in thousands								
Balance as of January 1, 2021 (audited)	77	144,237	(746)	584	438,591	221,986	804,729	40,701	845,430
Total net and comprehensive income	-	-	-	-	-	72,676	72,676	(100)	72,576
Classification as per provisions of Dutch law	-	-	-	-	91,794	(91,794)	-	-	-
Purchase of rights from non-controlling interests	-	-	-	(1,115)	-	-	(1,115)	(5,456)	(6,571)
Balance as of December 31, 2021 (audited)	77	144,237	(746)	(531)	530,385	202,868	876,290	35,145	911,435

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended March 31, 2022	Three months ended March 31, 2021	Year ended December 31, 2021
	Unaudited	Unaudited	Audited
	€ in thousands		
Cash flows from operating activities:			
Net income (loss) for the period	(12,607)	31,781	72,576
Adjustments to reconcile net income to net cash provided by operating activities:			
Adjustments to profit and loss:			
Depreciation	28	30	112
Financial expenses, net	1,508	3,483	22,193
Decrease (increase) in fair value of financial instruments	(3,063)	(45)	28,926
Decrease (increase) in value of investment property, net	-	(33,669)	(111,603)
Deferred taxes, net	(4,045)	5,588	12,142
Equity in earnings of companies accounted at equity	-	-	2,083
	(5,572)	(24,613)	(46,147)
Cash flows from operating activities before changes in asset and liability items	(18,179)	7,168	26,429
Changes in asset and liability items:			
Decrease (increase) in tenants and trade receivables, restricted deposits and other receivables and related parties	3,025	(1,945)	(4,620)
Increase (decrease) in accounts payable	11,874	(1,956)	2,084
	14,899	(3,901)	(2,536)
Net cash provided by operating activities before activity in real estate assets and liabilities	(3,280)	3,267	23,893
Change in advances and income receivable from apartment purchasers	-	4,831	2,819
Increase in inventory of buildings under construction and real estate inventory	(3,374)	(5,464)	(6,680)
Net cash provided by (used in) operating activities	(6,654)	2,634	20,032

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended March 31, 2022	Three months ended March 31, 2021	Year ended December 31, 2021
	Unaudited	Unaudited	Audited
	€ in thousands		
Cash Flows from investing activities			
Investment in investment property – income generating assets	(3,325)	(2,933)	(17,180)
Investment in investment property – real estate rights and investment property under construction	(6,354)	(5,136)	(29,901)
Return on investment in companies measured at equity	-	(1,121)	(6,559)
Proceeds from sale of investment property, net	-	9,954	27,728
Proceeds from sale of subsidiaries, net (a)	-	9,261	9,261
Cash and cash equivalents of a newly consolidated subsidiary (b)	-	-	1,114
Withdrawal (placement) of restricted deposits, net	4,104	473	(2,505)
Net cash provided by (used in) investing activities	(5,575)	10,498	(18,042)
Cash flows from financing activities			
Interest paid	(2,890)	(2,490)	(9,488)
Loan granted to others	-	-	(11,429)
Purchase of rights from non-controlling interests	-	-	(6,571)
Receipt of long-term bank loans	9,947	-	60,059
Issuance of debentures, net	162,518	-	-
Repayment of debentures	-	-	(11,298)
Repayment of long-term bank loans	(2,765)	(2,710)	(33,216)
Net cash provided by (used in) financing activities	166,810	(5,200)	(11,943)
Change in cash and cash equivalents	154,581	7,932	(9,953)
Balance of cash and cash equivalents at the beginning of the period	24,861	34,814	34,814
Balance of cash and cash equivalents at the end of the period	179,442	42,746	24,861

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended March 31, 2022	Three months ended March 31, 2021	Year ended December 31, 2021
	Unaudited	Unaudited	Audited
	€ in thousands		
(a) Proceeds from sale of subsidiaries, net			
Assets and liabilities of the subsidiaries as of the date of sale:			
Investment property	-	12,369	12,369
Leasing liabilities	-	(3,126)	(3,126)
Working capital, net	-	14	14
Deferred taxes, net	-	4	4
Assets, net	-	9,261	9,261
(b) Cash and cash equivalents of a newly consolidated subsidiary			
Assets and liabilities of the consolidated subsidiary as of date of purchase (date of consolidation):			
Inventory of real estate	-	-	(164,638)
Restricted cash	-	-	(3,317)
Deferred tax asset	-	-	(2,037)
Loans from banks, net	-	-	145,185
Interest payable	-	-	595
Assets, net	-	-	(24,212)
Less investment balance in a company accounted at equity	-	-	25,326
Taxes paid	-	-	1,114
(c) Additional information			
Taxes paid	10,214	1,133	5,526

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1: - **General**

a. General description of the Company and its activity

Brack Capital Properties N.V (the Company) was incorporated in June 2006 and is a real estate company residing in the Netherlands engaging through investees in the purchase and management of investment property in Germany mainly in the segment of income generating residential real estate. In addition, the Company is engaged in the development of a residential complexes and improvement of land in Dusseldorf, Germany. For details regarding the Company's operating segments, see Note 4.

The Company's shares and bonds are traded on the Tel Aviv Stock Exchange.

In April 2018, the control in the Company was purchased by ADLER Real Estate AG (ADLER).
In December, 2021, LEG Grundstucksverwaltung GmbH ("LEG") which is a subsidiary of LEG Immobilien AG acquired from ADLER 6.7% of the share capital and voting rights in the Company. In addition, ADLER undertook to participate in any tender offer which may be initiated by LEG for the balance of the ordinary shares of the Company held by Adler, provided that such tender offer is made by September 30, 2022 at a minimum price per share determined in the agreement between the parties as above amounting to EUR 157 per share. In addition, in January 2022, LEG acquired an additional 27.77% of the Company's shares which were held by the non-controlling interests in the Company. In the reported period and after the report date, LEG continued to purchase the Company's shares, so that as of the date of signing the report, LEG holds approximately 34.51% of the Company's shares.

As of March 31, 2022, the Company (consolidated) has a working capital deficiency of approximately EUR 105,699 thousand, mainly due to loans the Company has taken in connection with the Gerreheim project as well as loans in respect of other income-generating assets of the Company that are due in the coming year.

As of the report publication date, the Company has taken several measures aiming to allow the Company other financing sources, among others, in connection with loans with upcoming maturity date as detailed above. Including:

In March, 2022, the Company completed a private placement by expanding bonds (Series B) and raised an amount of approximately NIS 576 million (approximately EUR 163.5 million) at convenient and favorable conditions for the Company compared to the existing loan which is designated to repay a loan in connection with the Gerresheim project. For further details in connection with the issuance of said bonds, see Note 5(2) below;

After the report date, on May 13, 2022, the Company entered into agreement with international banking corporation to obtain a credit in the amount of EUR 30 million. For further details, see Note 5(6) below.

On May 19, 2022, the Company entered into agreement with ADLER, the controlling shareholder to obtain a credit facility in a total amount of EUR 200 million where on May 23, 2022 the amount of EUR 100 million was received in the Company's account. For further details regarding the credit facility and its designation , see Note 5(7) below.

Note 1: - <u>General</u> (Cont.)

In addition, the Company continues to explore refinancing options of existing loans and is conducting negotiations with additional with banks and other financing entities; the Company works to complete the preparation of a shelf prospectus and obtaining a permit for its publication; and the Company reviews the option of selling assets of the Company.

Based on management forecasts, which reviewed the Company's ability to meet its financial covenants and liabilities including in stress conditions and the actions the Company took in connection with the financial structure of its operations including in view of the actions detailed above, the Company anticipates that it will continue to operate in the foreseeable future.

Regarding the outbreak of the Corona virus (Covid- 19) and its effect on the Company's activity and operating results see Note 5(4).

Note 2: - <u>Significant accounting policies</u>

a. <u>Preparation format of the Interim Consolidated Financial Statements</u>

The Consolidated Interim Financial Statements are prepared in accordance with acceptable accounting principles for preparing financial statements for interim periods as stated in International Accounting Standard 34 Interim Financial Reporting and in accordance with the provisions of disclosure pursuant to Chapter D of the Securities (Immediate and Periodic Reports) Regulations, 1970. The accounting policies applied in the preparation of the consolidated interim financial statements is consistent with the policies applied in the preparation of the consolidated annual financial statements.

These Financial Statements have been prepared in a condensed format as of March 31, 2022 and for the three-month period then ended (hereinafter – the Consolidated Interim Financial Statements). These Statements should be read in conjunction with the annual financial statements as of December 31, 2021 and for the year then ended and the accompanying notes (the consolidated annual financial statements).

b. <u>Use of estimates and judgments</u>

In preparing the condensed consolidated interim financial statements in accordance with IFRS, the Company's management is required to exercise discretion for making estimates, assessments and assumptions that affect implementation of policy and amounts of assets and liabilities, income and expenses. It should be clarified that the actual results may differ from these estimates. Management's discretion when applying the Group's accounting policies and the key assumptions used in the estimates involving uncertainty are consistent with those used in the preparation of the annual financial statements.

Note 2: - Significant accounting policies (Cont.)

c. Initial adoption of new standards and amendments to existing accounting standards

Amendments to IFRS 9, IFRS 7, IFRS 16, IFRS 4 and IAS 39 regarding the reform of IBOR interest rates

In August 2020, the IASB issued amendments to International Financial Reporting Standard 9 Financial Instruments for International Financial Reporting Standard 7 Financial Instruments: Disclosures, International Accounting Standard 39 Financial Instruments: Recognition and Measurement, International Financial Reporting Standard 4 Insurance Contracts and International Financial Reporting Standard 16 Leases (the "Amendments"). The amendments provide practical relief that addresses the effects of the accounting treatment of the financial statements when the benchmark interest rates (IBORs - Interbank Offered Rates) are replaced by risk-free alternative interest rates (RFRs).

Depending on one of the practical relief contractual amendments or amendments to cash flows will be handled directly as a result of the implementation of the reform similar to the accounting treatment for changes in variable interest rates. Namely, a company is required to recognize the changes in interest rates by adjusting the effective interest rate without changing the book value of the financial instrument. The use of this practical relief depends on the fact that the transition from IBOR to RFR takes place on the basis of equal economic conditions.

The amendments added disclosure requirements regarding the effect of the expected reform on the Company's financial statements, including reference to how the Company manages the implementation of the interest rate reform, the risks to which it is exposed as a result of the expected reform and quantitative disclosures regarding IBOR interest rate financial instruments which may change.

The above amendments had no material effect on the Group's financial statements.

d. Disclosure of new IFRS in the period prior to adoption:

Amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

In February 2021, the IASB issued an amendment to International Accounting Standard 8: Accounting policies, changes in accounting estimates and errors (the amendment). The purpose of the amendment is to introduce a new definition of the term "accounting estimates".

Accounting estimates are defined as "financial amounts in the financial statements that are subject to uncertainty in measurement." The amendment clarifies what changes in accounting estimates are and how they differ from changes in accounting policies and corrections of errors.

The amendment will be applied prospectively to annual periods beginning on or after January 1, 2023 and applies to changes in accounting policies and accounting estimates that occur at the beginning of that period or thereafter. Early adoption is permitted.

Note 3: - Financial instruments

a. Financial instruments not measured at fair value

The following are the carrying balances and the fair value of the financial instruments groups presented in the financial statements not at their fair value:

	March 31, 2022		March 31, 2021		December 31, 2021	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
	Unaudited				Audited	
	€ in thousands					
Financial liabilities:						
Debentures and interest payable in respect of debentures	236,103	254,327	74,147	83,237	72,949	82,309

Management has estimated that the balance of cash, short term deposits, trade receivables, trade payables, overdrafts and other current liabilities, and bank loans presented at amortized cost approximates their fair value due to the short maturity dates of these instruments.

Below are the methods and assumptions used in determining fair value:

The fair value of marketable debentures is based on prices quoted in the stock exchange as of the cut-off date (level 1)

Note 3: - Financial instruments (Cont.)

b. Financial instruments measured at fair value

Classification of the financial instruments according to fair value hierarchy

The table below presents the financial assets and the financial liabilities of the group according to fair value:

	March 31, 2022		
	Level 1	Level 2	Level 3
		Unaudited	
		€ in thousands	
Assets:			
Financial assets measured at fair value through profit or loss	9,766	-	6,525
Liabilities:			
Interest swap agreements	-	(134)	-

	March 31, 2021		
	Level 1	Level 2	Level 3
		Unaudited	
		€ in thousands	
Assets:			
Financial assets measured at fair value through profit or loss	36,045	-	6,494
Liabilities:			
Interest swap agreements	-	(504)	-

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 3: - Financial instruments (Cont.)

	December 31, 2021		
	Level 1	Level 2	Level 3
		€ in thousands	
Assets:			
Financial assets measured at fair value through profit or loss	6,819	-	6,525
Liabilities:			
Interest swap agreements	-	(249)	-

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 4: - Operating Segments

	Income-Generating Commercial Real Estate	Income-Generating Residential Real Estate	Land for Betterment	Residential development	Total
			€ in thousands		
For the Three -Month Period Ended March 31, 2022 (Unaudited)					
Revenues from property rental	941	13,947	18	-	14,906
Revenues from property management and others	59	5,853	12	-	5,924
Property management expenses	(225)	(5,883)	(14)	-	(6,122)
Rental property maintenance expenses	(692)	(1,760)	(9)	-	(2,461)
Total rental and management revenues, net	83	12,157	7	-	12,247
Administrative and general expenses					(2,913)
Selling and marketing expenses and administrative and general expenses attributed to inventory of buildings under construction and inventory of real estate	-	-	-	(554)	(554)
Financial expenses, net					(2,289)
Other expenses					(22,224)
Loss before taxes on income					(15,733)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 4: - Operating Segments (Cont.)

	Income-Generating Commercial Real Estate (*)	Income-Generating Residential Real Estate	Land for Betterment (*)	Residential development	Total
			€ in thousands		
For the Three -Month Period Ended March 31, 2021 (Unaudited)					
Revenues from property rental	1,558	13,459	36	-	15,053
Revenues from property management and others	537	5,459	35	-	6,031
Property management expenses	(510)	(5,292)	(31)	-	(5,833)
Rental property maintenance expenses	(974)	(1,512)	(113)	-	(2,599)
Total rental and management revenues, net	611	12,114	(73)	-	12,652
Revenues from sale of apartments	-	-	-	1,582	1,582
Cost of sale of apartments	-	-	-	(1,465)	(1,465)
Gain from sale of apartments	-	-	-	117	117
Administrative and general expenses					(3,314)
Selling and marketing expenses and administrative and general expenses attributed to inventory of buildings under construction and inventory of real estate		-	-	(615)	(615)
Increase (decrease) in value of investment property, net	(1,468)	35,137	-	-	33,669
Financial expenses, net					(3,389)
Income before taxes on income					39,120

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 4: - Operating Segments (Cont.)

	Income-generating commercial real estate	Income-generating residential real estate	Land for betterment	Residential development	Total
	Euros in thousands				
For the year ended December 31, 2021 (Audited)					
Revenues from property rental	4,998	54,142	103	-	59,243
Revenues from property management and others	1,570	22,083	53	-	23,706
Property management expenses	(1,217)	(22,171)	(256)	-	(23,644)
Rental property maintenance expenses	(3,387)	(6,555)	(286)	-	(10,228)
Total rental and management revenues (expenses), net	1,964	47,499	(386)	-	49,077
Revenues from sale of apartments	-	-	-	8,301	8,301
Cost of sale of apartments	-	-	-	(7,304)	(7,304)
Gain from sale of apartments	-	-	-	997	997
Group's share in losses of companies accounted at equity method of accounting	(2,083)	-	-	-	(2,083)
General and administrative expenses					(11,547)
Selling and marketing and general and administrative expenses attributed to inventory of buildings under construction and inventory of real estate	-	-	-	(1,502)	(1,502)
Appreciation (impairment) of investment property, net	(6,879)	124,121	(5,639)	-	111,603
Financial expenses, net					(49,607)
Income before taxes on income					96,938

Note 5: - Material Events during the Reported Period and thereafter

1. Following the completion of the acquisition of the Company's shares by LEG on January 6, 2022 (see Note 1a above), and despite the fact that the Company is in no way a party to the transaction, the Company estimates that as a result of the acquisition of the shares tax liability may result to the Company's subsidiaries which as of this date is estimated at EUR 20.4 million, in light of the tax laws applicable in Germany. The Company has provided for the entire amount in the first quarter of 2022.

2. During March, 2022, the Company completed a private placement of NIS 528,440,367 par value of debentures (Series B) of the Company (approximately EUR 150 million) by way of expansion of the registered series. The additional debentures will be allocated to offerees in the private placement by series expansion at a uniform price of 109 Agorot for each NIS 1 par value (Series B) of the Company, which reflects an effective interest rate in respect of the additional debentures of approximately 1%. Gross proceeds from the private placement of approximately NIS 576 million (approximately EUR 163.5 million) was received during the reporting period.

3. At the end of February 2022, the Russian army's invasion of Ukraine began as part of the Russian government's attempts to occupy Ukraine, due to geopolitical tensions between the countries. The escalation of tensions between the countries has led various Western entities, including the United States and the European Union, to impose various economic sanctions on Russia and personal and economic sanctions on the Russian business and political sector, in particular. Such sanctions, the war between the countries and the developing geopolitical crisis may have far-reaching effects, both on the prices and transportation of common raw materials in the world, including iron and oil, which may affect the availability and cost of materials also in connection with projects constructed by the Company and global economy and, among other things, on high volatility in the capital markets in Israel and around the world and in exchange rates and with respect to demographic changes related to immigration and refugees. In the Company's opinion, as of the report approval date, the aforesaid events do not have a material effect on its activities, and also, the existing uncertainty regarding the continued fighting and its expansion, joining additional parties and/or imposing sanctions, as well as its consequences as stated above, the Company is unable to estimate at this stage the possible impact, if any, on its activity in the future.

4. Regarding the Corona pandemic and its impact on the Company, see Note 1(c) in the Company's financial statements for 2021. During the reporting period, the Company is not aware of any material changes that occurred following the Corona pandemic and which materially affected the Company's operations.

5. During March 2022, the Company completed the construction of the rental residential project in Aachen and began renting it out to tenants at a supervised rent. Since the Company met the full terms of the financing loan (NRW) for supervised rental projects in the city of Düsseldorf, the Company received a benefit in the amount of EUR 2.6 million, which is 25% of the original loan that was taken. The benefit will be recognized in the Company's financial statements over the term of the loan. It should be noted that upon completion of the project, the Company classified the project from "investment property - real estate rights and investment property under construction" to "investment property - income-generating properties"

Note 5: - Material Events during the Reported Period and thereafter (Cont.)

6. On May 13, 2022, the Company entered into an agreement with an international banking corporation, with which it has not previously entered into an agreement, to receive a credit facility in the amount of approximately EUR 30 million. The credit facility will be provided to the Company by the middle of the first quarter of 2023 (with an extension option by about two months), and will be repaid in one payment at the end of the credit period. It should be noted that the withdrawal of funds from the credit facility by the Company is subject to a number of conditions precedent, including the presentation of a tax assessment to the Company by the German tax authorities.

7. On May 19, 2022, the Company entered into an agreement with the controlling shareholder ADLER, under which ADLER will provide a credit facility to the Company in the total amount of EUR 200 million, inter alia, in order to provide the Company with an additional source of financing, as required, so the Company will refinance the loans it has taken.

   The credit facility will be provided to the Company for the purpose of refinancing the Company's financial liabilities which are due to be repaid during 2022, payment of the Company's tax liability (as specified in Note 5(1) above) and financing expenses in connection therewith, and those only. It is indicated that as of the report signing date, the Company received EUR 100 million from the credit facility.

8. On May 16, 2022, Maalot S&P announced that it had lowered the Company's rating to 'ilA-' due to the weakening of the credit quality of the controlling shareholder ADLER and left it on credit watch with negative consequences. As a result, and in accordance with the terms of the deeds of trust of the Company's bonds, there will be a 0.25% increase in the interest rate on the bonds (Series B and Series C).

9. After the date of the financial statements, there was a significant decrease in the value of the Company's investment in securities of a public company incorporated in Germany, which after the acquisition date of its shares by the Company its control was acquired by indirect controlling shareholder in the Company and its shares are traded on Frankfurt Unofficial Supervised Stock Exchange and 3.02% of its shares are held by the Company. This investment is classified as a financial instrument presented at fair value through profit or loss of approximately EUR 9.8 million, as of March 31, 2022. Following the decrease in value that occurred after the date of the financial statements as stated above, the value of this investment, as of the approval date of the financial statements, is about EUR 4.1 million.

BRACK CAPITAL PROPERTIES N.V.

PRESENTATION OF FINANCIAL DATA
FROM THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
ATTRIBUTED TO THE COMPANY ITSELF

AS OF MARCH 31, 2022

UNAUDITED

IN THOUSANDS OF EUROS

Somekh Chaikin
KPMG Millennium Tower
17 Haarbaa Street, P.O. Box 609
Tel Aviv 6100601

To the Shareholders of Brack Capital Properties N.V.

Re: special report for review of the separate interim financial information in accordance with Regulation 38d of the Securities Regulations (Periodic and Immediate Reports), 1970.

Introduction

We have reviewed the separate interim financial information according to regulation 38d of the Securities regulations (Periodic and Immediate Reports), 1970 of Brack Capital Properties N.V. (hereinafter – the Company), as of March 31, 2022 and for the three-month period ending that date. The Board of Directors and Management are responsible for the separate interim financial information. Our responsibility is to express our conclusions with regard to the separate interim financial information for this interim period, based on our review.

The separate interim financial information as of March 31, 2021 and for the three-month period ending that date was reviewed by the previous auditors whose report dated May 11, 2021 included an unqualified conclusion.

Scope of the Review

We conducted our review in accordance with Review Standard 2410 (Israel) of the Institute of Certified Public Accountants in Israel, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of financial information for interim periods consists of inquiries, mainly from people responsible for finances and accounting, and of the application of analytical and other reviewing procedures. A review is significantly limited in scope relative to an audit conducted according to generally accepted Israeli auditing standards, and therefore does not allow us to achieve assurance that we have been made aware of all material issues that might have been identified in an audit. Accordingly, we are not expressing an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the above separate interim financial information has not been prepared, in all material aspects, in accordance with Regulation 38d of the Securities regulations (Periodic and Immediate Reports), 1970.

Somekh Chaikin
Certified Public Accountants (Isr)
May 25, 2022

AMOUNTS OF ASSETS AND LIABILITIES INCLUDED IN THE INTERIM CONSOLIDATED STATEMENTS ATTRIBUTED TO THE COMPANY

	March 31, 2022	March 31, 2021	December 31, 2021
	Unaudited	Unaudited	Audited
	€ in thousands		
Current Assets			
Cash and cash equivalents	163,583	793	1,060
Cash and cash equivalents in trust	3,810	12,466	5,358
Restricted deposits, financial assets and other receivables	169	120	197
	167,562	13,379	6,615
Non-Current Assets			
Investment in investee	922,222	860,194	935,626
Investment in marketable financial asset measured at fair value through profit or loss	9,766	36,045	6,819
Total non-current assets	931,988	896,239	942,445
Total assets	1,099,550	909,618	949,060
Current Liabilities			
Current maturity of debentures	63,689	10,094	11,508
Accounts payable and other financial liabilities	646	482	421
Total current liabilities	64,335	10,576	11,929
Non-Current Liabilities			
Debentures	171,592	63,514	60,841
Total non-current liabilities	171,592	63,514	60,841
Total liabilities	235,927	74,090	72,770
Equity			
Share Capital	77	77	77
Premium on Shares	144,237	144,237	144,237
Treasury Shares	(746)	(746)	(746)
Other capital reserves	(531)	584	(531)
Statutory capital reserve	530,385	466,107	530,385
Retained earnings	190,201	225,269	202,868
Total equity	863,623	835,528	876,290
Total liabilities and equity	1,099,550	909,618	949,060

May 25, 2022			
Date of approval of the financial statements	Patrick Burke Chairman of the Board of Directors	Thierry Beaudemoulin CEO	Eran Edelman CFO

The accompanying additional information is an integral part of the financial data and the separate financial information

AMOUNTS OF PROFIT AND LOSS AND COMPREHENSIVE INCOME INCLUDED IN THE INTERIM CONSOLIDATED STATEMENTS ATTRIBUTED TO THE COMPANY

	Three months ended March 31,		Year ended December 31,
	2022	2021	2021
	Unaudited		Audited
	€ in thousands		
Administrative and general expenses	(851)	(733)	(2,434)
Financial income (expenses), net	1,138	(1,724)	(41,744)
Equity in earnings (losses) of investess	(12,954)	33,256	116,854
Net and comprehensive income (loss)	(12,667)	30,799	72,676

The accompanying additional information is an integral part of the financial data and the separate financial information

AMOUNTS OF CASH FLOWS INCLUDED IN THE INTERIM CONSOLIDATED STATEMENTS ATTRIBUTED TO THE COMPANY

	Three months ended March 31,		Year ended December 31,
	2022	2021	2021
	Unaudited		Audited
	€ in thousands		
Cash flows from operating activities:			
Net income (loss) attributed to the Company's shareholders	(12,667)	30,799	72,676
Adjustments required to present net cash provided by operating activities:			
Adjustments to the profit or loss items:			
Financial expenses (income), net	(1,581)	1,389	41,164
Equity in earnings of investees	12,954	(33,256)	(116,854)
	11,373	(31,867)	(75,690)
Changes in assets and liabilities items:			
Decrease (increase) in other receivables and related parties	28	543	466
Increase (decrease) in accounts payable and related parties	(2)	(53)	67
	26	490	533
Net cash used in operating activities of the Company	(1,268)	(578)	(2,481)
Cash Flows from investing activities			
Change in investment in investee and in cash and cash equivalents in trust, net	1,998	1,002	16,275
Net cash provided by investing activities of the Company	1,998	1,002	16,275

The accompanying additional information is an integral part of the financial data and the separate financial information

AMOUNTS OF CASH FLOWS INCLUDED IN THE INTERIM CONSOLIDATED STATEMENTS ATTRIBUTED TO THE COMPANY

	Three months ended March 31,		Year ended December 31,
	2022	2021	2021
	Unaudited		Audited
	€ in thousands		
Cash flows from financing activities			
Interest paid	(725)	(603)	(2,408)
Issuance of debentures, net	162,518	-	-
Repayment of debentures	-	-	(11,298)
Net cash provided by (used in) financing activities of the Company	161,793	(603)	(13,706)
Change in cash and cash equivalents	162,523	(179)	88
Balance of cash and cash equivalents at the beginning of the period	1,060	972	972
Balance of cash and cash equivalents at the end of the period	163,583	793	1,060

The accompanying additional information is an integral part of the financial data and the separate financial information

ADDITIONAL INFORMATION

Note 1: - General

a. This separate financial information has been prepared in a condensed format as of March 31, 2022 and for the three-month period then ended in accordance with Regulation 38d of the Securities Regulations (Periodic and Immediate Reports), 1970. This separate financial information should be read in conjunction with the annual financial statements as of December 31, 2021 and for the year then ended and the additional information.

b. Subsidiaries as defined in note 1b of the annual financial statements of the Company as of December 31, 2021.

c. The accounting policies applied in the preparation of this separate financial information is consistent with the policies applied in the preparation of the separate financial information as of December 31, 2021 except changes in accounting policies specified in Note 2 to the interim condensed consolidated financial statements published with this separate financial information.

d. Regarding the outbreak of the Corona virus (Covid -19) and its impact on the Company's operations and its results, see Note 5(4) of the interim condensed consolidated financial statements.

Note 2: Material Events during the Reported Period

a. During March, 2022, the Company completed a private placement of NIS 528,440,367 par value of debentures (Series B) of the Company (approximately EUR 150 million) by way of expansion of the registered series. The additional debentures will be allocated to offerees in the private placement by series expansion at a uniform price of 109 Agorot for each NIS 1 par value (Series B) of the Company, which reflects an effective interest rate in respect of the additional debentures of approximately 1%. Gross proceeds from the private placement of approximately NIS 576 million (approximately EUR 163.5 million) was received during the reporting period.

b. At the end of February 2022, the Russian army's invasion of Ukraine began as part of the Russian government's attempts to occupy Ukraine, due to geopolitical tensions between the countries. The escalation of tensions between the countries has led various Western entities, including the United States and the European Union, to impose various economic sanctions on Russia and personal and economic sanctions on the Russian business and political sector, in particular. Such sanctions, the war between the countries and the developing geopolitical crisis may have far-reaching effects, both on the prices and transportation of common raw materials in the world, including iron and oil, which may affect the availability and cost of materials also in connection with projects constructed by the Company and global economy and, among other things, on high volatility in the capital markets in Israel and around the world and in exchange rates and with respect to demographic changes related to immigration and refugees. In the Company's opinion, as of the report approval date, the aforesaid events do not have a material effect on its activities, and also, the existing uncertainty regarding the continued fighting and its expansion, joining additional parties and/or imposing sanctions, as well as its consequences as stated above, the Company is unable to estimate at this stage the possible impact, if any, on its activity in the future.

Note 2: Material Events during the Reported Period (Cont.)

c. On May 13, 2022, the Company entered into an agreement with an international banking corporation, with which it has not previously entered into an agreement, to receive a credit facility in the amount of approximately EUR 30 million. The credit facility will be provided to the Company by the middle of the first quarter of 2023 (with an extension option by about two months), and will be repaid in one payment at the end of the credit period. It should be noted that the withdrawal of funds from the credit facility by the Company is subject to a number of conditions precedent, including the presentation of a tax assessment to the Company by the German tax authorities.

d. On May 16, 2022, Maalot S&P announced that it had lowered the Company's rating to 'ilA-' due to the weakening of the credit quality of the controlling shareholder ADLER and left it on credit watch with negative consequences. As a result, and in accordance with the terms of the deeds of trust of the Company's bonds, there will be a 0.25% increase in the interest rate on the bonds (Series B and Series C).

e. On May 19, 2022, the Company entered into an agreement with the controlling shareholder ADLER, under which ADLER will provide a credit facility to the Company in the total amount of EUR 200 million, inter alia, in order to provide the Company with an additional source of financing, as required, so the Company will refinance the loans it has taken.
The credit facility will be provided to the Company for the purpose of refinancing the Company's financial liabilities which are due to be repaid during 2022, payment of the Company's tax liability and financing expenses in connection therewith, and those only. It is indicated that as of the report signing date, the Company received EUR 100 million from the credit facility.

f. After the date of the financial statements, there was a significant decrease in the value of the Company's investment in securities of a public company incorporated in Germany, which after the acquisition date of its shares by the Company its control was acquired by indirect controlling shareholder in the Company and its shares are traded on Frankfurt Unofficial Supervised Stock Exchange and 3.02% of its shares are held by the Company. This investment is classified as a financial instrument presented at fair value through profit or loss of approximately EUR 9.8 million, as of March 31, 2022. Following the decrease in value that occurred after the date of the financial statements as stated above, the value of this investment, as of the approval date of the financial statements, is about EUR 4.1 million.