

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 six months and three months ending June 30, 2021 (hereinafter: "the Reported Period", or, "the Report Period", 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 June 30, 2021.

"Report signing date" or "the date of signing the report" refers to August 25, 2021.

"The reported quarter" or "the reporting period" refers to the second quarter of 2021.

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 2020; including the financial statements, and the Company's board of directors' report, as of December 31, 2020, published on March 3, 2021 (reference number: 2021-01-026034) (2020 Periodic Report).

Preamble

Below are the Company's principal results for six months ending June 30, 2021.

1. **Profitability** – In the second quarter of 2021, the Company's net income attributed to the Company's shareholders amounted to approximately EUR 28 million compared to an income of EUR 57.6 million in the corresponding quarter last year.

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

- **Income-producing real estate** - in the second quarter of 2021, the FFO amounted to EUR 6.1 million compared to EUR 6.4 million in the corresponding quarter last year; In addition, in the second quarter of 2021, the Company's NOI amounted to EUR 12.2 million (compared to EUR 12.3 million in the corresponding quarter last year) and the EBITDA of the Company amounted to EUR 9.9 million (compared to EUR 8.9 million in the corresponding quarter last year). It should be indicated that the decline in the FFO and NOI levels during the current quarter compared to the corresponding quarter of 2020 mainly derives due from the sale of assets from the Company's commercial real estate portfolio, in line with the Company's refocusing strategy for income-producing real estate and residential real estate development activities, which contributed among others to the sharp decline in the leverage scope of the Company.
- **Residential development activity** - in the second quarter of 2021, the contribution of the Grafental project amounted to a profit of EUR 0.9 million (consolidated). In the reported period, the Company completed recognizing the cumulative sale of 96 residential units in Stage H of the project at a weighted performance rate of 100% due to project completion. In addition, all of the apartments in the project were handed over to the buyers.

2. Operating segments – key operational data¹

2.1 Residential development segment – Grafental project²

Stage	Number of flats	revenues (EUR in millions)	income (EUR in millions)	Developer's profit ³ (in percentage)	Sales (in percentage)	Revenue recognition % as of the report date
H	96	58.0	9.2	18.8%	100%	100%

2.2 Income-producing real estate⁴

Zoning	Area ('000 square meters)	NRI Return ⁵	ERV Return ⁶	Actual NOI return ⁷	NOI return according to ERV ⁸	Occupancy rate
Residential	714	4.4%	5.0%	3.9%	4.5%	95.2%
Commercial	69	7.7%	7.7%	3.6%	3.6%	67.4%
Total	783	4.5%	5.1%	3.8%	4.5%	94.0%

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

Residential real estate: In the second quarter of 2021, the organic rent growth amounted to 2.2% rental from identical assets compared to the corresponding quarter of 2020. As of the date of the report the average rent is 6.64 EUR per Sqm. The average ERV in new rentals in the residential market is EUR 7.61 per square meter and is 14% higher than the average rent.

3 Balance sheet structure and financial solvency -

3.1 **Equity and NAV:** The equity attributed to the Company's shareholders amounted to approximately EUR 862.4 million and the NAV⁹ amounted to EUR 994.0 million, as of the report date.

3.2 **Debt ratios:** The LTV ratio¹⁰ is 30.53% as of the report date. The EBITDA ratio to interest expenses (from only the income producing portfolio, excluding operating income from development activity) was 4.03 in the second quarter of 2021.

¹ As of the report date.

² Data according to 100%, the corporation's share in the project, is 89.9%.

³ Total actual revenues from the sale of flats, minus total development cost of flats, including land cost.

⁴ Assets consolidated in the Company's financial statements, including assets for which binding sale agreements were signed.

⁵ Data from June 2021 on an annual basis, divided by the carrying value.

⁶ "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.

⁷ Data from June 2021 on an annual basis, divided by the carrying value.

⁸ Actual NOI plus the difference between actual rental fees and the ERV, divided by the carrying values.

⁹ EPRA NAV – for details regarding the index and the calculation manner see section 10.3 of this report.

¹⁰ Net debt to total real estate assets and inventory

3.3 **Liquidity:** Cash balances (consolidated) amounted to approximately EUR 50.3 million as of the report date.

3.4 **Financing:** The Company has bank loans with a total balance of EUR 433.2 million, at an average annual interest of 1.53% and duration of 5.41 years. The Company has bonds at a total balance of EUR 75.7 million at an average annual interest of 3.29% and duration of 2.91 years. For additional details regarding the Company's bonds see Part B, "Specific Disclosure for Bond Holders. For details regarding the loan from the controlling shareholder, see section 11.4 to this report.

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 the field of real-estate in Germany across four primary activity sectors: 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 2020 and the Company's previous reports¹¹ in connection with the Company's strategy refocus 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.

It should also be noted that following the Company's previous periodic reports the Company and its controlling shareholder, ADLER Real Estate AG (ADLER) and certain officers of the Company who serve also as officers in ADLER entered into a separation agreement under which a first refusal right is conferred upon the Company with respect to business opportunities relevant to the Company in its main areas and regions of activity. For further details, see the Company's immediate report dated April 18, 2021 (reference number (2021-01-064047) which is included herein by way of reference.

In addition, further to section 11 of the board of directors' report of the Company for 2020 in connection with the tenure of Mr. Friedrich's Munsberg, an external director of the Company, the following is noted. On November 29, 2020, Mr. Munsberg took over the office of Chairman of the board of directors (Supervisory Board) of a company which entered into a transaction, the end result of which is that the largest shareholder therein became Aggregate Holdings SA, which to the best of the Company's knowledge, is the largest shareholder in ADLER Group SA, which is the largest shareholder in ADLER, the controlling shareholder in the Company (AH transaction). Mr Munsberg has assured the Company that he has not been actively involved in the AH Transaction. Nevertheless, Mr. Munsberg has taken the personal and independent decision to cease serving as external director of the Company and on May 25, 2021, he decided to resign his position as external director in the Company. For further details, see the Company's immediate report dated May 25, 2021 (reference number: 2021-01-089685) which is included herein by way of reference.

¹¹ In the specifications of the special tender offer published by ADLER, the controlling shareholder of the Company, dated February 19, 2018, as it has 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 (reference No. 2019-01-023952), June 2, and June 30, 2019 (Reference number: 2019-01-054682 and 2019-01-055230, respectively) and the Company's report dated August 8, 2021 (Reference No.: 2021-01-128586) which are hereby included by way of reference.

It should be indicated that on May 6, 2021, Mr. Ron Hadassi was appointed as an external director of the Company. For further details, see the Company's immediate report dated May 6, 2021 (reference number: 2021-01-080856).

In view of the fact that as of the end of Mr. Munsberg's tenure in the Company, only one external director serves in the Company and also in view of disputes that were discovered with certain shareholders in the Company and their joint vote at the general meeting, the Company's board of directors addressed the Company's management so it will work with the controlling shareholder and other shareholders in view of appointing another external director to the Company's board of directors. On August 20, 2021, Mr. Daniel Moser has informed the Company that due to a transaction he has entered into in the past few weeks, in view of the provisions of sections 240 and 249C of the Companies Law, he is stepping down from the board effective immediately. For further details, see the Company's immediate report dated August 22, 2021 (reference number 2021-01-135594) which is included by way of reference.

Further to section 1.4.6 of the periodic report for 2020, the Company's board of directors examined the need to update the Company's dividend policy and the possibility of distributing dividends. In view of the provisions of section 11.2 below, the Company's board of directors will continue to examine the issue close to the approval date of the Company's annual reports for 2021.

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 below.

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

- 4.1 **Residential Income-Producing Real-Estate** - As of the report signing date, the Group owns 12,075 apartments with a total leasing area of approximately 714,000 m². For details regarding the spread of the Corona virus and its impact on the Company's operations in this sector, see section 11.3 below.
- 4.2 **Commercial Income-Producing Real-Estate** - As of the report signing date, the Group owns 7 commercial income-producing properties in the commercial segment (commercial and offices) with an overall leasing area of approximately 69,000 m², 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 further details regarding the spread of the Corona virus and its impact on the Company's operations in this sector, see section 11.3 below.

For details regarding the income-producing real estate, see section 1.6 to Chapter A of the periodic report for 2020.

- 4.3 **Residential Real Estate Under Development** - For details regarding the marketing, sales, handovers and performance of Stage E (89 units), Stage F (112 units), stage G (89 units) in the Grafental project and Stage H (96 units) in Dusseldorf, as well as for additional dedtails regarding the Company's additional projects in this sector, see Chapter A of the periodic report for 2020.

For further details regarding the marketing and performance status of the project's stages under construction, see the tables below. For details regarding the Corona virus and its impact on the Company's operations in this sector see section 11.3 below.

Project marketing					
Stage H					
		2021		2020	2019
	As of the report signing date	Q2	Q1	2020	2019
Flats (#)	96	96	96	96	58
Flats – total monetary consideration (including for parking, EUR in thousands)	58,029	58,029	58,029	58,029	33,957
Flats (square meters)	9,793	9,793	9,793	9,793	5,786
Average price per sqm (EUR) (including consideration for parking)	5,926	5,926	5,926	5,926	5,869
Reservations (reservations) as of the report signing date					
Flats (#)	-				
Flats – total monetary consideration (including for parking, EUR in thousands)	-				
Flats (square meters)	-				
Average price per sqm (EUR)	-				
Signed agreements and cumulative reservations up to the report signing date:					
Flats (#)	96				
Flats – total monetary consideration (including for parking, EUR in thousands)	58,029				
Flats (square meters)	9,793				
Average price per sqm (EUR)	5,926				
Marketing rate of the project %					
	As of the report signing date	30.6.21	31.3.21	31.3.20	31.12.19
Marketing rate on the last date of the period - signed agreements	100%	100%	100%	100%	58.5%
Marketing rate on the last date of the period - signed agreements and reservations	100%	100%	100%	100%	58.5%
Advances from tenants					
	As of the report signing date	30.6.21	31.3.21	31.3.20	31.12.19
Advances from tenants (EUR in thousands)	58,029	58,029	54,324	47,631	-
Rate of Advances from tenants (%)	100.0%	100.0%	96.5%	82.1%	-
Spaces for which agreements and reservations were not yet signed, as of the report signing date					
Flats (#)	-				
Flats – total expected monetary consideration (including parking, EUR in thousands)	-				
Flats (square meters)	-				

Average price per sqm (EUR)	-			
Total cumulative cost attributed to spaces, in respect of which binding agreements were not yet signed in the statement of financial position (consolidated) (EUR in thousands)	-			

5. Projected revenues, costs and developer's profits 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 Revenues

	Stage H
Total expected revenues	58,029
Advances from apartment purchasers, as of the report date	58,029
Total expected cost, including land (EUR in thousands)	48,856
Monetary completion rate, excluding land (%)	92.8%
Total expected developer's profit	9,173
Total developer's profit recognized in the Company's financial statements (consolidated) cumulatively, as of the report date	9,173
Expected developer's profit rate (%)	18.8%
Expected completion date	Construction completed

5.2 Costs

		Stage H				Stage I			
		Q2 2021	Q1 2021	2020	2019	Q2 2021	Q1 2021	2020	2019
Costs invested	Cumulative costs for land, at the end of the period	14,119	14,119	14,119	14,119	12,932	12,932	12,932	-
	Cumulative costs for development, taxes and fees	1,595	1,595	1,483	1,236	650	622	596	-
	Cumulative construction costs	30,655	29,648	28,792	6,747	21,068	13,845	7,596	-
	Cumulative financing costs (capitalized)	-	-	-	-	-	-	-	-
	Total cumulative cost	46,369	45,362	44,394	22,102	34,650	27,399	21,124	-

		Aachen			
		Q2 2021	Q1 2021	2020	2019
Costs invested	Cumulative costs for land, at the end of the period	2,215	2,215	2,215	-
	Cumulative costs for development, taxes and fees	1,142	1,114	1,074	-
	Cumulative construction costs	10,105	8,487	3,395	-
	Cumulative financing costs (capitalized)	-	-	-	-
	Total cumulative cost	13,462	11,816	6,684	-

			Stage H					Stage I		
		Q2 2021	Q1 2021	2020	2019	Q2 2021	Q1 2021	2020	2019	
Costs not yet invested	Costs for land not yet invested (estimate)	-	-	-	-	-	-	-	-	
	Costs for development, taxes and fees not yet invested (estimate)	686	1,819	1,932	2,178	-	18	43	-	
	Construction costs not yet invested (estimate)	1,801	2,296	3,149	23,783	26,877	32,959	39,209	-	
	Cumulative costs for financing expected to be capitalized in the future (estimate)	-	-	-	-	-	-	-	-	
	Total costs not yet invested	2,487	4,115	5,081	25,961	26,877	32,977	39,252	-	
	Completion rate (monetary) (excluding land) (%)	92.8%	88.4%	85.6%	23.5%	44.7%	30.5%	17.3%	-	
	Expected construction completion date	Construction completed	Q2 2021	Q2 2021	Second half 2021	Q4 2022	Q4 2022	Q4 2022	-	

			Aachen			
		Q2 2021	Q1 2021	2020	2019	
Costs not yet invested	Costs for land not yet invested (estimate)	-	-	-	-	
	Costs for development, taxes and fees not yet invested (estimate)	302	331	370	-	
	Construction costs not yet invested (estimate)	9,455	11,072	16,164	-	
	Cumulative costs for financing expected to be capitalized in the future (estimate)	-	-	-	-	
	Total costs not yet invested	9,757	11,403	16,535	-	
	Completion rate (monetary) (excluding land) (%)	53.5%	45.7%	21.3%	-	
	Expected construction completion date	Q1 2022	Q4 2022	Q4 2022	-	

In accordance with accounting principles (IFRS 15), the Company recognizes revenues, costs and gross profit according to sales rate and project completion rate. For further details, see Note 2u to Chapter C of the Company's annual report for 2020.

For further details regarding stages I-L of the Grafental residential project see section 1.8.3.6 in Chapter A of the annual report of the Company for 2020.

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

		Q2 2021	Q1 2021	2020	2019
Costs invested	Cumulative costs for land, at the end of the period	141,645	141,645	141,645	141,645
	Cumulative costs for development, taxes and fees	4,034	3,955	3,446	901
	Cumulative construction costs	-	-	-	-
	Cumulative financing costs (capitalized)	20,230	17,331	13,872	-
	Total cumulative cost	165,909	162,931	158,963	142,546

7. Betterment of land in Dusseldorf for development - The Company owns two land complexes in Dusseldorf, Germany, undergoing advanced procedures to change the zoning from offices/industry to residential. For details regarding the Company's progress in the land zoning change processes in Dusseldorf, see Chapter A of the periodic report for 2020.

7.1 The following is a tabular summary of expected revenue, cash flow and developer's profit expected from the land in Dusseldorf¹² real estate inventory in Dusseldorf, and inventory of buildings under construction excluding a parcel of land in the Gerresheim neighbourhood¹³:

Data according to 100%. The corporation's portion in Grafental project 84.98% (EUR in thousands)	Revenue not yet recognized	Cash flow not yet recognized	Developer's profit not yet recognized
Condo apartments for free sale in planning stages under the urban schemes of Grafental Ost and Grafenberg	255,309	113,534	34,305

The information described above in connection with the land development in Dusseldorf, inventory of lands in Dusseldorf, inventory of buildings under construction under the urban scheme of Grafenberg and the change of its zoning (including the expected dates of completion of Grafental Ost) regarding the total expected sales, the expected developer's profit and expected cash flow before taxes is forward looking information as this term is defined in the Securities Law 1968 (the Securities Law) which is not under the full control of the Company the actual materialization of which, in whole or in part, is uncertain.

¹² It should be noted that a decision has not yet been made regarding the use of the land under the change of zoning from offices to residence in Grafenberg, including the development of the land complex. The decision to develop the aforementioned land complex is subject to consummating the relevant approval procedures of an urban scheme, the market conditions that shall prevail upon completion of said scheme, the ability to obtain financing for developing the project, the availability of equity resources required to realize said development plans, meeting financial ratios, and more. The data shown in the table were calculated on the assumption that the Company will elect to develop the parcel of land, and the land complex in Grafenberg, and that the rates of the developer's profit and cash flow in future stages in Grafental shall be similar to the rates of the Grafental project that is in progress as of the report date representing the best indication held by the Company for the purpose of this forecast and the profitability rates and cash flows in Grafenberg were based in accordance with the assumptions underlying the valuation of the asset.

¹³ For details on the Company's agreement to sell 75% of its holdings in the Company holding the Gerresheim property, see section 1.1.3.2 (c) of Chapter A of the 2020 Periodic Report section 11.2 below and the Company's immediate reports dated May 15 and July 27, 2020 (reference 048417-01-2020 and 079464-01-2020, respectively) and from June 28 and July 11, 2021 (reference number: 2021-01-044587 and 2021-01-115422, respectively), which are hereby included by way of reference.

The information is based on that which is held by the Company as of the report date, regarding: 1) demand for residential spaces in Dusseldorf; 2) market prices of residential spaces in Dusseldorf, both generally and in the area of the projects (including comparable competing projects)); 3) accumulated knowledge and experience of the Company's management and project managers in the segment; 4) the Company's forecasts and estimated costs of construction, development, and marketing of projects, based on the costs of the stages that, as of the report date, are in progress; and other estimates of the Company.

It is uncertain whether the change of zoning of such real estate complexes will take place and/or be consummated, if at all, as said consummation is subject to the planning and construction procedures required under German law, the consummation of which is not controlled by the Company. In addition, in the event that approvals are received and the Company decides to establish the projects independently, leading to project execution, changes in circumstances (including - without derogating from the generality of the foregoing – decrease in demand for flats in Dusseldorf and/or a decrease in market prices of flats in Dusseldorf) or increase in construction costs (or other costs) and/or the creation of special conditions under the circumstances may significantly change the Company's estimates detailed above, which may have a material impact on the expected revenues from the projects, including their overall profitability.

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	June 30, 2021	June 30, 2020	December 31, 2020	Explanation for the change
	EUR in thousands			
Current assets				
Cash and cash equivalents	50,280	27,113	34,814	See details in the statement of cash flow as part of the Company's financial statements, attached to this report.
Balances receivable from banks	-	1,173	-	
Restricted deposits, financial assets, and other receivables	17,118	24,825	15,959	
Income receivable from the sale of apartments	553	3,869	3,405	Decrease derives from payment of apartment purchasers for sale of apartments in stage H.
Tenants and trade receivables, net	2,314	1,896	1,399	
Inventory of buildings under construction	-	23,132	2,477	Decrease derives from revenue recognition following construction completion of stage H.
Total current assets	70,265	82,008	58,054	
Assets of disposal groups held for sale	6,469	10,286	27,821	Decrease derives from the sale of commercial assets (see section 11.1).
Non-current assets:	EUR in thousands			
Investments and loans measured at equity	27,256	26,062	22,949	
Investments in financial assets, measured at fair value through profit or loss	37,863	34,405	42,588	Decrease derives from decline in fair value of financial asset
Inventory of real estate	47,722	45,712	52,550	
Investment property – real estate rights and investment property under construction	81,500	58,558	60,900	Increase derives from payments made due to construction progress of the Aachen project and Grafental project (stage I).
Investment property – income-producing assets	1,293,610	1,220,349	1,225,446	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	6,944	6,648	6,612	
Other accounts receivable, fixed assets and other financial assets	216	362	259	
Deferred taxes	355	84	187	
Total non-current assets	1,495,466	1,392,180	1,411,491	
Total assets	1,572,200	1,484,474	1,497,366	

Liabilities	June 30, 2021	June 30, 2020	December 31, 2020	Explanation for the change
	EUR in thousands			
Current liabilities				
Current maturities of loans from banking corporations	10,367	32,584	130,739	Decrease derives from refinancing transactions signed during the period.
Current maturities of debentures	10,346	10,159	10,013	
Loans for financing inventory of buildings under construction	-	16,400	-	Decrease derives from repayment of bank loans which financed the construction of Stage H
Accounts payable and other financial liabilities	36,357	36,194	20,972	
Advances from apartment purchasers	-	-	33	
Total current liabilities	57,070	95,337	161,757	
Liabilities of disposal groups held for sale	31	3,362	3,961	Decrease derives from sale of commercial assets (see section 11.1).
Non-current liabilities:	EUR in thousands			
Loans from banks	422,308	398,700	296,285	Increase derives from refinancing transactions signed during the period.
Debentures	65,043	74,035	62,967	
Leasing liabilities	-	2,990	2,990	Decrease derives from selling leasing liabilities as part of selling a subsidiary. See section 11.8.
Other financial liabilities	77	379	254	
Deferred taxes	130,226	111,824	123,722	Increase mainly derives from revaluation of investment property for which the Company makes a tax provision.
Total noncurrent liabilities	617,654	587,928	486,218	
Total liabilities	674,755	686,627	651,936	
Equity				

Equity attributable to equity holders of the company	862,380	759,028	804,729	
Non-controlling interests	35,065	38,819	40,701	Decrease derives from purchasing minority rights in Grafental project. See section 11.11.
Total equity	897,445	797,847	845,430	
Total liabilities and equity	1,572,200	1,484,474	1,497,366	

9. Activity Results:

	Three months ending June 30		Year ending December 31	Explanation for the change
	2021	2020	2020	
	EUR in thousands			
Revenues from rental of properties	14,840	15,606	61,888	The decrease in the scope of revenues and cost of revenues is due to the sale of assets during the years 2019-2021, as part of refocusing the Company's strategy as specified in section 4 above.
Revenues from property management and others	5,942	6,411	24,678	
Property management expenses	(6,092)	(6,412)	(24,855)	
Cost of maintenance of rental properties	(2,488)	(3,268)	(11,606)	
Rental and management revenues, net	12,202	12,337	50,105	
Revenues from sale of apartments	6,719	23,971	72,548	Recognition from the sale of apartments in Stage H during the period.
Cost of sale of apartments	(5,839)	(18,216)	(58,172)	
Income from the sale of apartments	880	5,755	14,376	
Other income	-	500	500	
Equity in earnings (losses) of companies accounted at equity	(1,999)	-	262	The loss is due to revaluation of a commercial property, which is held in partnership under a company accounted for at equity method.
Gain from realization of investment in a company accounted at equity	-	-	2,011	
General and administrative expenses	(2,404)	(3,437)	(13,325)	
General and administrative expenses attributed to inventory of buildings under construction and inventory of real estate	(271)	(438)	(1,772)	
selling and marketing expenses	(7)	(9)	(68)	
Increase in value of investment property, net	33,908	63,222	83,221	The profit derives mainly from revaluation of residential income generating real estate.
Operating profit	42,309	77,930	135,310	

Financing expenses excluding the effect of exchange rate differences, CPI, and currency hedging transactions, net	(2,671)	(3,537)	(15,037)	Decrease derives from decline in the Company's leverage
Effect of exchange rate differences, CPI, and currency hedging transactions, net	(1,660)	(227)	3,728	
Change in fair value of financial instruments, loans and others (including early repayment costs of loans)	(4,469)	3,337	1,286	
Income before taxes on income	33,509	77,503	125,287	
Taxes on income	(6,704)	(17,496)	(27,594)	
Net comprehensive income for the period	26,805	60,007	97,693	
Net and comprehensive income (loss) attributed to:				
Company shareholders	27,967	57,600	92,695	
Non-controlling interests	(1,162)	2,407	4,998	

10. Financing sources, liquidity and Cash flows:

	Three months ending June 30		Year ending December 31	Explanation for the change
	2021	2020	2020	
	EUR in thousands			
Cash flows provided by operating activities	8,947	20,680	51,826	See statement of cash flows
Cash flows provided by investing activities	(7,040)	26,493	94,377	See statement of cash flows
Cash flows provided by financing activities (Cash flows used in financing activities)	5,627	(59,586)	(155,798)	See statement of cash flows

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 raised by the Company.
- 10.1.2** 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 2020 periodic report and section 11.12 below in connection with selling the Company's commercial asset after the report date.
- 10.1.3** For further details regarding the refinancing of the Company's loans, see section 1.12 of Chapter A to the 2020 periodic report and sections 11.7 and 11.10 below.
- 10.1.4** For further details regarding the Company's compliance with financial covenants and liabilities, see section 1.12 of Chapter A to the 2020 periodic report.
- 10.1.5** For details regarding the agreement for selling the land in Gerresheim see section 11.2 below.

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 recently entered into contracts. For further details regarding the Company's estimates and the effect of the Corona crisis on the Company's operations see section 11.3 below.

The Company evaluates its accessibility to financing sources as very high, in light of its financial strength, the stability of its core activity, and the good relationships it has created with the banks financing real-estate projects in Germany, as well as excellent accessibility to the capital market in Israel, the Company's high debt rating and the decrease in the Company's leverage level while taking into account the possible implications of the continued spread of the Corona virus on the availability of credit sources in Israel and throughout the world.

For further details regarding the financing sources of the group see section 1.12 of Chapter A to this periodic report of 2020 and Note 11 to the consolidated financial statements of the group for 2020.

The Company's estimates regarding the consequences of the corona crisis and its ability to cope with the economic consequences of the corona crisis 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, 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, the considerable decline in the Company's leverage level in the last year 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 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 were, among other things, as per the estimate of the Company's Board of Directors the fact that the Company, if required, has high access to additional sources of financing, including the ability to increase credit lines and use the unutilized credit lines and borrowings, raise capital (while paying attention to the Company's high access to capital markets) issuance of debentures (including in the Israeli market), refinancing options under favorable terms, proceeds received in the second quarter in connection with the sale of assets, forecast to receive proceeds from uncompleted transactions for selling assets, the option of selling assets (including as part of the Company's actions to sell a certain portion of the Company's assets and businesses within the refocusing of the Company's strategy in accordance with section 4 above), meeting its financial covenants and obligations, collateral release and more, as well as decrease in the Company's leverage level allowing financial flexibility. In addition, the Company holds shares of a publicly-traded company incorporated in Germany which in the reported period and after its shares were purchased by the Company, its control was acquired by indirect controlling shareholder whose shares are traded on the Regulated Unofficial Frankfurt Stock Exchange, which is one of the leaders in German residential real estate development market, the value of which on the report date is EUR 31.4 million, which the Company estimates that such shares can be sold or otherwise utilized as the Company may be required subject to approvals that may be required under the law.

After considering all of the above matters, the Company's Board of Directors has determined that, while taking into account the various financing options outlined above and the refocusing actions of the Company's businesses and agreements as specified in section 4, and in view of the projected cash flows from the Company's commitments in asset sale agreements as described in section 1.1.3 of Chapter A to the 2020 period report, the existence of warning signs do not indicate a liquidity problem in the corporation.

The Company's estimates are forward-looking information, as this term is defined in the Securities Law, based on the Company's estimates. The factors that may have an effect that such estimates may not materialize, in whole or in part, or materialize other than anticipated, are numerous and include, among others, changes in the relevant markets, declines in capital markets due to the Corona crisis, deterioration or continuation of the economic crisis following the outbreak of the virus and the materialization of any of the risk factors stated in this report and the annual report of the Company.

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 in the periodic report for 2020), 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 operational 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 June 30, 2021	Three months ending June 30, 2020	Year ending December 31, 2020
Net profit attributed to the Company's shareholders	27,967	57,600	92,695
Adjustments for net profit (loss)			
a. Adjustments for revaluations			
Decrease (increase) in value of investment property and adjustments of liability value relating to investment property	(35,195)	(61,115)	(82,153)
Equity in losses (earnings) of companies accounted at equity	1,999	-	(262)
Revaluation of loans and interest swap transactions at fair value	5,002	(4,025)	(1,117)
b. Adjustments for non-cash items			
Effects of indexing, and non-cash exchange rate differences and hedging transactions	1,854	649	(1,032)
Deferred tax expenses and taxes for prior years	5,829	16,519	27,751
c. one-off items / new activities / discontinued activities / other			
Professional services, one-off adjustments and others	(852)	1,607	548
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	275	54	1,072
Adjustments for sale of apartments	(797)	(4,890)	(12,217)
Total of adjustments to net profit	(21,885)	(51,201)	(67,410)
F.F.O	6,082	6,399	25,285

As mentioned above, in the three months ended June 30, 2021, FFO totalled EUR 6.1 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 24.4 million.

It is worth noting that the continued decline in FFO level is entirely due to the sale of assets from the Company's commercial real estate portfolio in accordance with refocusing the Company's strategy to the residential development and income producing sector which contributed among others to the considerable decline in the Company's leverage.

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 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. The EPRA NAV reflects the net asset value of the Company, assuming that the assets are held for the long term and therefore certain adjustments are required, such as neutralizing deferred taxes deriving from revaluation of investment property, and neutralizing the fair value of derivative financial instruments.

The Company believes that the EPRA NAV index more accurately reflects the net asset value of the Company and its publication will allow a comparison with other real estate companies in Israel and Europe.

The Company clarifies that the EPRA NAV index data does not represent a valuation, nor does it represent a substitute of 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 EPRA NAV index of the Company:

	June 30, 2021	June 30, 2020	December 31, 2020
Equity attributed to the Company's shareholders	862.4	759.0	804.7
Plus deferred taxes for EPRA adjustments (net of non-controlling interests)	131.2	109.3	109.9
Net of the fair value of derivative financial instruments, net	0.4	0.7	0.6
Plus profits that were not yet recognized in regards to apartments that were sold and are under construction	-	4.5	0.2
EPRA NAV –Net Asset Value	994.0	873.5	915.4

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

11.1 Entering into a transaction for selling an additional part of the Company's commercial real estate assets:

Further to Section 1.1.3.1 (b) of Chapter A to the 2020 periodic report the completion of the sale of the remaining asset included in the transaction was completed on June 30, 2021.

11.2 Entering into transaction for selling a parcel of land in Gerresheim -

For details regarding the agreement for selling 75% of the Company's holdings in the sub-partnership, which owns the Gerresheim project, see Section 1.1.3.2 of Chapter A of the periodic report for 2020.

- During the period of the report, the Company learned that the delay of the zoning plan approvals in connection with the project (and that are required, *inter-alia*, in connection with the payment of the second installment of the Gerresheim Transaction, as detailed under the Company's immediate reports dated May 15, 2020, July 27, 2020, June 28, 2021 and July 11, 2021 (reference numbers: 2020-01-048417, 2020-01-079464, 2021-01-044587 and 2021-01-115422, respectively)) and the annual report for 2020 and quarterly report for Q1 2020, is due to objections of the Deutsche Bahn AG.

In the view of the Company, such objections are relatively common in the process of building a project in the size and scope of Gerresheim. The Company has been holding ongoing discussions with the Düsseldorf Municipality which is continuing to be supportive of the project and has expressed its interest in advancing the receipt of the required zoning approvals. Nevertheless, on August 25, 2021, the Company's Board learned that despite the progress in contacts between the Company and the Düsseldorf municipality, due to the prolongation of the negotiation between the Düsseldorf municipality and the German railway company, a further delay would occur in connection with the zoning plan. To the Board's estimation, and based on the information provided to it by the authorities in Germany, the approval is expected to be received during the first half of 2022. In order to prevent further delays due to the DB objections, the Company is holding discussions with the Düsseldorf municipality on a possibility of dividing the zoning plan.

- Intention to cancel the transaction

Following the above regarding the significant delays in obtaining the zoning plan approvals (and the delay caused by it in the payment of the second installment of the Gerresheim Transaction and its effect on the profitability of the transaction from the Company's point of view), the Company has decided to prepare for the cancellation of the Transaction.

The Company's intention to prepare for the cancellation of the Transaction, derives, among others, from the Company's estimations that the delays in the approvals (that grants the Buyer to right to rescind the Transaction¹⁴) and as a result the beginning of the construction on a later date than planned, shall make it harder for the Buyer to finance the transaction. In this context, it should be mentioned that during June 2021, the Company granted the project with a bridge loan in an amount of approx. EUR 3.8 million, in the place of the Buyer. In addition, the Company's decision derives from the improvement in its financial profile (low leverage rate), and the focus of its business in the field of residential real estate, including development real estate.

The Company informed the Buyer that it desires to prepare for the cancellation of the Transaction and the Buyer clarified that in light of the delays in the zoning plan approvals out of the authorities and the project in general, it does not intend to object.

The completion of the cancellation of the Transaction is subject, among others, to the receipt of different approvals, including regulatory approvals, approval of the financing entities, tax authorities, etc.

The above with respect to the Company's examination of the Transaction including the possibility to rescind the Transaction is not supposed to have material impact on the Company's financial report, inter-alia, since the Company has yet to recognize any profit for the Transaction in its financial statements.

¹⁴ See in this context Section 1.2 of the Company's immediate report dated July 27, 2020 (Reference No. 2020-01-079464).

The Company's estimates in connection with the transaction, including in connection with the date of obtaining the required zoning plan and the cancellation of the Transaction, constitute Forward-Looking Information, as such term is defined under the Securities Law, 1968. These estimates may not be realized or may materialize differently from the Company's expectations, inter alia due to non-receipt of the consent of third parties as required.

11.3 Outbreak of the Corona virus

Following the outbreak of the Corona Virus (COVID-19) in China in December 2019, and spreading to many other countries in 2020, there has been a decline in economic activity in many regions of the world and in Israel and Germany as well. The spread of the virus, among other things, has disrupted the supply chain, a decrease in the volume of global transport, traffic and employment restrictions imposed by the Israeli government and many governments worldwide, as well as declines in the value of financial assets and commodities in markets in Israel and around the world. In addition, in accordance with the directives of the governments of Germany, the Netherlands and Israel, the activity of businesses was banned or restricted, presence of manpower in workplaces was significantly restricted, education systems were shut down and restrictions were imposed on leaving homes. In the last quarter of 2020 and the first half of 2021, the spread of the virus has deteriorated in Germany and the German government imposed new restrictions in order to stop the spread of the virus. Also, during the first half of 2021, a vaccination campaign began in Israel and Europe. At the same time, at the end of the second quarter of 2021, signs of an outbreak of the Indian variant "Delta" of the corona disease were observed and governments around the world began to examine the need to impose new restrictions. At this stage it is not possible to assess the success of the vaccination campaign and/or the continued spread of the virus, including the efficacy of vaccines against virus mutations (including the "Delta" variant), which began to spread worldwide and in Israel and whether the crisis is nearing completion in the upcoming quarters or may take longer.

The Company's risks and exposures

The activity of the Company since the beginning of the crisis until today continues regularly subject to the restrictions and guidelines of the relevant governments in countries in which the Company operates.

It should be indicated that the Corona crisis and the related economic crisis may create an exposure for the Company mainly in the income producing real estate sector, both in view of the impact of the Corona crisis on daily business activity in Germany and the ability of businesses to continue their operations and pay rental fees for commercial assets and (to a lesser extent) for residential assets in view of harm to income of private tenants, including their ability to meet their obligations to the Company and pay rental and/or the Company's ability to find tenants for vacant spaces. In addition, the Company has an exposure also in the real estate development sector since the impact of the economic crisis on global economy and on Germany in particular, may have an effect on the rate of obtaining building permits and the demand for apartments and cause a decrease in the value of the apartments for sale and/or decrease in the sales rate of apartments (although as of the report date, the Company is not aware of indications of changes in selling prices of apartments and/or change in construction costs).

With respect to the effects on the Company's operations during 2020, see section 1.5.6 of Chapter A of the periodic report for 2020.

Specific effects of the Corona virus on the Company's operating results

The Company's revenues were not significantly harmed, among other things, in view of actions taken by the Company that focused its activities on residential properties, which reduced the Company's exposure to commercial tenants as well as the German government's assistance to commercial tenants.

- In 2020, the financial situation of various tenants in the commercial real estate sector was harmed which continued in the reported period and led to difficulties in paying rent and management fees, delaying in lease agreements renewal and finding tenants for vacant spaces such that as of June 30, 2021, trade receivables' balance of approximately EUR 0.7 million which constitutes approximately 11% of the Company's annual revenues in the commercial real estate sector has not yet been received due to deferral of payments and/or cancellation due to the Corona crisis. It should be indicated that due to Company's reduced exposure to the commercial real estate sector this decrease in collection rate had no material effect on the Company's cash flows.

In the residential income producing sector the change in occupancy rate as of June 30, 2021 and the financial statements' approval date, was insignificant in relation to the average occupancy rate in 2019 and 2020 as well as a change in the rate of cancellations and delays in collection is negligible.

- In accordance with valuations as of June 30, 2021, conducted by external appraisers and sales agreements signed after the report date, the Company recorded a decrease in value of approximately EUR 5.8 million in respect of impairment of real estate in the income generating commercial sector.
- The crisis did not have a negative effect on the Company's residential assets. In 2020, there was a decrease in discount rates used to measure the fair value of some of the Company's investment properties in the residential real estate sector and this trend continued in the reporting period. In the reporting period discount rates have decreased at a rate of 0.28% due to changes in market conditions during the period, based on valuations as of June 30, 2021 conducted by external appraisers. As a result, there was an increase in the fair value of residential assets and a gain from a change in the fair value of approximately EUR 79.2 million was recognized.
- With regard to the development sector, as of June 30, 2021 and as of the date of the report, the Company is not aware of any indications of a change in selling prices of apartments and/or a change in construction costs.
- In accordance with the above, until the approval date of the financial statements, the impact of the crisis on the Company's cash flow was insignificant, in part due to the reduced exposure to commercial real estate and proceeds received from property realization and considering changes in tenants' collection rates and slowdown in apartment sales in development projects.

- The Company estimates that if the spread of the Corona virus and its effects will worsen over time, this could have significant adverse effects on the global economy and, as a result, on the markets in which the Company operates and on its areas of activity and operating results. Nevertheless, the Company estimates that the recent measures taken to reduce the Company's leverage rate, focusing its activity on the residential sector and in view of the Company's geographical and sectoral distribution, ranking, location and occupancy levels of the Company's assets, the exposure level of the Company's business to the Corona crisis and/or significant instability is decreasing and it has the means allowing it to cope properly with the economic crisis.

For further details on the impact of the Corona crisis on the Company's operations see Note 5(4) of the financial statements of the Company attached to this report.

The Company's estimates in relation to the consequences of the corona crisis and the effects of the measures taken by the Company to reduce the Company's leverage and which will allow it to adequately cope with the economic crisis constitute forward-looking information as defined in the Securities Law. These estimates may not materialize or materialize other than the Company's estimates, inter alia, due to circumstances beyond the Company's control, including changes in virus infection trends, situation of global capital markets, deterioration or continuation of the economic crisis following the virus outbreak and German government assistance to individuals and companies that were affected by the virus.

- 11.4 **Receipt of a loan from the controlling shareholder** - On May 9, 2019, the Audit Committee and the Company's Board of Directors approved the receipt of a credit facility in the amount of EUR 100 million from ADLER, the controlling shareholder of the Company from which EUR 44.2 million were drawn down. During January and March 2020, the Company repaid the entire debt to the controlling shareholder, so that as of the date of the report, there is no debt balance to the controlling shareholder. For further details regarding the manner of approving the transaction, see the Company's immediate reports from July 14, 2019 and May 11, 2019 (reference number: 2019-01-060426 and 2019-01-0040008, respectively), and Regulation 22 of additional details chapter, attached as Chapter D to the Periodic Report 2019, which are hereby included by way of reference. It should be indicated that the credit facility was ended on May 9, 2021 and as of the report date the Company does not believe it is necessary to renew such facility.
- 11.5 On November 5, 2020, the Company entered into agreement for selling an additional asset of the Company's commercial income generating portfolio, totalling approximately € 11 million. The sale of the asset was completed on January 29, 2021.
- 11.6 On December 30, 2020, the Company entered into agreement for selling an additional asset of the Company's commercial income generating portfolio, totalling approximately € 6.4 million. The sale of the asset is expected to be completed in 2021.
- 11.7 During January 2021, the Company, through its sub- subsidiaries, entered into a refinancing agreement with a German bank for a loan of approximately EUR 100.5 million. The loan bears an average annual interest rate of approximately 1.41% with a repayment date in June, 2023. The refinancing was accounted for as immaterial change in the debt's terms. The change had no material effect on profit or loss.
- 11.8 On February 26, 2021, the Company sold a subsidiary that holds an asset from the income generating commercial portfolio of the Company for EUR 9 million. The consideration balance from the sale was used for repayment of the shareholders' loan granted to the subsidiary.

- 11.9 On February 12 and April 14, 2021, the Audit Committee and the Company's Board of Directors, respectively, approved the Company's separation agreement between the Company and its controlling shareholder and certain officers in the Company who also serve as officers in ADLER ("Separation agreement") which confers upon the Company, among others, first right of refusal in relation to business opportunities relevant to the Company in its field and areas of activity. For further details, see the Company's immediate report from April 18, 2021 (reference number 2021-01-064047) which is included herein by way of reference.
- 11.10 During May 2021, the Company, through a sub- subsidiary, took a loan from a German banking corporation of approximately EUR 22.6 million. The loan taken on or about the repayment completion date of a loan from the same banking corporation bears an average annual interest rate of approximately 1.25% payable quarterly. Loan principal is payable in 19 equal quarterly payments of EUR 56.5 thousand and the principal's balance will be paid in May 2026.
- 11.11 On June 30, 2021, the Company and another company that holds a negligible rate for regulatory needs in the asset companies of the controlling shareholder of the Company (the "Additional Buyer") signed an agreement to acquire investor rights in a subsidiary holding the various stages of the Grafental project for a total of about 18 EUR million, when the Company acquired 5.8% of the rights for EUR 6.6 million and the additional buyer, who received a loan of about EUR 11.4 million from the Company, purchased the remaining 10.1% of the rights for EUR 11.4 million. The total consideration was paid to the investors on July 1, 2021.
- 11.12 On August 5, 2021, the Company entered into a transaction for the sale of another property from the Company's income generating commercial real estate portfolio for a total of approximately EUR 16.5 million. The sale of the property is expected to be completed at the end of 2021. For further details, see the Company's immediate report dated August 8, 2021 (Reference No.: 2021-01-128586), which is hereby included by way of reference.
- The Company's assessments in connection with the transaction, including in connection with the completion date of the transaction, constitute forward-looking information, as defined in the Securities Law. These assessments may not be realized or will be realized differently than the Company's assessments, inter alia, due to the non-acceptance of the consent of third parties as required for the purpose of completing the transaction.**
- 11.13 For further details regarding significant events in the Company, see Note 5 to the Company's financial statements attached to this report.

Part B - Disclosure on material and very material valuations and material appraisers

The valuation of a very material investment property (Leipzig Residential Portfolio) is attached to this periodic report as a very material valuation. The valuations of "material" investment property¹⁵ are not attached to the quarterly report as they are "material" ¹⁶but not "very material"¹⁷. Below is the summary of the data regarding these valuations.

¹⁵ as defined in the reports' regulations.

¹⁶ as defined in the reports' regulations.

¹⁷ as defined in the reports' regulations.

identification of the valuation subject	Valuation timing (validation date)	The value of the valuation subject before the valuation date (assuming the accepted accounting principles, including depreciation and amortizations would not have required the change of its value according to the valuation) (EUR in thousands)	Value of the valuation subject as determined according to its value (Euro in thousands)	Identification of the appraiser and its characteristics including education, experience in performing valuations for accounting purposes in reporting corporations in scopes similar to the reported valuation or exceeding these scopes and the dependency upon the party who ordered the valuation including reference to indemnification agreements with the appraiser	The valuation model used by the appraiser	The assumptions under which the appraiser performed the valuation according to the valuation model				
						Capitalization rate – Exit Cap rate	long term inflation rate	Terminal rate	Prices used as a basis for comparison	Number of comparison bases.
Leipzig Residential portfolio	Signing – August 25, 2021 Effective date – June 30, 2021	277,920	288,310	CBRE Michael Schlatterer (MRICS, RICS Registered valuer) Independent appraisers with experience in appraising assets of similar scale. No indemnification agreement, except indemnification with respect to liabilities arising from incorrect or inaccurate information provided by the Company.	DCF	2.96%	1.50%-2.00%	366,037	Comparative transactions, which include a price per square meter, for properties with similar characteristics	CBRE database regarding signed lease agreements for approximately 943 apartments in Leipzig
Bremen Residential portfolio	Signing – August 25, 2021 Effective date – June 30, 2020	79,170	82,080	CBRE Michael Schlatterer (MRICS, RICS Registered valuer) Independent appraisers with experience in appraising assets of similar scale. No indemnification agreement, except indemnification with respect to liabilities arising from incorrect or inaccurate information provided by the Company.	DCF	3.99%	1.50%-2.00%	103,782	Comparative transactions, which include a price per square meter, for properties with similar characteristics	CBRE database regarding signed lease agreements for approximately 94 apartments in Bremen

Kiel Residential portfolio	Signing – August 25, 2021 Effective date – June 30, 2020	84,000	86,640	<p>CBRE</p> <p>Michael Schlatterer (MRICS, RICS Registered valuer)</p> <p>Independent appraisers with experience in appraising assets of similar scale. No indemnification agreement, except indemnification with respect to liabilities arising from incorrect or inaccurate information provided by the Company.</p>	DCF	3.60%	-1.50% 2.00%	113,489	Comparative transactions, which include a price per square meter, for properties with similar characteristics	CBRE database regarding signed lease agreements for approximately 78 apartments in Kiel

12.2 Additional information regarding an appraiser and the underlying assumptions of the valuation model

On June 23, 2020, the Company's Board of Directors decided to enter into agreement with the appraiser CBRE instead of the appraiser Savills and the valuations detailed above were conducted by CBRE as of June 30, 2021. The decision to enter into agreement with CBRE in lieu of Savills is mainly due to the level of expertise of CBRE which is the largest and leading company in the German market in the field of real estate services.

The rate of assets being valued by CBRE constitutes 82.06% of the total assets in the company's balance sheet, and the identity of the organ in the corporation that decided on such agreement is the Company's board of directors. CBRE are not dependent on the Company. For further details, see the Leipzig's valuation attached to this report.

During the reporting period there was a decrease in the discount rates used to measure the fair value of some of the Company's investment properties in the residential segment at a rate of approximately 0.28% due to changes in market conditions during the period and among other things, the residential sector in Germany positioned itself during the Corona crisis as a stable and attractive investment following subsidies and assistance provided by the German government to protect tenants. As a result, the fair value of the residential assets has increased and a profit from change of fair value of EUR 79.2 million was recognized. Also, another reason for the increase in the fair value of residential real estate properties is an increase in real estate rental prices in Germany which continued to rise during the first half of 2021, despite the Corona crisis. The main reason is due to the fact that the residential real estate sector in Germany has positioned itself during the Corona crisis as a stable and attractive investment as described above, thus many new investors, who previously invested in different sectors, started investing in this sector, contributing to increase market prices.

During the reporting period, there was a decrease in the fair value of the Company's income generating commercial real estate assets. In accordance with the valuations as of June 30, 2021 conducted by CBRE, the Company recorded an impairment of approximately EUR 5.8 million due to the decrease in value of real estate assets in the income generating commercial real estate sector.

Part C – Specific Disclosure for Bond Holders

13. 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	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)	240,000	160,180
Par value as at 30.06.2021 (thousands NIS)	144,000	143,835
Linked par value as at 30.06.2021 (thousands NIS)	147,736	145,551
Sum of cumulative interest plus linkage differentials (thousands NIS) as at 30.06.2021	-	2,136
Value in financial statements as at 30.06.2021 including interest payable (thousands NIS)	147,187	147,068

Value at the stock exchange as at 30.06.2021 (thousands NIS)	161,122	171,595
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 ¹⁸	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	Payable in 12 unequal annual instalments on July 20 of each year 2015 to 2026

¹⁸ 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").

	that each of the first seven instalments 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 on December 31, 2013.	(inclusive), as such that each 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 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

14. Rating:

On March 25, 2021, Maalot S&P announced the ratification of the rating (ilAA- / stable). For the updated rating report see the Company's immediate report dated March 25, 2021 (reference no: 046446- 01-2021) which is included herein by way of reference.

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 trust¹⁹, 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 and July 3, 2017) 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%²⁰:

The Company's equity, which is attributed to the majority shareholders at the Report Period, namely, as of June 30, 2021, is EUR 862.4 million.

The financial debt, net, according to solo reports of the Company, as of the same date, is EUR 53.3 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 June 30, 2021, is approximately 1,618.90%.

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 June 30, 2021: 640,027.

The total issued share capital of BGP as of June 30, 2021 and the signing date of the report: 1,978,261.

The rate of charged shares out of the issued capital share of BGP as of June 30, 2021: 32.4%.

¹⁹ 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).

²⁰ The requirement to meet this ratio is relevant only to the bondholders of Series A and B.

BGP's equity, attributed to its shareholders, as appears in the Company's financial statements as of June 30, 2021: EUR 884,554 thousand.

The EUR/NIS representative exchange rate known, published by the Bank of Israel, as of the signing date of the report: NIS 3.7913.

The value of the charged shares: NIS 1,084,994 thousand.

Net debt: NIS 147,736 thousand.

Accordingly, the ratio between the charged shares' value to net debt, as of the end of the Report Period, is approximately 734%, 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 June 30, 2021: 394,430.

The total issued share capital of BGP as of June 30, 2021 and the signing date of the report: 1,978,261

The rate of charged shares out of the issued capital share of BGP as of June 30, 2021: 19.9%.

BGP's equity, attributed to its shareholders, as appears in the Company's financial statements as of June 30, 2021: EUR 884,554 thousand.

The EUR/NIS representative exchange rate known, published by the Bank of Israel, as of the signing date of the report: NIS 3.7913.

The value of the charged shares: NIS 668,650 thousand.

Net debt: NIS 147,688 thousand.

Accordingly, the ratio between the charged shares' value to net debt, as at the end of the Report Period, is approximately 453%, 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 862.4 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 862.4 million and the debt ratio to CAP is 33.72% (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	75,389
Financial liabilities of the subsidiaries	432,675
Net of cash, cash equivalents and deposits	(51,435)
Net financial debt – consolidated	456,629
CAP ²¹	
Equity including non-controlling interests	897,445
Net financial debt, consolidated	456,629
CAP	1,354,074

Therefore, **this ratio is 33.72%** whereas according to the deeds of trust such a ratio should be lower than 75% for Series B and C.

²¹ 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 2020 attached as Chapter B to the periodic report of the Company for 2020 (reference number 026034-01-2021) which included herein by way of reference (2020 periodic report).

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 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 June 30, 2021, 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 June 30, 2021 (EUR in thousands)	The Company Consolidated	Assets/liabilities In the pledged investee company	Assets/liabilities In unpledged companies
Total assets	1,572,200	1,518,596	53,604
Current assets and held for sale	76,734	54,499	22,235 *
Noncurrent assets	1,495,466	1,464,097	31,369
Total liabilities	674,755	598,977	75,778
Current liabilities and held for sale	57,101	46,366	10,735 **
Noncurrent liabilities	617,654	552,611	65,043 ***
Non- controlling interests	35,065	35,065	-
Total equity attributed to shareholders	862,380	884,554	(22,174)
Rate of assets out of the total assets in the balance sheet	100%	97%	3%
Rate of liabilities out of the total liabilities in the balance sheet	100%	89%	11%
Rate of equity out of the total equity in the balance sheet	100%	103%	(3%)

* 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	_____

August 25, 2021

BRACK CAPITAL PROPERTIES NV
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2021

UNAUDITED

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IN THOUSANDS OF EUROS

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Auditor Review Report to the Shareholders of Brack Capital Properties NV**Introduction**

We have reviewed the accompanying financial information of Brack Capital Properties NV and its subsidiaries (hereinafter – the Group), which includes the interim condensed consolidated statements of financial position as of June 30, 2021 and the interim condensed statements of profit or loss and other comprehensive income, changes of equity and cash flows for the six- and three-month periods then ended. 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.

Scope of the Review

We conducted our review in accordance with Review Standard (Israel) 2410 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.

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Amit, Halfon is a member firm of the PKF International Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms

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.

August 25, 2021

Amit, Halfon, CPAs

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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30,		December 31,
	2021	2020	2020
	Unaudited		Audited
	€ in thousands		
<u>Current Assets</u>			
Cash and cash equivalents	50,280	27,113	34,814
Balances receivable from banks	-	1,173	-
Restricted deposits, financial assets and other receivables	17,118	24,825	15,959
Income receivable and other receivables from the sale of apartments	553	3,869	3,405
Tenants and trade receivables, net	2,314	1,896	1,399
Inventory of buildings under construction	-	23,132	2,477
	<u>70,265</u>	<u>82,008</u>	<u>58,054</u>
<u>Assets of disposal groups held for sale</u>	<u>6,469</u>	<u>10,286</u>	<u>27,821</u>
<u>Non-Current Assets</u>			
Investments and loans in companies accounted at equity	27,256	26,062	22,949
Investment in financial assets measured at fair value through profit or loss	37,863	34,405	42,588
Inventory of real estate	47,722	45,712	52,550
Investment property – real estate rights and investment property under construction	81,500	58,558	60,900
Investment property – income generating assets	1,293,610	1,220,349	1,225,446
Restricted deposits for investments in assets	6,944	6,648	6,612
Other accounts receivable, fixed assets and other financial assets	216	362	259
Deferred taxes	355	84	187
	<u>1,495,466</u>	<u>1,392,180</u>	<u>1,411,491</u>
	<u>1,572,200</u>	<u>1,484,474</u>	<u>1,497,366</u>

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<u>June 30,</u>		<u>December 31,</u>
	<u>2021</u>	<u>2020</u>	<u>2020</u>
	<u>Unaudited</u>		<u>Audited</u>
	<u>€ in thousands</u>		
<u>Current Liabilities</u>			
Current maturities of loans from banks	10,367	32,584	130,739
Current maturities of debentures	10,346	10,159	10,013
Loans for financing inventory of buildings under construction	-	16,400	-
Accounts payable and other financial liabilities	36,357	36,194	20,972
Advances from apartment purchasers	-	-	33
	<u>57,070</u>	<u>95,337</u>	<u>161,757</u>
<u>Liabilities of disposal groups held for sale</u>	<u>31</u>	<u>3,362</u>	<u>3,961</u>
<u>Non-Current Liabilities</u>			
Loans from banks	422,308	398,700	296,285
Debentures	65,043	74,035	62,967
Leasing liabilities	-	2,990	2,990
Other financial liabilities	77	379	254
Deferred taxes	130,226	111,824	123,722
	<u>617,654</u>	<u>587,928</u>	<u>486,218</u>
<u>Total liabilities</u>	<u>674,755</u>	<u>686,627</u>	<u>651,936</u>
<u>Equity Attributable to Company Shareholders</u>			
Share capital	77	77	77
Premium on shares	144,237	144,237	144,237
Treasury shares	(746)	(746)	(746)
Other capital reserves	(531)	584	584
Statutory capital reserve	497,944	413,496	438,591
Retained earnings	221,399	201,380	221,986
Total equity attributable to Company shareholders	<u>862,380</u>	<u>759,028</u>	<u>804,729</u>
<u>Non-controlling interests</u>	<u>35,065</u>	<u>38,819</u>	<u>40,701</u>
<u>Total equity</u>	<u>897,445</u>	<u>797,847</u>	<u>845,430</u>
	<u>1,572,200</u>	<u>1,484,474</u>	<u>1,497,366</u>

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

August 25, 2021			
Date of approval of the financial statements	Patrick Burke Chairman of the Board of Directors	Thierry Beaudemoulin CEO	Eran Edelman CFO

BRACK CAPITAL PROPERTIES NV

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended June 30,		Three months ended June 30		Year ended December 31
	2021	2020	2021	2020	2020
	Unaudited				Audited
	€ in thousands (except for net earnings per share data)				
Revenues from rental of properties	29,893	31,503	14,840	15,606	61,888
Revenues from property management and others	11,973	12,599	5,942	6,411	24,678
Property management expenses	(11,925)	(12,566)	(6,092)	(6,412)	(24,855)
Cost of maintenance of rental properties	(5,087)	(6,278)	(2,488)	(3,268)	(11,606)
Rental and management revenues, net	<u>24,854</u>	<u>25,258</u>	<u>12,202</u>	<u>12,337</u>	<u>50,105</u>
Revenues from sale of apartments	8,301	36,307	6,719	23,971	72,548
Cost of sale of apartments	(7,304)	(27,670)	(5,839)	(18,216)	(58,172)
Gain from sale of apartments	997	8,637	880	5,755	14,376
Other income	-	500	-	500	500
Equity in earnings (losses) of companies accounted at equity method of accounting	(1,999)	-	(1,999)	-	262
Gain from realization of investment in a company accounted at equity	-	-	-	-	2,011
Administrative and general expenses	(5,718)	(6,734)	(2,404)	(3,437)	(13,325)
Administrative and general expenses attributed to inventory of apartments under construction and real estate inventory	(871)	(1,143)	(271)	(438)	(1,772)
Selling and marketing expenses	(22)	(44)	(7)	(9)	(68)
Operating profit before change in value of investment property, net	17,241	26,474	8,401	14,708	52,089
Increase (decrease) in value of investment property, net	67,577	52,287	33,908	63,222	83,221
Operating income	84,818	78,761	42,309	77,930	135,310
Financial expenses excluding the effect of exchange differences and currency hedging transactions	(5,384)	(9,078)	(2,671)	(3,537)	(15,037)
Effect of exchange differences, CPI and currency hedging transactions, net	(2,305)	2,326	(1,660)	(227)	3,728
Change in fair value of financial instruments loans and others (including early repayment costs of loans)	(4,500)	(7,908)	(4,469)	3,337	1,286
Income before taxes on income	72,629	64,101	33,509	77,503	125,287
Taxes on income	(14,043)	(13,991)	(6,704)	(17,496)	(27,594)
Total net and comprehensive income for the period	<u>58,586</u>	<u>50,110</u>	<u>26,805</u>	<u>60,007</u>	<u>97,693</u>
Net income (loss) and comprehensive income attributable to:					
Company shareholders	58,766	46,994	27,967	57,600	92,695
Non-controlling interests	(180)	3,116	(1,162)	2,407	4,998
	<u>58,586</u>	<u>50,110</u>	<u>26,805</u>	<u>60,007</u>	<u>97,693</u>
Net earnings per share attributable to the Company's shareholders (in Euro) - Basic and diluted	<u>7.60</u>	<u>6.08</u>	<u>3.62</u>	<u>7.45</u>	<u>11.99</u>

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						Non-Controlling Interests	Total Equity	
	Share Capital	Premium on Shares	Treasury Shares	Other capital reserves	Statutory Capital Reserve	Retained Earnings			Total
	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 (loss)	-	-	-	-	-	58,766	58,766	(180)	58,586
Classification as per provisions of Dutch law	-	-	-	-	59,353	(59,353)	-	-	-
Purchase of non-controlling interests (*)	-	-	-	(1,115)	-	-	(1,115)	(5,456)	(6,571)
Balance as of June 30, 2021 (Unaudited)	<u>77</u>	<u>144,237</u>	<u>(746)</u>	<u>(531)</u>	<u>497,944</u>	<u>221,399</u>	<u>862,380</u>	<u>35,065</u>	<u>897,445</u>

(*) As to the purchase of non-controlling interests see Note 5(10) below

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity Attributable to Company Shareholders						Non-Controlling Interests	Total Equity	
	Share Capital	Premium on Shares	Treasury Shares	Other capital reserves	Statutory Capital Reserve	Retained Earnings			Total
	Unaudited								
	€ in thousands								
Balance as of January 1, 2020 (audited)	77	144,237	(746)	584	359,944	207,938	712,034	41,403	753,437
Total net and comprehensive income	-	-	-	-	-	46,994	46,994	3,116	50,110
Classification as per provisions of Dutch law	-	-	-	-	53,552	(53,552)	-	-	-
Distribution and payment to non-controlling interests (**)	-	-	-	-	-	-	-	(5,700)	(5,700)
Balance as of June 30, 2020 (Unaudited)	<u>77</u>	<u>144,237</u>	<u>(746)</u>	<u>584</u>	<u>413,496</u>	<u>201,380</u>	<u>759,028</u>	<u>38,819</u>	<u>797,847</u>

(**) Distribution to controlling shareholder of the Company holding non-controlling interest in the Company's subsidiaries.

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						Non-Controlling Interests	Total Equity	
	Share Capital	Premium on Shares	Treasury Shares	Other capital reserves	Statutory Capital Reserve	Retained Earnings			Total
	Unaudited								
	€ in thousands								
Balance as of April 1, 2021 (Unaudited)	77	144,237	(746)	584	466,107	225,269	835,528	41,683	877,211
Net income and comprehensive income (loss)	-	-	-	-	-	27,967	27,967	(1,162)	26,805
Classification as per provisions of Dutch law	-	-	-	-	31,837	(31,837)	-	-	-
Purchase of non-controlling interests (*)	-	-	-	(1,115)	-	-	(1,115)	(5,456)	(6,571)
Balance as of June 30, 2021 (Unaudited)	<u>77</u>	<u>144,237</u>	<u>(746)</u>	<u>(531)</u>	<u>497,944</u>	<u>221,399</u>	<u>862,380</u>	<u>35,065</u>	<u>897,445</u>

(*) As to the purchase of non-controlling interests see Note 5(10) 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						Non-Controlling Interests	Total Equity	
	Share Capital	Premium on Shares	Treasury Shares	Other capital reserves	Statutory Capital Reserve	Retained Earnings			Total
	Unaudited								
	€ in thousands								
<u>Balance as of April 1, 2020</u> (Unaudited)	77	144,237	(746)	584	360,321	196,955	701,428	36,412	737,840
Net and comprehensive income	-	-	-	-	-	57,600	57,600	2,407	60,007
Classification as per provisions of Dutch law	-	-	-	-	53,175	(53,175)	-	-	-
<u>Balance as of June 30, 2020</u> <u>(unaudited)</u>	<u>77</u>	<u>144,237</u>	<u>(746)</u>	<u>584</u>	<u>413,496</u>	<u>201,380</u>	<u>759,028</u>	<u>38,819</u>	<u>797,847</u>

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity Attributable to Company Shareholders							Non-Controlling Interests	Total Equity
	Share Capital	Premium on Shares	Treasury Shares	Other capital reserves	Statutory Capital Reserve	Retained Earnings	Total		
	Unaudited								
	€ in thousands								
<u>Balance as of January 1, 2020 (audited)</u>	77	144,237	(746)	584	359,944	207,938	712,034	41,403	753,437
Total net and comprehensive income	-	-	-	-	-	92,695	92,695	4,998	97,693
Classification as per provisions of Dutch law, net	-	-	-	-	78,647	(78,647)	-	-	-
Distribution and payment to non-controlling interests (**)	-	-	-	-	-	-	-	(5,700)	(5,700)
<u>Balance as of December 31, 2020 (audited)</u>	<u>77</u>	<u>144,237</u>	<u>(746)</u>	<u>584</u>	<u>438,591</u>	<u>221,986</u>	<u>804,729</u>	<u>40,701</u>	<u>845,430</u>

(**) Distribution to controlling shareholder of the Company holding non-controlling interest in the Company's subsidiaries.

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2021	2020	2021	2020	2020
	Unaudited				Audited
	€ in thousands				
<u>Cash flows from operating activities</u>					
Net income	58,586	50,110	26,805	60,007	97,693
Adjustments to reconcile net income to net cash provided by operating activities:					
Adjustments to profit and loss:					
Depreciation	58	51	28	24	103
Financial expenses, net	7,677	8,577	4,194	4,523	12,120
Decrease (increase) in fair value of financial instruments	4,536	6,247	4,581	(3,290)	(2,019)
Increase in value of investment property, net	(67,577)	(54,137)	(33,908)	(65,072)	(83,221)
Deferred taxes, net	5,732	1,542	144	9,593	13,923
Gain from sale of investment in a company accounted at equity	-	-	-	-	(2,011)
Equity in losses (earnings) of companies accounted at equity	1,999	-	1,999	-	(262)
	(47,575)	(37,720)	(22,962)	(54,222)	(61,367)
Cash flows from operating activities before changes in asset and liability items	11,011	12,390	3,843	5,785	36,326
Changes in asset and liability items:					
Decrease (increase) in tenants, restricted deposits and other receivables and related parties	(1,441)	(4,145)	504	(917)	(1,930)
Increase (decrease) in accounts payable	717	8,869	2,673	5,767	(469)
	(724)	4,724	3,177	4,850	(2,399)
Net cash provided by operating activities before activity in real estate assets and liabilities	10,287	17,114	7,020	10,635	33,927
Change in advances and income receivable from apartment purchasers	2,819	2,453	(2,012)	2,097	2,949
Decrease (increase) in inventory of buildings under construction and real estate inventory	(1,525)	6,424	3,939	7,948	14,950
Net cash provided by operating activities	11,581	25,991	8,947	20,680	51,826

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2021	2020	2021	2020	2020
	Unaudited				Audited
	€ in thousands				
<u>Cash Flows from investing activities</u>					
Investment in investment property	(20,697)	(7,695)	(12,628)	(3,430)	(19,741)
Return of investment (investment) in companies measured at equity	(6,305)	(600)	(5,184)	(600)	4,836
Proceeds from sale of investment property, net	21,646	40,417	11,692	36,307	55,501
Proceeds from sale of subsidiaries, net (a)	9,261	-	-	-	-
Withdrawal (placement) of restricted deposits, net	(447)	44,021	(920)	(7,745)	50,650
Sale of derivatives	-	1,961	-	1,961	3,131
Net cash provided by (used in) investing activities	3,458	78,104	(7,040)	26,493	94,377
<u>Cash flows from financing activities</u>					
Interest paid	(4,943)	(8,520)	(2,453)	(4,030)	(13,717)
Distribution and payment to non- controlling interests	-	(5,700)	-	-	(5,700)
Receipt of long-term bank loans	33,365	16,400	33,365	12,527	18,959
Repayment of long term loans from controlling shareholder	-	(44,200)	-	-	(44,200)
Repayment of debentures	-	(15,583)	-	(15,583)	(25,706)
Repayment of long-term bank loans	(27,995)	(63,788)	(25,285)	(52,500)	(85,434)
Net cash provided by (used in) financing activities	427	(121,391)	5,627	(59,586)	(155,798)
Change in cash and cash equivalents	15,466	(17,296)	7,534	(12,413)	(9,595)
Balance of cash and cash equivalents at the beginning of the period	34,814	44,409	42,746	39,526	44,409
Balance of cash and cash equivalents at the end of the period	50,280	27,113	50,280	27,113	34,814

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2021	2020	2021	2020	2020
	Unaudited				Audited
	€ in thousands				
(a) Proceeds from sale of subsidiaries, net					
Assets and liabilities of the subsidiaries as of the date of sale (loss of control):					
Investment property	12,369	-	-	-	-
Leasing liabilities	(3,126)	-	-	-	-
Real estate inventory	-	143,004	-	-	143,004
Working capital, net	14	407	-	-	284
Loans from banks, net	-	(127,512)	-	-	(127,512)
Deferred taxes, net	4	2,037	-	-	2,037
Assets, net	9,261	17,936	-	-	17,813
Less investment balance in a company accounted at equity	-	(17,936)	-	-	(17,813)
	9,261	-	-	-	-
(b) Additional information					
Taxes paid	2,132	3,403	999	2,069	10,197
(c) Material non cash activities					
Purchase of non-controlling interests (*)	6,571	-	6,571	-	-
Classification of real estate inventory to investment property	-	29,640	-	3,560	29,638

* Paid after the date of the statement of financial position, see Note 10(5) below.

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

NOTES TO THE INTERIM 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 in the segment of income generating commercial real estate and income generating residential real estate. In addition, the Company is engaged in the development of a residential complex and improvement of land in Dusseldorf, Germany. Regarding the Company's operating segments, see Note 4.

The Company's shares and debentures are listed for trade on the Tel Aviv Stock Exchange.

In April 2018, the control of the Company was purchased by ADLER Real Estate AG (ADLER). Since its acquisition, ADLER works as controlling shareholder subject to the provisions of any law for re-focusing the Company's strategy in the residential sector including selling a certain part of the Company's assets and businesses in the commercial real estate sector. As of the approval date of the financial statements, the Company continues to examine the options of focusing its business strategy including the performance of actions for selling part of its businesses.

- b. These Financial Statements have been prepared in a condensed format as of June 30, 2021 and for the six and three month periods then ended (hereinafter – the Consolidated Interim Financial Statements). These Statements should be read in conjunction with the annual financial statements as of December 31, 2020 and for the year then ended and the accompanying notes (the consolidated annual financial statements).
- c. 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: - Significant accounting policies

- a. Preparation format of the Interim Consolidated Financial Statements

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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Note 2: - Significant accounting policies (Cont.)b. Use of estimates and judgments

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.

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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Note 2: - Significant accounting policies (Cont.)

- 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.

Amendment to IAS 1, "Presentation of Financial Statements"(regarding the criteria for determining the classification of liabilities as current or non-current.

The amendment clarifies the existing requirements for classifying liabilities as current or non-current in the statement of financial position. The amendment will take effect in reporting periods beginning on January 1, 2023. Early adoption is permitted. The amendment will be applied retrospectively, including the amendment of comparative figures

The Group has not yet begun examining the implications of applying the amendment to the financial statements.

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 shown in the financial statements not at their fair value:

<u>June 30, 2021</u>		<u>June 30, 2020</u>		<u>December 31, 2020</u>	
<u>Carrying value</u>	<u>Fair value</u>	<u>Carrying value</u>	<u>Fair value</u>	<u>Carrying value</u>	<u>Fair value</u>
<u>Unaudited</u>				<u>Audited</u>	
<u>€ in thousands</u>					

Financial liabilities:

Debentures and interest payable in respect of debentures

75,940	85,867	84,749	86,214	73,515	80,264
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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Note 3: - Financial instruments (Cont.)

Management has estimated that the balance of cash, deposits, trade receivables, trade payables, overdrafts and other current liabilities and bank loans presented at amortized cost approximates their fair value.

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).

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:

	June 30, 2021		
	Level 1	Level 2	Level 3
	Unaudited		
	€ in thousands		
Assets:			
Financial assets measured at fair value through profit or loss	31,369	-	6,494
Liabilities:			
Interest swap agreements	-	(409)	-
	June 30, 2020		
	Level 1	Level 2	Level 3
	Unaudited		
	€ in thousands		
Assets:			
Financial assets measured at fair value through profit or loss	27,911	-	6,494
Liabilities:			
Interest swap agreements	-	(683)	-

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Note 3: - Financial instruments (Cont.)

	December 31, 2020		
	Level 1	Level 2	Level 3
	Unaudited		
	€ in thousands		
Assets:			
Financial assets measured at fair value through profit or loss	36,094	-	6,494
Liabilities:			
Interest swap agreements	-	(597)	-

NOTES TO THE INTERIM 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				
<u>For the Six-Month Period Ended</u>					
<u>June 30, 2021 (Unaudited)</u>					
Revenues from property rental	2,860	26,994	39	-	29,893
Revenues from property management and others	1,005	10,907	61	-	11,973
Property management expenses	(989)	(10,890)	(46)	-	(11,925)
Rental property maintenance expenses	(1,868)	(3,095)	(124)	-	(5,087)
Total rental and management revenues, net	1,008	23,916	(70)		24,854
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	(1,999)	-	-	-	(1,999)
Administrative and general expenses					(5,718)
Selling and marketing expenses and administrative and general expenses attributed to inventory of buildings under construction and inventory of real estate	-	-	-	(893)	(893)
Increase (decrease) in value of investment property, net	(5,808)	79,177	(5,792)	-	67,577
Financial expenses, net					(12,189)
Income before taxes on income					<u>72,629</u>

(*) Regarding assets designated for sale and assets sold in the reported period see Notes 5 (1), 5 (2), 5 (3), 5 (7) and 5(11).

NOTES TO THE INTERIM 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				
<u>For the Six-Month Period Ended</u>					
<u>June 30, 2020 (Unaudited)</u>					
Revenues from property rental	5,230	26,162	111	-	31,503
Revenues from property management and others	1,261	11,284	54	-	12,599
Property management expenses	(1,249)	(11,261)	(56)	-	(12,566)
Rental property maintenance expenses	(2,574)	(3,533)	(171)	-	(6,278)
Total rental and management revenues, net	<u>2,668</u>	<u>22,652</u>	<u>(62)</u>	<u>-</u>	<u>25,258</u>
Revenues from sale of apartments	-	-	-	36,307	36,307
Cost of sale of apartments	-	-	-	(27,670)	(27,670)
Gain from sale of apartments	-	-	-	8,637	8,637
Other income	500	-	-	-	500
Administrative and general expenses	-	-	-	-	(6,734)
Selling and marketing expenses and administrative and general expenses attributed to inventory of buildings under construction and inventory of real estate	-	-	-	(1,187)	(1,187)
Increase (decrease) in value of investment property, net	(11,690)	69,377	(5,400)	-	52,287
Financial expenses, net					<u>(14,660)</u>
Income before taxes on income					<u>64,101</u>

NOTES TO THE INTERIM 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				
<u>For the Three-Month Period</u>					
<u>Ended June 30, 2021</u>					
(Unaudited)					
Revenues from property rental	1,302	13,535	3	-	14,840
Revenues from property management and others	468	5,448	26	-	5,942
Property management expenses	(479)	(5,598)	(15)	-	(6,092)
Rental property maintenance expenses	(894)	(1,583)	(11)	-	(2,488)
Total rental and management revenues, net	397	11,802	3	-	12,202
Revenues from sale of apartments	-	-	-	6,719	6,719
Cost of sale of apartments	-	-	-	(5,839)	(5,839)
Gain from sale of apartments	-	-	-	880	880
Group's share in losses of companies accounted at equity method of accounting	(1,999)	-	-	-	(1,999)
Administrative and general expenses					(2,404)
Selling and marketing expenses and administrative and general expenses attributed to inventory of buildings under construction and inventory of real estate	-	-	-	(278)	(278)
Increase (decrease) in value of investment property, net	(4,340)	44,040	(5,792)	-	33,908
Financial expenses, net					(8,800)
Income before taxes on income					<u>33,509</u>

(*) Regarding assets designated for sale and assets sold in the reported period see Notes 5 (1), 5 (2), 5 (3), 5 (7) and 5(11).

NOTES TO THE INTERIM 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				
<u>For the Three-Month Period</u>					
<u>Ended June 30, 2020</u>					
(Unaudited)					
Revenues from property rental	2,557	13,026	23	-	15,606
Revenues from property management and others	821	5,577	13	-	6,411
Property management expenses	(813)	(5,581)	(18)	-	(6,412)
Rental property maintenance expenses	(1,295)	(1,945)	(28)	-	(3,268)
Total rental and management revenues, net	<u>1,270</u>	<u>11,077</u>	<u>(10)</u>	<u>-</u>	<u>12,337</u>
Revenues from sale of apartments	-	-	-	23,971	23,971
Cost of sale of apartments	-	-	-	(18,216)	(18,216)
Gain from sale of apartments	-	-	-	5,755	5,755
Other income	500	-	-	-	500
Administrative and general expenses	-	-	-	-	(3,437)
Selling and marketing expenses and administrative and general expenses attributed to inventory of buildings under construction and inventory of real estate	-	-	-	(447)	(447)
Increase (decrease) in value of investment property, net	(2,333)	70,955	(5,400)	-	63,222
Financial expenses, net					(427)
Income before taxes on income					<u>77,503</u>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Note 4: - Operating Segments (cont.)

	Income- generating commercial real estate	Income- generating residential real estate	Land for betterment	Residential development	Total
<u>Euros in thousands</u>					
<u>For the year ended</u>					
<u>December 31, 2020 (Audited)</u>					
Revenues from property rental	9,361	52,355	172	-	61,888
Revenues from property management and others	2,615	21,970	93	-	24,678
Property management expenses	(2,916)	(21,803)	(136)	-	(24,855)
Rental property maintenance expenses	(4,777)	(6,534)	(295)	-	(11,606)
Total rental and management revenues (expenses), net	4,283	45,988	(166)	-	50,105
Revenues from sale of apartments	-	-	-	72,548	72,548
Cost of sale of apartments	-	-	-	(58,172)	(58,172)
Gain from sale of apartments	-	-	-	14,376	14,376
Other income	500	-	-	-	500
Group's share in earnings of companies accounted at equity method of accounting	262	-	-	-	262
Gain from realization of investment in a company accounted at equity	-	2,011	-	-	2,011
General and administrative expenses					(13,325)
Selling and marketing and general and administrative expenses attributed to inventory of buildings under construction and inventory of real estate	-	-	-	(1,840)	(1,840)
Appreciation (impairment) of investment property, net	(28,224)	115,900	(4,455)	-	83,221
Financial expenses, net					(10,023)
Income before taxes on income					<u>125,287</u>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

1. On June 30, 2021, the sale of the remaining asset, which was presented as of December 31, 2020 as assets held for sale from a transaction for the sale of assets from the commercial real estate portfolio that was signed during 2019 was finally completed. For further details regarding the transaction, see Note 8F (1) of the Company's annual consolidated financial statements for 2020.
2. On November 5, 2020, the Company entered into agreement for selling an additional asset of the Company's commercial income generating portfolio, which was presented as of December 31, 2020 as assets held for sale totaling approximately € 11 million. The sale of the asset was completed on January 29, 2021.
3. On December 30, 2020, the Company entered into agreement for selling an additional asset of the Company's commercial income generating portfolio, totaling approximately € 6.4 million. The sale of the asset is expected to be completed in 2021. Accordingly, the assets and liabilities of the company holding the asset were classified in the statement of financial position as of June 30, 2021 as assets and liabilities of disposal group held for sale as follows:

<u>Assets classified as held for sale</u>	EUR in thousands
	Unaudited
Investment property held for sale	6,350
Trade receivables and other receivables	119
	<u>6,469</u>
 <u>Liabilities classified as held for sale</u>	
Accounts payable	<u>31</u>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

4. Following the outbreak of the Corona Virus (COVID-19) in China in December 2019, and spreading to many other countries in early 2020, there has been a decline in economic activity in many regions of the world and in Israel and Germany as well. The spread of the virus, among other things, has disrupted the supply chain, a decrease in the volume of global transport, traffic and employment restrictions imposed by the Israeli and German government and many governments worldwide, as well as declines in the value of financial assets and commodities in markets in Israel and around the world. In addition, in accordance with the directives of the governments of Germany, the Netherlands and Israel, the activity of businesses was banned or restricted, presence of manpower in workplaces was significantly restricted, education systems were shut down and restrictions were imposed on leaving homes. In the last quarter of 2020 and in the first half of 2021, there was an increase in the spread of the virus in Germany and the German government began imposing renewed restrictions in order to stop the spread of the virus. Also, during the first half of 2021, a vaccination campaign began in Israel and Europe. At the same time, at the end of the second quarter of 2021, signs of an outbreak of the Indian variant "Delta" of the corona disease were observed and governments around the world began to examine the need to impose new restrictions. At this stage it is not possible to assess the success of the vaccination campaign and/or the continued spread of the virus, including the efficacy of vaccines against virus mutations (including the "Delta" variant), which began to spread worldwide and in Israel and whether the crisis is nearing completion in the upcoming quarters or may take longer.

The Company's risks and exposures

The activity of the Company since the beginning of the crisis until today continues regularly subject to the restrictions and guidelines of the relevant governments in countries in which the Company operates.

It should be indicated that the Corona crisis and the related economic crisis may create an exposure for the Company mainly in the income producing real estate sector, both in view of the impact of the Corona crisis on daily business activity in Germany and the ability of businesses to continue their operations and pay rental fees for commercial assets and (to a lesser extent) for residential assets in view of harm to income of private tenants, including their ability to meet their obligations to the Company and pay rental and/or the Company's ability to find tenants for vacant spaces.

In addition, the Company has an exposure also in the real estate development sector since the impact of the economic crisis on global economy and on Germany in particular, may have an effect on the demand for apartments and cause a decrease in the value of the apartments for sale and/or decrease in the sales rate of apartments (although as of the report date, the Company is not aware of indications of changes in selling prices of apartments and/or change in construction costs).

With respect to the effects on the Company's operations during 2020, see Note 1c to the annual financial statements for 2020.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Note 5: - Material Events during the Reported Period and thereafter (Cont.)**Specific effects of the Corona crisis on the Company's operating results in the reporting period**

The Company's revenues were not significantly harmed, among other things, in view of recent actions taken by the Company that focused its activities on residential properties, which reduced the Company's exposure to commercial tenants as well as the German government's assistance to commercial tenants.

- In 2020, the financial situation of various tenants in the commercial real estate sector was harmed, which continued in the reporting period and led to difficulties in paying rent and management fees, delaying in lease agreements renewal and finding tenants for vacant spaces, such that as of June 30, 2021, trade receivables' balance of approximately EUR 0.7 million which constitutes approximately 11% of the Company's annual revenues in the commercial real estate sector has not yet been received due to deferral of payments and/or cancellation due to the Corona crisis. It should be indicated that due to Company's reduced exposure to the commercial real estate sector this decrease in collection rate had no material effect on the Company's cash flows.

In the residential income producing sector the change in occupancy rates as of June 30, 2021 and the financial statements' approval date, was not significant in relation to the average occupancy rates in 2020 and 2019 as well as a change in the rate of cancellations and delays in collection is negligible.

- In accordance with valuations as of June 30, 2021, conducted by external appraisers and sales agreements signed after the report date, the Company recorded a decrease in value of approximately EUR 5.8 million in respect of impairment of real estate in the income generating commercial sector.
- The crisis did not have a negative effect on the Company's residential assets. In 2020, there was a decrease in discount rates used to measure the fair value of some of the Company's investment properties in the residential real estate sector and this trend continued in the reporting period. In the reporting period discount rates have decreased at a rate of 0.28% due to changes in market conditions during the period, based on valuations as of June 30, 2021 conducted by external appraisers. As a result, there was an increase in the fair value of residential assets and a gain from a change in the fair value of approximately EUR 79.2 million was recognized.
- With regard to the development sector, as of June 30, 2021 and as of the approval date of the financial statements, the Company is not aware of any indications of a change in selling prices of apartments and/or a change in construction costs.
- In accordance with the above, until the approval date of the financial statements, the impact of the crisis on the Company's cash flow was insignificant, in part due to the reduced exposure to commercial real estate and proceeds received from property realization and considering changes in tenants' collection rates and slowdown in apartment sales in development projects.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

The Company estimates that if the spread of the Corona virus and its effects will worsen over time, this could have significant adverse effects on the global economy and, as a result, on the markets in which the Company operates and on its areas of activity and operating results. Nevertheless, the Company estimates that the recent measures taken to reduce the Company's leverage rate, focusing its activity on the residential sector and in view of the Company's geographical and sectoral distribution, ranking, location and occupancy levels of its assets, the exposure level of the Company's business to the Corona crisis and/or significant instability is decreasing and it has the means allowing it to cope properly with the economic crisis.

5. For details regarding the agreement for selling 75% of the Company's holdings in the sub-partnership, which owns the Gerresheim project, see Note 7(3) to the annual financial statements for 2020.

During the period of the report, the Company learned that the delay of the zoning plan approvals in connection with the project (and that are required, inter-alia, in connection with the payment of the second installment of the Gerresheim Transaction) is due to objections of the Deutsche Bahn AG. In the view of the Company, such objections are relatively common in the process of building a project in the size and scope of Gerresheim. The Company has been holding ongoing discussions with the Düsseldorf Municipality which is continuing to be supportive of the project and has expressed its interest in advancing the receipt of the required zoning approvals. Nevertheless, the Company learned that despite the progress in contacts between the Company and the Düsseldorf municipality, due to the prolongation of the negotiation between the Düsseldorf municipality and the German railway company, a further delay would occur in connection with the zoning plan. To the Board's estimation, and based on the information provided to it by the authorities in Germany, the approval is expected to be received during the first half of 2022.

Further to the foregoing regarding the delay of the zoning plan approvals and the delay caused by it in the payment of the second installment of the Gerresheim Transaction and its effect on the profitability of the transaction from the Company's point of view), the Company has decided to prepare for the cancellation of the Transaction.

The Company's intention to prepare for the cancellation of the Transaction, derives, among others, from the Company's estimations that the delays in the approvals (that grants the Buyer to right to rescind the Transaction) and as a result the beginning of the construction on a later date than planned, shall make it harder for the Buyer to finance the transaction. In this regard, it should be mentioned that during June 2021, the Company granted the project with a bridge loan in an amount of approx. EUR 3.8 million, in the place of the Buyer. In addition, the Company's decision derives from the improvement in its financial profile (low leverage rate), and the focus of its business in the field of residential real estate, including development real estate.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

The Company informed the Buyer that it desires to prepare for the cancellation of the Transaction and the Buyer clarified that in light of the delays in the zoning plan approvals out of the authorities and the project in general, it does not intend to object.

The completion of the cancellation of the Transaction is subject, among others, to the receipt of different approvals, including regulatory approvals, approval of the financing entities, tax authorities, etc.

The above with respect to the Company's examination of the Transaction including the possibility to rescind the Transaction is not supposed to have material impact on the Company's financial report, inter-alia, since the Company has yet to recognize any profit for the Transaction in its financial statements.

6. During January 2021, the Company, through its sub-subsidiaries signed a refinancing agreement with a German banking corporation for a loan of approximately EUR 100.5 million. The loan bears an average annual interest rate of approximately 1.41% with maturity date in June 2023. The refinancing was accounted for as immaterial change in the debt's terms. The change had no material effect on profit or loss.
7. On February 26, 2021, the Company sold a subsidiary that holds an asset from the commercial income generating portfolio of the Company for EUR 9 million. The entire consideration balance from the sale was used for repayment of the shareholders' loan granted to the subsidiary.
8. On February 12 and April 14, 2021, the Company's Audit Committee and Board of Directors, respectively, approved the Company's Separation agreement between the Company and its controlling shareholder and certain officers in the Company who also serve as officers in ADLER ("Separation agreement") which confers upon the Company, among others, first right of refusal in relation to business opportunities relevant to the Company in its field and areas of activity.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

9. During May 2021, the Company, through a sub- subsidiary, took a loan from a German banking corporation of approximately EUR 22.6 million. The loan taken on or about the repayment completion date of a loan from the same banking corporation bears an average annual interest rate of approximately 1.25% payable quarterly. Loan principal is payable in 19 equal quarterly payments of EUR 56.5 thousand and the principal's balance will be paid in May 2026.
10. On June 30, 2021, the Company and another company that holds a negligible rate for regulatory needs in the asset companies of the controlling shareholder of the Company (the "Additional Buyer") signed an agreement to acquire investor rights in a subsidiary holding the various stages of the Grafental project for a total of about 18 EUR million, when the Company acquired 5.8% of the rights for EUR 6.6 million and the additional buyer, who received a loan of about EUR 11.4 million from the Company, purchased the remaining 10.1% of the rights for EUR 11.4 million. The total consideration was paid to the investors on July 1, 2021.
11. On August 5, 2021, the Company entered into a transaction for the sale of another property from the Company's income generating commercial real estate portfolio for a total of approximately EUR 16.5 million. In addition, the Company may be entitled to an additional consideration of up to EUR 1.5 million if the buyer succeeds to bring about an improvement in the development plan such that he would be allowed to utilize more space in the property. The sale of the property is expected to be completed during 2021.

BRACK CAPITAL PROPERTIES NV

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

AS OF JUNE 30, 2021

UNAUDITED

IN THOUSANDS OF EUROS

To the Shareholders of Brack Capital Properties NV

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 June 30, 2021 and for the six months and three months 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.

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.

August 25, 2021

Amit, Halfon, CPAs

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Halfon is a member firm of the PKF International Limited network of legally independent firms and does not accept any responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

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

	June 30,		December 31,
	2021	2020	2020
	Unaudited		Audited
	€ in thousands		
<u>Current Assets</u>			
Cash and cash equivalents	1,818	1,842	972
Cash and cash equivalents in trust	20,302	663	7,284
Balances receivable from banks	-	1,173	-
Restricted deposits, financial assets and other receivables	115	424	663
	22,235	4,102	8,919
<u>Non-Current Assets</u>			
Investment in investee	884,554	812,033	833,121
Investment in marketable financial asset measured at fair value through profit or loss	31,369	27,910	36,093
	915,923	839,943	869,214
	938,158	844,045	878,133
<u>Current Liabilities</u>			
Current maturity of debentures	10,346	10,159	10,013
Accounts payable and other financial liabilities	389	823	424
	10,735	10,982	10,437
<u>Non-Current Liabilities</u>			
Debentures	65,043	74,035	62,967
	65,043	74,035	62,967
<u>Equity</u>			
Share Capital	77	77	77
Premium on Shares	144,237	144,237	144,237
Treasury Shares	(746)	(746)	(746)
Other capital reserves	(531)	584	584
Statutory capital reserve	497,944	413,496	438,591
Retained earnings	221,399	201,380	221,986
	862,380	759,028	804,729
<u>Total equity</u>	938,158	844,045	878,133

August 25, 2021

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 OR LOSS AND OTHER COMPREHENSIVE INCOME INCLUDED IN THE INTERIM CONSOLIDATED STATEMENTS ATTRIBUTED TO THE COMPANY

	Six months ended June 30,		Three months ended June 30		Year ended December 31
	2021	2020	2021	2020	2020
	Unaudited				Audited
	€ in thousands				
Administrative and general expenses	(1,220)	(1,508)	(487)	(875)	(2,361)
Financial income (expenses), net	(7,989)	(7,125)	(6,265)	2,362	(650)
Equity in earnings of investess	67,975	55,627	34,719	56,113	95,706
Net and comprehensive income	58,766	46,994	27,967	57,600	92,695

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**

	Six months ended June 30,		Three months ended June 30		Year ended December 31
	2021	2020	2021	2020	2020
	Unaudited				Audited
<u>Cash flows from operating activities:</u>					
Net income attributed to the Company's shareholders	58,766	46,994	27,967	57,600	92,695
Adjustments required to present net cash provided by operating activities:					
Adjustments to the profit or loss items:					
Financial expenses (income), net	7,149	6,776	5,760	(1,332)	(1,961)
Equity in earnings of investees	(67,975)	(55,627)	(34,719)	(56,113)	(95,706)
	(60,826)	(48,851)	(28,959)	(57,445)	(97,667)
Changes in assets and liabilities items:					
Decrease (increase) in other receivables and related parties	549	51	6	(225)	302
Increase (decrease) in accounts payable and related parties	53	92	106	(328)	470
	602	143	112	(553)	772
Net cash used in operating activities of the Company	(1,458)	(1,714)	(880)	(398)	(4,200)
<u>Cash Flows from investing activities</u>					
Change in investment in investee and cash and cash equivalents in trust, net	3,524	61,691	2,522	(8,703)	74,060
Decrease in restricted deposits	-	638	-	-	146
Interest received and exercise of derivatives	-	1,961	-	1,961	3,131
Net cash provided by (used in) investing activities of the Company	3,524	64,290	2,522	(6,742)	77,337

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**

	Six months ended June 30,		Three months ended June 30		Year ended December 31
	2021	2020	2021	2020	2020
	Unaudited				Audited
<u>Cash flows from financing activities</u>					
Interest paid	(1,220)	(2,271)	(617)	(1,245)	(3,579)
Repayment of long term loans from controlling shareholder	-	(44,200)	-	-	(44,200)
Repayment of debentures	-	(15,583)	-	(15,583)	(25,706)
Net cash used in financing activities of the Company	(1,220)	(62,054)	(617)	(16,828)	(73,485)
Change in cash and cash equivalents	846	522	1,025	(23,968)	(348)
Balance of cash and cash equivalents at the beginning of the period	972	1,320	793	25,810	1,320
Balance of cash and cash equivalents at the end of the period	1,818	1,842	1,818	1,842	972

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

ADDITIONAL INFORMATION

1: - General

- a. This separate financial information has been prepared in a condensed format as of June 30, 2021 and for the six month and three month periods 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, 2020 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, 2020.
- 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, 2020 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

On February 12 and April 14, 2021, the Company's Audit Committee and Board of Directors, respectively, approved the Company's Separation agreement between the Company and its controlling shareholder and certain officers in the Company who also serve as officers in ADLER ("Separation agreement") which confers upon the Company, among others, first right of refusal in relation to business opportunities relevant to the Company in its field and areas of activity.