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, 2022 (hereinafter: "the Reported Period" or "the Report Period", respectively) in accordance with the Securities Regulations (Periodic and Immediate Reports – 1970, the Reports' Regulations).

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

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

In this report:

"The report date" or "the date of the report" refers to June 30, 2022.

"Report signing date" or "the date of signing the report" or " the report signing day" refers to August 14, 2022.

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

Preamble

Below are the Company's principal results for six months ending June 30, 2022.

1. **Profitability** – In the second quarter of 2022, the Company's net income (loss) attributed to the Company's shareholders amounted to a loss of approximately EUR 16.2 million compared to a profit of EUR 28.0 million in the corresponding quarter last year. It should be indicated that the loss during the current quarter is mainly due to impairment of investment properties and real estate inventory of the Company's lands (impairment in a total amount of approximately EUR 23.0 million), revaluation of hedging instrument and impairment in the value of the Company's investment in the shares of a German public company.

   For further details in connection with the foregoing and the causes of the Company's loss in the second quarter of 2022, see section 12.3 below.

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

- **Income-producing real estate -** In the second quarter of 2022, the FFO amounted to EUR 6.4 million compared to EUR 6.1 million in the corresponding quarter last year. The Company's NOI for such period amounted to EUR 12.4 million (compared to EUR 12.2 million in the corresponding quarter last year) and the EBITDA of the Company amounted to a total of EUR 9.5 million (compared to EUR 9.9 million in the corresponding quarter last year.

- The growth in rent in the field of residential income producing real estate in the second quarter of 2022 amounted to about 4.05% in rent from identical assets compared to the corresponding quarter in 2021. As of the report signing date, the average rent is EUR 6.76 per square meter; the rental in new leases in the Company's income producing residential portfolio is about 11.60% higher than the current average. The occupancy rate as of the report date in the residential income producing real estate is 97.38%.

- **Residential development activity** - The Company did not recognize a profit from the sale of apartments in 2022 due to the fact that the Company's development real estate, which is under construction, is intended for rent. For further details regarding the projects under construction, see section 5 below. For further details regarding the impairment of the Company's residential development real estate assets, including in light of the rising interest rates and inflation in the economy and their effects on the Company's results of operations, see section 12.3 below

2. Operating segments – key operational data

2.1 Income-producing real estate [1]

Zoning	Area ('000 square meters)	NRI Return[2]	ERV Return[3]	Actual NOI return[4]	NOI return according to ERV[5]	Occupancy rate
Residential	720	4.2%	4.7%	3.6%	4.1%	97.4%
Commercial	40	7.4%	7.4%	3.4%	3.4%	71.6%
Total	760	4.3%	4.8%	3.6%	4.1%	96.8%

3. Balance sheet structure and financial solvency -

3.1 **Equity and EPRA NRV**: The equity attributed to the Company's shareholders amounted to approximately EUR 847.4 million the EPRA NRV[6] amounted to EUR 1,150.5 million and the EPRA NTA amounted to EUR 1,114.5 million, as of the report date.

3.2 **Debt ratios**: The LTV ratio[7] is 38.18% as of the report date compared to 36.16% in the previous quarter. The increase in LTV ratio is related, among others, to decrease in revaluation of the Company's assets, including the Gerresheim project. The EBITDA ratio to interest expenses (from only the income producing portfolio, excluding operating income from development activity) was 3.38 in the second quarter of 2022.

3.3 **Liquidity**: Cash balances (consolidated) amounted to approximately EUR 130.2 million as of the report date.

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

3.4 **Financing:** The Company has bank loans with a total balance of EUR 457.8 million, at an average annual interest of 1.49% and duration of 5.90 years. In addition, and further to the Company's bond expansion (Series B) that was completed in the first quarter of 2022, the Company has bonds at a total balance of EUR 227.7 million at an average annual interest of 3.54% and duration of 1.77 years. For additional details regarding the Company's bonds see Part B to this report - "Specific Disclosure for Bond Holders. For details regarding the agreement with an international banking corporation to receive a credit facility in the amount of EUR 30 million see section 11.7 below. For details regarding the receipt of a credit facility from the controlling shareholder in the amount of EUR 200 million and the extension of its repayment after the report date, see section 11.9 of this report. For details regarding a specific loan for financing the Gerresheim project in a total amount of EUR 147.5 million which was repaid on June 1, 2022 see section 11.6 below.

In addition, it should be noted that after the report date, the Company signed a 3-month extension with the bank that finances one of the Company's loans in the amount of approximately EUR 45.3 million, which was expected to be repaid on August 30, 2022.

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

4. Concise description of the Corporation and its business environment

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

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

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

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

As of the end of 2021 and during the first half of 2022, LEG Grundstücksverwaltung GmbH ("LEG") completed the acquisition of the Company's shares, so that as of the report publication date, LEG holds approximately 35.66% of the Company's shares. The purchase of said shares was made, inter alia, in two significant transactions, one with certain shareholders in the Company (in connection with approximately 24% of the Company's shares) and the other with ADLER Real Estate AG ("ADLER"), the Company's controlling shareholder (in connection with approximately 6.7% of the Company's shares). The remaining shares were purchased by LEG by additional several transactions. The said LEG-ADLER transaction also includes an obligation of ADLER to participate in any tender offer to be initiated by LEG, in respect of the balance of the Company's ordinary shares held by ADLER, provided that said tender offer is made by September 30, 2022 at a minimum price per share stipulated in the agreement between said parties and is EUR 157 per share.

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

On August 3, 2022, after the date of the report, the Company learned that LEG decided not to publish a tender offer for the purchase of the remaining shares of the Company and accordingly will not exercise ADLER's commitment toward it. For further details, see the Company's immediate report dated August 3, 2022 (reference number: 2022-01-080532), which is hereby included by way of reference.

4.1 Changes in Company's board of directors

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

On May 8, 2022, Ms. Liselot Dalenoord was appointed as Non-Executive director on the Company's Board of Directors. For further details, see the Company's immediate report dated May 8, 2022 (Reference No.: (2022-01-055306). which is hereby included by way of reference. It should be noted that on May 13, 2022, Ms. Liselot Dalenoord was classified as an independent director of the Company. For further details, see the Company's immediate report dated May 14, 2022 (Reference No.: 2022-01-057886). The Company intends to convene an annual general meeting, in which, the appointment of new directors will be discussed, among others, who are not external directors.

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

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

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

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

4.4.2 **Commercial Income-Producing Real-Estate -** As of the report signing date, the Group owns 5 commercial income-producing properties in the commercial segment (commercial and offices) with an overall leasing area of approximately 40,000 m^2, including assets for which the Company has entered into a binding sale contracts.

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

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

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

5.1 Costs

		Stage I – Grafental				Aachen			
		Q2 2022	**Q1 2022**	**2021**	**2020**	**Q2 2022**	**Q1 2022**	**2021**	**2020**
Costs invested	Cumulative costs for land, at the end of the period	12,932	12,932	12,932	12,932	2,215	2,215	2,215	2,215
	Cumulative costs for development, taxes and fees	930	724	724	596	1,274	1,274	1,212	1,074
	Cumulative construction costs	42,450	39,381	36,301	7,596	20,355	20,355	14,196	3,395
	Cumulative financing costs (capitalized)	192	94	-	-	-	-	-	-
	Total cumulative cost	**56,504**	**53,131**	**49,957**	**21,124**	**23,844**	**23,844**	**17,623**	**6,684**

		Stage I – Grafental				Aachen			
		Q2 2022	**Q1 2022**	**2021**	**2020**	**Q2 2022**	**Q1 2022**	**2021**	**2020**
Costs not yet invested	Costs for land not yet invested (estimate)	-	-	-	-	-	-	-	-
	Costs for development, taxes and fees not yet invested (estimate)	-	-	-	43	-	-	233	370
	Construction costs not yet invested (estimate)	5,214	8,395	11,569	39,209	-	150	5,363	16,165
	Cumulative costs for financing expected to be capitalized in the future (estimate)	-	-	-	-	-	-	-	-
	Total costs not yet invested	**5,214**	**8,395**	**11,569**	**39,252**	-	**150**	**5,596**	**16,535**
	Completion rate (monetary) (excluding land) (%)	89.3%	82.7%	76.2%	17.3%	100.0%	99.3%	73.4%	21.3%
	Expected construction completion date	Q4 2022	Q4 2022	Q4 2022	Q4 2022	Construction completed	Construction completed	Q1 2022	Q4 2022

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

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

		Q2 2022	**Q1 2022**	**2021**	**2020**
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	5,567	4,671	4,393	3,446
	Cumulative construction costs	-	-	-	-
	Cumulative financing costs (capitalized)	25,922	21,206	18,769	11,675
	Total cumulative cost	**173,134**	**167,522**	**164,807**	**156,766**

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

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

8. Financial Position:

Assets	**June 30, 2022**	**June 30, 2021**	**December 31, 2021**	**Explanation for the change**
		EUR in thousands		
Current assets				
Cash and cash equivalents	130,248	50,280	24,861	Increase mainly derives from receiving a loan from a controlling shareholder in the amount of EUR 100 million. For details see section 11.9 below.
Restricted deposits, financial assets, and other receivables	36,730	17,118	25,980	
Income receivable from the sale of apartments	271	553	554	
Tenants and trade receivables, net	2,438	2,314	1,641	
Assets of disposal groups held for sale	13,600	6,469	30,331	Balance mainly derives from the sale of one commercial asset which was not yet completed. For details see note 8(6) in the financial statements for 2021.
Total current assets	**183,287**	**76,734**	**83,367**	
Non-current assets:		**EUR in thousands**		
Investments and loans in companies measured at equity	2,928	27,256	2,069	Decrease derives from cancelling the Gerresheim transaction and the full consolidation of the Gerresheim project in the Company's balance sheets. see section 11.6 below.
Investments in financial assets, measured at fair value through profit or loss	7,908	37,863	13,344	Decrease derives from decline in fair value of financial asset. See section 12.3 below.
Inventory of real estate and inventory of real estate under construction	214,434	47,722	215,527	Increase derives from cancelling the Gerresheim transaction and the full consolidation of the Gerresheim project in the Company's balance sheets see section 11.6 below.
Investment property – real estate rights and investment property under construction	79,200	81,500	99,100	Decrease derives from decrease in revaluations of the Company's assets in the residential development segment. See section 12.3 below.
Investment property – income-producing assets	1,367,172	1,293,610	1,317,230	Increase derives mainly from valuations carried out during the period for all of the

				Company's income producing residential real estate assets. See section 12.3 below.
Restricted deposits for investments in assets	7,478	6,944	7,026	
Other accounts receivable, and other financial assets	165	216	11,626	
Deferred taxes	8,829	355	5,371	Increase derives from cancelling the Gerresheim transaction and the full consolidation of the Gerresheim project in the Company's balance sheets (see section 11.6 below)
Total non-current assets	**1,688,114**	**1,495,466**	**1,671,293**	
Total assets	**1,871,401**	**1,572,200**	**1,754,660**	

Liabilities	**June 30, 2022**	**June 30, 2021**	**December 31, 2021**	**Explanation for the change**
		EUR in thousands		
Current liabilities				
Current maturities of loans from banking corporations	190,306	10,367	244,468	Increase derives from cancelling the Gerresheim transaction and the full consolidation of the Gerresheim project in the Company's balance sheets (see section 11.6 below)
Current maturities of debentures	63,334	10,346	11,508	Increase mainly derives from private issuance of bonds completed by the Company during the period. For details see section 11.2 below.
Loan from controlling shareholder	100,125	-	-	Loan in the amount of EUR 100 million which was received from the controlling shareholder. For details see section 11.9 below.
Accounts payable and other financial liabilities	32,678	22,745	15,868	
Deferred tax liabilities	1,822	13,612	14,674	Decrease derives from tax payment during the period.
Liabilities of disposal groups held for sale	346	31	287	
Total current liabilities	**388,611**	**57,101**	**286,805**	
Non-current liabilities:		**EUR in thousands**		
Loans from banks	267,265	422,308	356,186	Decrease mainly derives from classification of a short term loan which is expected to be repaid in the coming 12 months.
Debentures	170,015	65,043	60,841	Increase mainly derives from private issuance of bonds completed by the Company during the period. For details see section 11.2 below.
Other financial liabilities	24,293	77	-	The increase is mainly due to a liability from hedging transactions that hedge the Company's Euro/NIS exchange rate.
Deferred taxes	138,991	130,226	139,393	
Total noncurrent liabilities	600,564	**617,654**	**556,420**	
Total liabilities	989,175	**674,755**	**843,225**	
Equity				
Equity attributable to equity holders of the company	847,374	862,380	876,290	
Non-controlling interests	34,852	35,065	35,145	
Total equity	**882,226**	**897,445**	**911,435**	
Total liabilities and equity	**1,871,401**	**1,572,200**	**1,754,660**	

9. Activity Results:

	Six months ended June 30,		Three months ended June 30,		Year ended December 31	Explanation for the change
	2022	2021	2022	2021	2021	
	EUR in thousands					
Revenues from rental of properties	29,786	29,893	14,880	14,840	59,243	
Revenues from property management and others	12,079	11,973	6,155	5,942	23,706	
Property management expenses	(11,992)	(11,925)	(5,870)	(6,092)	(23,644)	
Cost of maintenance of rental properties	(5,265)	(5,087)	(2,804)	(2,488)	(10,228)	
Rental and management revenues, net	**24,608**	**24,854**	**12,361**	**12,202**	**49,077**	
Revenues from sale of apartments	-	8,301	-	6,719	8,301	The cost of sale of apartments is entirely due to impairment of inventory of buildings under construction and inventory of real estate.
Cost of sale of apartments	(10,868)	(7,304)	(10,868)	(5,839)	(7,304)	
Income (loss) from the sale of apartments	**(10,868)**	**997**	**(10,868)**	**880**	**997**	
Equity in earnings (losses) of companies accounted at equity	859	(1,999)	859	(1,999)	(2,083)	
General and administrative expenses	(5,799)	(5,718)	(2,886)	(2,404)	(11,547)	
General and administrative expenses attributed to inventory of buildings under construction and inventory of real estate	(878)	(893)	(324)	(278)	(1,502)	
Increase in value of investment property, net	12,482	67,577	12,482	33,908	111,603	For further details see section 12 below.
Operating profit	**20,404**	**84,818**	**11,624**	**42,309**	**146,545**	
Financing expenses excluding the effect of exchange rate differences, CPI, and currency hedging transactions	(6,162)	(5,384)	(3,214)	(2,671)	(10,635)	
Effect of exchange rate differences, CPI, and currency hedging transactions	(18,307)	(2,305)	(17,538)	(1,660)	(10,023)	
Change in fair value of financial instruments, credit losses and others	(6,898)	(4,500)	(8,326)	(4,469)	(28,949)	
Other expenses, net	(21,715)	-	509	-	-	The expense is mainly due to a provision

						recognized during the period in respect of an expected tax liability of the Company's subsidiaries. For details see section 11.5 below.
Income (loss) before taxes on income	**(32,678)**	**72,629**	**(16,945)**	**33,509**	**96,938**	
Taxes on income	3,469	(14,043)	343	(6,704)	(24,362)	
Net comprehensive income (loss) for the period	**(29,209)**	**58,586**	**(16,602)**	**26,805**	**72,576**	
Net and comprehensive income (loss) attributed to:						
Company shareholders	(28,916)	58,766	(16,249)	27,967	72,676	
Non-controlling interests	(293)	(180)	(353)	(1,162)	(100)	

For further details regarding the effect of construction costs on the Company's asset valuations, as well as the effect of the increase in inflation and interest rates on the Company, see section 11.11 and 12.3 below, and section D of Appendix A attached to this report.

10. Financing sources, liquidity and Cash flows:

	Six months ended June 30		Three months ended June 30		Year ended December 31 2021	Explanation for the change
	2022	2021	2022	2021		
	EUR in thousands					
Cash flows provided by (used in) operating activities	(3,038)	11,581	3,616	8,947	20,032	See cash flow statement
Cash flows provided by (used in) investing activities	(4,811)	3,458	764	(7,040)	(18,042)	See cash flow statement
Cash flows provided by (used in) financing activities	113,236	427	(53,574)	5,627	(11,943)	Increase mainly derives from private issuance of bonds completed by the Company during the period. For details see section 11.2 below.

10.1 Access to financing sources:

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

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

10.1.3 In addition, in May 2022, the Company entered into agreement with ADLER, the controlling shareholder to obtain a credit facility of EUR 200 million. As of the report signing date, the Company has drawn down EUR 100 million from the credit facility. In addition, after the report date, the Company entered into the credit facility modification agreement the principles of which are extending the repayment date of the credit facility, see section 11.9 below.

10.1.4 For details regarding the transactions for selling part of its income-producing and development real estate assets, see section 1.1.3.1 of Chapter A to the periodic report for 2021. It should also be noted that at the time of publication of the report, the Company is examining the possibility of selling additional portions of the Company's asset portfolio, including the development and income producing real estate portfolio of the Company.

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

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

It should be noted that following the Corona crisis, the war in Ukraine, as well as at the backdrop of the inflation rate and the rising interest rates in the economy, as well as the Company's access to external sources of financing, while taking into account the significant decline suffered by ADLER in the rating of its bonds, the Company examined several scenarios, the Company performed stress testing and this for the purpose of assessing the ability of the Company to cope with the economic consequences of the foregoing. The Company's board of directors considered the economic consequences of the foregoing on the Company's activities, among other things, in accordance with the various scenarios presented to the Company's board of directors in connection with the Company's ability to meet its obligations even under stress conditions, as well as the estimated effects on the Company's activities and the value of its assets in light of the above.

The Company believes that the continuation of the Corona crisis will not harm its ability to meet the repayment of its liabilities and this, among other things, in view of the focus of the Company's activity in the field of residential real estate as well as transactions in which the Company entered into in recent years. The Company has also taken constructive actions that will allow it, among other things, to meet its financial liabilities as well as to maintain the Company's rating level and its debt, including the extension of the repayment date of the credit facility from ADLER, as detailed in section 11.9 below

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

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

Examination of warning signs

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

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

- Credit facilities at a material scope (for further details regarding the credit facilities in a total amount of EUR 230 million which were extended to the Company in May 2022, see sections 11.7 and 11.9 below);
- Bond raising funds in the amount of NIS 576 million raised by the Company in a private placement by expanding the Company's existing bonds (Series B) (which were used, in part, for refinancing each of the Company's in favorable conditions relative to the same loan as specified in section 11.2 below);
- The Company's access to capital markets for the purpose of raising capital and issuing bonds, taking into account the debt rating and the Company and subject to the state of the markets;
- Negotiations conducted by the Company for refinancing and extending the Company's loans (including the extension of one of the Company's loans in the amount of EUR 45.3 million in a three-month period);
- Proceeds received during 2021 and 2022 in connection with the sale of the Company's assets, forecast to receive additional proceeds by virtue of transactions for the sale of assets that have not yet been completed, and
- The Company's option to realize additional assets of the development and income producing real estate.

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

In its decision, the Board of Directors also examined the fact that the Company meets its financial covenants and obligations, and also examined the Company's ability to meet its obligations given various scenarios and found that the Company could meet them in the next twenty-four (24) months also under stress scenarios. In addition, in this regard, the Company also examined the potential impact of the recent significant decline suffered by the ADLER Group in the rating of its bonds, on its access to funding sources and took constructive actions in this regard, including entering into an agreement to receive a credit facility from the controlling shareholder of the Company and its extension, as detailed in section 11.9 below.

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

10.2 FFO (Funds from Operations):

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

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

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

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

	Three months ending June 30, 2022	**Three months ending June 30, 2021**	**Year ending December 31, 2021**
Net profit (loss) attributed to the Company's shareholders	(16,249)	27,967	72,676
Adjustments for net profit (loss)			
a. Adjustments for revaluations			
Increase in value of investment property and adjustments of liability value relating to investment property	(12,343)	(35,195)	(111,144)
Equity in losses (earnings) of companies accounted at equity	(859)	1,999	2,083
Change in fair value of financial assets and interest swap transactions at fair value	8,325	5,002	28,948
b. Adjustments for non-cash items			
Effects of indexing, and non-cash exchange rate differences and hedging transactions	18,263	1,854	10,800
Deferred tax expenses and taxes for prior years	40	5,829	21,214
c. one-off items / new activities / discontinued activities / other			
One-off adjustments and others	(866)	(852)	(363)
Expenses relating to project management and marketing in connection with the establishment of the residential project in Düsseldorf and adjustments in respect of current leasing activity in the project	292	275	1,353
Adjustments for sale of apartments	9,771	(797)	(897)
Total of adjustments to net profit	**22,623**	**(21,885)**	**(48,006)**
F.F.O	**6,374**	**6,082**	**24,670**

As mentioned above, in the three months ended June 30, 2022, FFO totaled EUR 6.4 million. As per the Company's estimate, the FFO's representative annual level, considering the events that occurred this quarter, will amount to approximately EUR 25.6 million.

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

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

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

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

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

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

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

The following is the calculation of the Company's EPRA indices as of June 30, 2022:

	EPRA NAV	EPRA NRV	EPRA NTA	EPRA NDV
Equity attributed to the Company's shareholders	847.4	847.4	847.4	847.4
Plus deferred taxes for EPRA adjustments (net of non-controlling interests)	141.4	141.4	141.4	-
Net of the fair value of derivative financial instruments, net	21.8	21.8	21.8	-
Revaluation of inventories	27.9	27.9	27.9	27.9
Plus Real Estate Transfer tax (RETT) and other transaction costs	-	112.0	76.0	-
Early repayment costs [10]	-	-	-	(20.1)
total	**1,038.5**	**1,150.5**	**1,114.5**	**855.2**

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

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

	EPRA NAV	EPRA NRV	EPRA NTA	EPRA NDV
Equity attributed to the Company's shareholders	876.3	876.3	876.3	876.3
Plus deferred taxes for EPRA adjustments (net of non-controlling interests)	140.4	140.4	140.4	-
Net of the fair value of derivative financial instruments, net	0.3	0.3	0.3	-
Inventory revaluation	98.6	98.6	98.6	98.6
Plus Real Estate Transfer tax (RETT) and other transaction costs	-	109.7	74.4	-
Early repayment costs	-	-	-	(8.7)
total	**1,115.6**	**1,225.3**	**1,190.0**	**966.2**

It should be noted that the decrease in the EPRA NAV index in the period between December 31, 2021 and June 30, 2022, is related, among other things, to the impairment of the Gerresheim project. For further details regarding the aforementioned revaluation, see section 12.3 below

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

11.1 The Company's rating and its bonds

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

11.2 Issuance of bonds

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

11.3 Spread of the Corona virus

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

11.4 The war in Ukraine

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

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

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

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

For further details regarding the agreement to receive a credit facility into which the Company has entered into agreement in connection with the tax liability described above, see section 11.7 below.

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

11.6 Gerresheim transaction – transaction cancellation, loan repayment and the date of obtaining approvals

On January 3, 2022, the Company announced the entry into a binding agreement (subject to conditions precedent) for the reversal and cancellation of the Gerresheim transaction. For further details, see Note 6B (1) to the Company's financial statements for 2021, as well as the Company's immediate report from October 10, 2021 and January 3, 2022 (reference number: 2021-01-158139 and 2022-01-001300), respectively, which are hereby included by reference.

On June 1, 2022, the Company fully repaid the loan it took in connection with the financing of the Gerresheim project in a total amount of EUR 147.5 million and accordingly the lien was removed from the property. For further details in this regard, see the Company's immediate report dated June 2, 2022 (reference number: 2022-01-069097), which is included herein by way of reference.

Further to the foregoing, on June 21, 2022, upon the full repayment of the loan, the Company exercised its right and announced the waiver of the agreed conditions as a precondition for cancelling the Gerresheim transaction and accordingly **the Gerresheim transaction was cancelled**. For further details, see the Company's immediate report dated June 21, 2022 (reference number: 2022-01-063027).

For further details regarding the Company's assessments regarding the date of receipt of the required approvals in connection with the Zoning Plan for the Gerresheim project (Zoning Plan), see the Company's immediate report dated May 26, 2022 (reference number: 2022-01-052479), which is hereby included by reference.

11.7 Credit facility from a banking corporation

On May 13, 2022, the Company entered into an agreement with an international banking corporation, with which it has not previously entered into an agreement, to receive a credit facility in the amount of approximately EUR 30 million. The credit facility will be provided to the Company by the middle of the first quarter of 2023 (with an extension option by about two months), and will be repaid in one payment at the end of the credit period. It should be noted that the withdrawal of funds from the credit facility by the Company is subject to a number of conditions precedent, including the presentation of a tax assessment to the Company by the German tax authorities. For further details, see the Company's immediate report dated May 15, 2022 (reference number: 2022-01-057913), which is included herein by way of reference.

11.8 Approval of the Company's remuneration policy

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

11.9 Credit facility agreement with the controlling shareholder

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

The credit facility will be provided to the Company for the purpose of refinancing the Company's financial liabilities which are due to be repaid during 2022, payment of the Company's tax liability and financing expenses in connection therewith, and those only. It is indicated that as of the report date, the Company received EUR 100 million from the credit facility. For further details, see the Company's immediate reports dated May 19, 2022 and May 23, 2022 (References No.: 2022-01-061300 and 2022-01-050802, respectively).

In addition, on August 13, 2022, the Company entered into credit facility modification agreement with ADLER, the controlling shareholder, according to which the repayment date of the credit facility will be extended until the end of December, 2023, as well as a certain update to the terms of repayment of the credit facility. For further details, see the Company's immediate report dated August 14, 2022 (reference number: 2022-01-102571), which is included herein by way of reference.

11.10 Completion of a transaction for selling a commercial property in Neckarsulm

Further to the Company's immediate report from August 8, 2021 (reference number: 2021-01-128586), which is included herein by way of reference, in connection with entering into a transaction for the sale of a commercial property in the city of Neckarsulm, during the reported period, on May 31, 2022, the Company received the full consideration from the sale, in the amount of EUR 16.5 million, thus completing the sale of the property. For further details, see the Company's immediate report from June 2, 2022 (reference number: 2022-01-069097), which is included herein by way of reference.

11.11 <u>Inflation and interest increase in the second quarter of 2022; construction costs</u>

During the second quarter of 2022, the negative trend of accelerating the inflation rate and increasing the fear of a recession in the markets in Israel and the world continued, where in Israel the increase in the consumer price index in June 2022 reflected an annual increase of about 4.4% and in Germany, in June 2022 an increase in the consumer price index was recorded which reflects an annual increase of about 7.5%. In addition to the above, an increase in the prices of construction and energy costs was also recorded during the reporting period (including at the backdrop of the war in Ukraine). In an attempt to slow down inflation rate, the central banks in the world and in Israel increased interest rates, where in Germany interest rate climbed to a rate of 0.5% and in Israel to a rate of 1.25%. Also, the government in Germany has passed a series of laws aimed at easing the burden on the public resulting from, among other things, the increase in energy prices. Changes in inflation and interest rates in Israel and around the world have a significant impact on the business activity of the economy, which is reflected, among other things, in operating costs, raw material costs, labour costs, financing costs structure, etc.

For further details regarding the effect of inflation risk factor and interest increase; construction costs see section d to Appendix A of this chapter.

11.12 On August 3, 2022, after the date of the report, the Company learned that LEG decided not to publish a tender offer for the purchase of the remaining shares of the Company and accordingly will not exercise ADLER's commitment toward it. For further details, see the Company's immediate report dated August 3, 2022 (reference number: 2022-01-080532), which is hereby included by way of reference.

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

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

12 Valuations

12.1 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 property[11]are not attached to the quarterly report as they are "material"[12]but not "very material"[13] .Below is the summary of the data regarding these valuations.

[11] as defined in the reports' regulations.

[12] as defined in the reports' regulations.

[13] 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 11, 2022 Effective date – June 30, 2022	295,420	298,050	CBRE MRICS, RICS) Michael Schlatterer (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**	2.90%	-1.50% 2.00%	379,044	Comparative transactions, which include a price per square meter, for properties with similar characteristics	CBRE database regarding signed lease agreements for approximately 1,896 apartments in Leipzig
Bremen Residential portfolio	Signing – August 5, 2022 Effective date – June 30, 2022	85,620	87,460	CBRE MRICS, RICS) Michael Schlatterer (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**	3.83%	-1.50% 2.00%	112,124	Comparative transactions, which include a price per square meter, for properties with similar characteristics	CBRE database regarding signed lease agreements for approximately 172 apartments in Bremen

Kiel Residential portfolio	Signing – August 5, 2022 Effective date – June 30, 2022	91,750	97,070	CBRE MRICS, RICS) Michael Schlatterer (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**	3.38%	-1.75% 2.50%	130,798	Comparative transactions, which include a price per square meter, for properties with similar characteristics	CBRE database regarding signed lease agreements for approximately 80 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, 2022. 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 71.74% 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 income producing residential segment at a rate of approximately 0.10% due to changes in market conditions during the relevant period. As a result, the fair value of the residential assets has increased and a profit from change of fair value of the Company's income producing assets of EUR 24.6 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 2022.

12.3 Additional details on the Company's valuations of additional assets of the company

Assets of the Company's development real estate portfolio

In the ordinary course of its business, the Company uses NAI APOLLO, an external appraiser (for this purpose - the "appraisers"), for the purpose of performing valuations for immaterial assets from the Company's development real estate portfolio.

During the report period, the Company recognized a loss of approximately EUR 23 million in the Company's books in light of the fact that the valuations conducted in connection with the aforementioned assets reflected a fair value lower than the value of the aforementioned assets in the Company's books.

In addition, the Company also conducted a valuation for the Gerresheim project, which indeed reflected a significant decrease in the fair value of the project (in the amount of approximately EUR 69 million) however the value of the project remained higher than its value in the Company's books (presented on a cost basis) and therefore the aforementioned valuation had no effect on the Company's profit (loss).

As the Company was informed by the appraisers, the decrease in the value of the Company's development real estate assets stems from a number of factors, among others - from certain changes in parameters that are inherently dynamic in the valuation methodology (which had a positive and negative effect on the valuation, including the GAV index); from changes in the development stage of the projects, taking into account both the designation of the projects and the level of risk of each project related to the stage of which project; and especially from an increase in construction inputs resulting from the increase in inflation rate and possible changes in the expected financing costs as a result.

A financial asset of the company

As detailed in the Company's financial statements, the Company acquired a holding in a public company incorporated in Germany, which, after the date of purchase of its shares by the Company, its control was acquired by an indirect controlling shareholder of the Company whose shares are traded on the Unofficial Regulated Frankfurt Stock Exchange and which operates in the residential real estate development market in Germany (for this purpose - the "German Development Company"). During the reporting period, the market value of the German Development Company's shares decreased and accordingly the Company recognized in its reports a loss of approximately EUR 5.4 million. Also, during the reporting period, the Company learned that the German Development Company made a decision to delist its shares from trading.

A financial derivative of the company

During the reporting period, the Company recognized the liability of the financial derivative, which is intended to hedge the NIS liabilities of the Company following its expected future bond payments. The liability in the amount of approximately EUR 21.7 million was recognized during the reporting period.

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, March 9, 2022	April 4, 2016
Par value on the date of issue (thousands NIS)	175,000	102,165
Par value on the date of expanding series (thousands NIS)	636,440	160,180
Par value as at 30.6.2022 (thousands NIS)	636,440	140,566
Linked par value as at 30.6.2022 (thousands NIS)	680,045	148,141
Sum of cumulative interest plus linkage differentials (thousands NIS) as at 30.6.2022	-	2,339
Value in financial statements as at 30.6.2022 including interest payable (thousands NIS)	700,331	150,560
Value at the stock exchange as at 30.6.2022 (thousands NIS)	725,224	161,117
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	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

	Sections 2.8.4.12 and 2.8.4.13 of the shelf prospectus[14] [15]	
Dates of paying principal	Payable in 12 unequal annual instalments on December 31 of each year 2013 to 2024 (inclusive), as such that each of the first seven instalments will constitute 4% of the principal of the total par value of the bonds (Series B), and each of the last five instalments will constitute 14.4% of the principal of the total par value of bonds (Series B); the first principal payment is on December 31, 2013.	Payable in 12 unequal annual instalments on July 20 of each year 2015 to 2026 (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 is on July 20, 2015.
Dates of paying interest	Payable on December 31 and June 30 of each year 2013 to 2024 (inclusive), effective from December 31, 2013. The last interest instalment will be paid on December 31, 2024.	Payable on January 20 and July 20 of each year 2015 to 2026 (inclusive), effective from January 20, 2015. The last interest instalment will be paid on July 20, 2026.

Linkage base (principal and interest)	Linked (principal and interest) to the consumers' price index published on February 15, 2013 in respect of April 2013	Linked (principal and interest) to the consumers' price index published on May 15, 2014 in respect of June 2014.
Are they convertible?	No	No
Company's right to perform early redemption or forced conversion	The Company may (but is not obligated to), at any time and at its sole	The Company may (but is not obligated to), at any

[14]it is indicated that on May 16, 2022, following the announcement of Maalot S&P on lowering the Company's rating to ilA- there was an increase of 0.25% in the interest rate on the bonds (series B and series C) to a rate of 3.54% (series B) and to 3.55% (series C). For further details, see the Company's immediate report of May 19, 2022 (reference number: 2022-01-061216).

[15] 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").

	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.	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. Details on the trustee

Bonds (Series B)

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

Bonds (Series C)

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

15. Rating:

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

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

On May 16, 2022, Maalot S&P announced that it had lowered the rating of the Company to 'ilA- and left it in credit watch with negative consequences. For further details, see immediate report dated May 16 and 17, 2022 (Reference No.: 2022-15-048171 and 2022-01-059878, respectively). it should be indicated that following the lowering of the rating and in accordance with the terms of the deeds of trust of the Company's bonds, a 0.25% increase in the interest rate on the bonds has taken place (Series B and Series C). For further details, see immediate report dated May 17, 2022 (reference number: 2022-01-060172).

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

March 2017	ilAA-	ilAA-, stable
March 2018	ilAA-	ilAA-, stable
March 2019	ilAA-	ilAA-, stable
March 2020	ilAA-	ilAA-, stable
March 2021	ilAA	ilAA-, stable
February 2022	ilAA	ilAA- negative outlook
March 2022	ilAA	ilAA- negative outlook
April 2022	ilAA	ilAA- negative outlook
May 2022	ilA	ilA- negative outlook
Rating of the issuer and bonds as of the date of the report	ilA	ilA- negative outlook

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

To the Company's best knowledge, as of the report date and over the reported year, the Company has complied with all terms and liabilities according to the deeds of trust[16], including at the end of the Report Period, when the Company complied with all the financial covenants prescribed in the deed of trust of February 24, 2011 (as amended on October 30, 2012 and January 29, 2017) between the Company and Reznik Paz Nevo Trust Ltd, the trustee for the bond holders (series A) that were fully repaid as specified in section 11.4 above and in the deed of trust dated May 9, 2013 (as amended on January 29, 2017, July 3, 2017 and May 27, 2018) between the Company and Reznik Paz Nevo Trust Ltd, the trustee for the bond holders (series B), and in the deed of trust for bond holders dated July 14, 2014 (as amended on January 29, 2017, July 3, 2017 and May 27, 2018) between the Company and Reznik Paz Nevo Trust Ltd, the trustee for the bond holders (Series C), (below and respectively: the trustee and the deeds of trust) including the following financial covenants:

A. At the end of each quarter the ratio of the Company's equity to its financial debt, net, according to solo reports for that date, will not be under 187.5%[17]:

The Company's equity, which is attributed to the majority shareholders at the Report Period, namely, as of June 30, 2022, is EUR 847.4 million.

The financial debt, net, according to solo reports of the Company, as of the same date, is EUR 215.4 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, 2022, is approximately 393.34%.

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, 2022: 765,027.

The total issued share capital of BGP as of June 30, 2022 and the report signing date: 1,978,261.

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[16] 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 2019-01-021450) which is included herein by way of reference.

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

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

BGP's equity, attributed to its shareholders, as appears in the Company's financial statements as of June 30, 2022: EUR 1,061,791 thousand.

The EUR/NIS representative exchange rate known, published by the Bank of Israel, as of the signing date of the report: NIS 3.3402.

The value of the charged shares: NIS 1,371,528 thousand.

Net debt: NIS 680,045 thousand.

Accordingly, the ratio between the charged shares' value to net debt, as of the end of the Report Period, is approximately 202%, 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, 2022: 394,430.

The total issued share capital of BGP as of June 30, 2022 and the report signing date:1,978,261

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

BGP's equity, attributed to its shareholders, as appears in the Company's financial statements as of June 30, 2022: EUR 1,061,791 thousand.

The EUR/NIS representative exchange rate known, published by the Bank of Israel, as of the signing date of the report: NIS 3.3402

The value of the charged shares: NIS 707,128 thousand.

Net debt: NIS 150,355 thousand.

Accordingly, the ratio between the charged shares' value to net debt, as at the end of the Report Period, is approximately 470%, 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 847.4 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 847.4 million and the debt ratio to CAP is 40.20% (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	333,474
Financial liabilities of the subsidiaries	457,571
Net of cash, cash equivalents and deposits	(130,610)
Net financial debt – consolidated	**660,435**
CAP[18]	
Equity including non-controlling interests	882,226
Net financial debt, consolidated	660,435
CAP	**1,542,661**

Therefore, **this ratio is 40.20%** whereas according to the deeds of trust such a ratio should be lower than 75% for Series B and C.

[18] 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.

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

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

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

18. Attaching the financial statements of BGP:

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

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

The following is data as of June 30, 2022, with respect to the assets and liabilities of the Group which are not included in the consolidated statements of the pledged investee company, compared to the assets and liabilities of the pledged investee and the total consolidated balance sheet:

Data as of June 30, 2022 (EUR in thousands)	The Company Consolidated	Assets/liabilities In the pledged investee company	Assets/liabilities In unpledged companies
Total assets	1,871,401	1,751,885	119,516
Current assets	183,287	65,154	118,133 *
Noncurrent assets	1,688,114	1,686,731	1,383
Total liabilities	989,175	655,242	333,933
Current liabilities	388,611	224,693	163,918 **
Noncurrent liabilities	600,564	430,549	170,015 ***
Non- controlling interests	34,852	34,852	-
Total equity	847,374	1,061,791	(214,417)
Rate of assets out of the total assets in the balance sheet	100%	94%	6%
Rate of liabilities out of the total liabilities in the balance sheet	100%	66%	34%
Rate of equity out of the total equity in the balance sheet	100%	125%	(25%)

* 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; in addition, a loan from a controlling shareholder in the amount of EUR 100 million which was received in the second quarter of 2022.
*** 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 14, 2022

Appendix A

Discussion of Risk Factors

The Company's management estimates that the Group's operations in its area of activity are exposed to the following main risk factors:

Macro-Economic Risk Factors:

(A) **The market situation in Germany –** among the macro-economic factors in Germany which may impact the operating results of the Company are the growth rate in the GDP and change in the employed persons. These factors have a direct impact mainly on the demand for office spaces and new residential areas. Similarly, a change in scope of private consumption in Germany may impact the revenue of retail companies and as a result on demand for commercial space. Fiscal restraint which will be reflected in the reduction of welfare budgets may detrimentally impact the residential rental market in Germany, as well as increase unemployment in Germany, may lead to decreased demand for apartments and curb the increase of average rental fees per sq.m.

Due to the nature of the Company's operations in the field of real-estate in Germany, the state of the German economy will significantly impact the operating results of the Company. Material adverse changes in the market in Germany may impact the Company's ability for business development in this country.

(B) **A recession in the credit market, downturn in the capital markets in Israel and globally, insolvency of European countries and the concern of the dismantling the Eurozone due to the rise in regimes advocating exit from the union**- rise of Governments in some EU countries that advocate exit the from the Eurozone, similar to Brexit, can lead to return of the recession in the credit market and fear of decline in the credit rating of European countries (such as Greece, Spain, Portugal and Italy), as experienced by the EU during the second half of 2011 while creating a domino effect that will also impact additional European countries, including Germany.

The consequences of this scenario on the Company are expected to be reflected in difficulties of obtaining bank financing, stricter financing terms (high equity to debt ratio, high interest costs as a result of an increase in margins required by banks, etc.), resulting in a slow-down in the real estate market in Europe generally and Germany specifically, which will cause fewer transactions and harm the Company's expansion. Additionally, a slump in the capital markets in Israel and outside of it may harm the Company's future ability to perform issuances in Israel and in stock exchanges abroad, and a slump as stated in the capital markets in Israel and abroad may cause difficulty in raising capital and debt for financing the Company's activities.

(C) **Interest risks –** regarding the Company's assets, an increase in interest rates increases the rates of return sought by investors, thus decreases the value of real estate.

Regarding the liabilities of the Company, the Company hedges most of its financial liabilities by taking loans with fixed interest or alternatively engagement in interest swap agreements (SWAP).

(D) **Inflation and interest increase; increase in construction costs -** During the second quarter of 2022, the negative trend of accelerating the inflation rate and interest increase continued. For further details in this regard see section 11.1 above. Changes in inflation trends and interest rates in Israel and around the world may have an impact on the group's activities, and this, among other things, in light of the impact of the aforementioned processes on the business activity of the economy, including regarding operating costs, raw material costs, labor costs, the structure of financing costs, etc. Also, an increase in the prices of construction costs was recorded in the second quarter of 2022, which may have an impact on the profitability of the properties included in the Company's development real estate portfolio, as well as on the valuations of these properties. The Company estimates that its rich and diverse asset portfolio will allow it to maintain its financial strength in a way that will reduce the effect of inflation, interest rate increases and construction cost increases, on the results of its operations.

(E) **Spread of Corona virus** - The spread of the Corona virus has macroeconomic implications on all countries of the world, including Germany. The countries of the world are taking various measures to prevent the spread of the virus as well as its impact on global markets. The German government has also taken a number of measures to eradicate the spread of the virus and its impact on German economy.

At this stage, among others, while focusing on the development of variants on one hand the vaccinations on the other hand and the uncertainty regarding the spread of the virus, the Company is unable to assess the exact effect of the spread of the aforementioned virus on its operations, but taking into account that the Company has focused its residential real estate activities and reduced its commercial real estate portfolio, the Company believes the impact of the spread of the Corona virus on the Company's activities and its results will be moderate. In addition, the significant improvement that has taken place in the Company's leverage level in recent year, its access to financing sources and the right to receive significant amounts of proceeds for uncompleted transactions, may help maintaining the stability and solvency of the Company at this period.

It should be clarified that the Company's estimates in connection with the implications of the Corona virus as mentioned above, including its stability and solvency, are based, inter alia, on public information published in the media as of the date of the report. The Company's estimates in this regard may or may not materialize or materialize differently from the above.

(F) **Implications of the war in Ukraine** – the Russian invasion of Ukraine in February 2022 may have overall implications on global economy including capital markets and availability and prices of common raw materials such as iron and oil due to demographic changes due to refugees and immigration. The above implications may have an impact on the Company's business operations, on the Company's capital assets, as well as on the availability of financing in the capital market. It should be clarified that as of the date of this report and considering the early stage of the crisis, the Company estimates that the war in Ukraine has no material impact on the Company's activity, however, the Company's estimates are based in this context, inter alia, on public information that has been published in the media as of the publication date of the report, and therefore its estimates in this context may change or not materialize or materialize differently than the foregoing.

Sectorial Risk Factors – residential development and Income-Generating Real Estate

a) **Decrease in demand for areas for rent –**crisis in the real estate market in Europe and Germany may lead to a decrease in the demand for areas for rent, erosion of rental fees in the Group and harm its financial results. The high occupancy rates of the Company may be harmed in the event that a decline occurs in the demand for areas and/or non-renewal of existing lease agreements. The demand for office and commercial spaces may decline as a result of the increase in supply of areas, and as a result of competition over high-quality tenants (with financial strength).

b) **Decrease in occupancy rate in the apartments of the Group's properties** - as of the date of this shelf prospectus, the Group's activity is characterized by high occupancy rates. The occupancy rate depends on the quality of the properties, their geographical location as well as a variety of external circumstances such as infrastructure in the area of the property as well as accessibility to the property's surroundings. As part of its business plan, the Group works to improve the occupancy rate, including (and subject to legal restrictions), evicting tenants in properties with a low occupancy rate in order to renovate the properties and bring in new tenants while increasing rents. A low occupancy rate in the Group's properties over time, together with fixed management costs for the property, harm its operating results.

c) **Decrease in insolvency of tenants** - this risk factor may lead to an increase in provisions for doubtful debts or alternatively may cause non-renewal and even early termination of the lease agreements.

d) **Decrease in the scope of governmental support for low-income strata –** in certain areas of Germany, in which the Company also operates, the government provides support in the form of participation in rental fees for needy populations (unemployed, disabled and the elderly). A decrease in the scope of support may lead to a decrease in the ability to make payments by tenants. It shall be noted that about EUR 0.6 million representing 10% of the total apartment rental fee income in the field of residential income-generating real estate is paid on a monthly basis by the relevant local authority in accordance with the housing subsidy policy for eligible tenants of the same relevant authority.

e) **Value of the Company's assets** - the Company is exposed to the decrease in value of the assets it holds, and the inability to exercise them. A decrease in the values of the Group’s assets and/or inability to exercise them may adversely impact the business results of the Company. Determining the fair values of investment property is performed, inter alia, in accordance with the income capitalization method. The calculation of income capitalization involves making assumptions, including assumptions regarding the capitalization rates, assumptions regarding the renewal of agreements (mainly the probability of renewal and anticipated rental fees upon renewal) and the occupancy rates in the various assets, estimates which are naturally uncertain.

f) **Legislation and regulation in the real estate industry in Germany, including liability for environmental damage (ESG)** - the Group's activities are subject to German regulation in all areas of activity, in such a way that a change in the regulatory environment (among other things, changes in the provisions of the law governing the renovation of buildings owned by the Group, provisions regarding requirements for energy efficiency , legislation affecting the local rental laws and legislation concerning the conversion of buildings into condo buildings) may affect the Group's activities and its results. In addition, the Group's activities in Germany are subject to legislative provisions in the local privacy laws adopted during 2018 and require strict compliance with the requirements regarding the possession and use of personal information. Non-compliance with these legal provisions may result in the imposition of fines in the amounts calculated from the Group's revenue stream. Also, the Group may be exposed to certain obligations in the field of environmental conservation and the costs involved in complying with these obligations, which may have a negative effect on the results of the Group's activities.

g) **Decrease in demand for the purchase of new residential apartments in Dusseldorf -** Dusseldorf has been characterized in recent years by an increase in demands for the purchase of new residential apartments as a result of the economic boom that the city has experienced in the past 10 years which encourages positive immigration of population in a high socio-economic section to the city. A reversal of this trend, as a result of an economic slowdown of the city may adversely impact both the level of demand for new residential apartments in Dusseldorf and the sale prices of apartments as stated, and consequently increasing the performance times and harm the profitability of the development residential project of the Company in Dusseldorf.

h) **Increase in the supply of available lands and/or residential construction projects in Dusseldorf** - Dusseldorf is characterized by an excess of demand for new residential apartments compared to the existing supply as a result of demographic growth on the one hand and a shortage of available lands for residential construction in attractive locations in the city. As a result of the aforementioned lack of land availability, leading to a trend of rising prices for new apartments, real estate developers are working to change the zoning of existing land complexes from commercial, industrial and office complexes to residential complexes. If this trend results in a significant increase in the supply of land in central locations in the city for the construction of new residential apartments, it may have a negative effect on the demand for the projects carried out by the Company, lead to a decrease in the selling prices of new apartments in the city and as a result extend the duration of its execution and damage the profitability of the Company's development residential project in the city of Dusseldorf.

a. Increase in construction input prices and/or contractor performance costs - increase in construction input prices as a result of the recovery of global economic (for example, increase in prices of crude iron following the growth of demand for iron in India, Brazil and China) and/or alternatively following the implications of the war that broke out in Ukraine after the report date and its effect on the prices of oil and the availability of raw materials and its supply and/or increase in contractor performance costs for residential construction in Dusseldorf as a result of the possible growth in the number of competing projects (see Section 1.2 above), will lead to unforeseen increase in performance costs of the Company’s project in the city and a decrease in its profitability.

The following table presents the risk factors described above by nature - macro risks, sectorial risks and risks unique to the Group. These risk factors are rated in line with the estimations of the Company's management, based on the circumstances existing as of the report date, according to their estimated impact on the Group's business:

	Degree of Impact of the Risk Factor on the Segment		
	Large	**Medium**	**Negligible**
Macro Risks			
Economic situation in Germany		+	
Recession in the credit market, downturn in the capital market in Israel and the world and insolvency of European countries	+		
Interest risks	+		
Inflation and interest increase	+		
Spread of the Corona virus		+	
Consequences of the war in Ukraine		+	
Sectorial Risks - income-generating real estate			
Decline in demand for rental areas		+	
Decline in occupancy rates in the apartments in the Group's assets		+	
Decline in credit solvency of tenants		+	
Decline in scope of governmental support for low-income strata		+	
Value of Company's asset	+		
Legislation and regulation in the real estate sector in Germany including liability for environmental damages (ESG)		+	
Decrease in demand for the purchase of new residential apartments in Dusseldorf		+	
Increase in supply of available lands and/or residential projects under construction in Dusseldorf	+		
Increase in construction input prices and/or contracting performance costs	+		

The Company's estimates of the above risk factors, including the degree of impact of the risk factors on the group in general and of the spread of the Corona virus, the war in Ukraine, inflation and the increase in interest rates in particular, is based on information available in the Company and in the world as of the date of the report, and includes the Company's estimates and intentions, considering the current state of affairs. It is clarified that the Company may be exposed in the future to additional risk factors and/or that the risk factors described above will develop differently from the Company's estimates and the effect of each risk factor, if realized, may differ from the Company's estimates

BRACK CAPITAL PROPERTIES N.V.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2022

UNAUDITED

IN THOUSANDS OF EUROS

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KPMG

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

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

Introduction

We have reviewed the accompanying financial information of Brack Capital Properties N.V. and its subsidiaries (hereinafter – the Group), which includes the condensed consolidated statement of financial position as of June 30, 2022 and the condensed consolidated statements of profit and loss and comprehensive income, changes of equity and cash flows for the six-month and three-month periods ending that date. The Board of Directors and Management are responsible for preparing and presenting financial information for this interim period 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 this interim period, based on our review.

The condensed consolidated interim financial information as at June 30, 2021 and for a period of six months and three months ending that date was reviewed by the previous auditors whose report of August 25, 2021 included an unqualified conclusion.

Scope of the Review

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

Conclusion

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

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

Somekh Chaikin
Certified Public Accountants (Isr)
August 14, 2022

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30,		December 31,
	2022	2021	2021
	(Unaudited)		(Audited)
	€ in thousands		
Current Assets			
Cash and cash equivalents	130,248	50,280	24,861
Restricted deposits, financial assets and other receivables	36,730	17,118	25,980
Income receivable and other receivables from the sale of apartments	271	553	554
Tenants and trade receivables, net	2,438	2,314	1,641
Assets of disposal groups held for sale	13,600	6,469	30,331
Total current assets	183,287	76,734	83,367
Non-Current Assets			
Investments and loans in companies accounted at equity	2,928	27,256	2,069
Investment in financial assets measured at fair value through profit or loss	7,908	37,863	13,344
Inventory of real estate	214,434	47,722	215,527
Investment property – real estate rights and investment property under construction	79,200	81,500	99,100
Investment property – income generating assets	1,367,172	1,293,610	1,317,230
Restricted deposits for investments in assets	7,478	6,944	7,026
Other accounts receivable and other financial assets	165	216	11,626
Deferred taxes	8,829	355	5,371
Total non-current assets	1,688,114	1,495,466	1,671,293
Total assets	1,871,401	1,572,200	1,754,660

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2022	June 30, 2021	December 31, 2021
	(Unaudited)	(Unaudited)	(Audited)
	€ in thousands		
Current Liabilities			
Current maturities of loans from banks	190,306	10,367	244,468
Current maturities of debentures	63,334	10,346	11,508
Loan from controlling shareholder	100,125	-	-
Accounts payable and other financial liabilities	32,678	22,745	15,868
Deferred tax liabilities	1,822	13,612	14,674
Liabilities of disposal groups held for sale	346	31	287
Total current liabilities	388,611	57,101	286,805
Non-Current Liabilities			
Loans from banks	267,265	422,308	356,186
Debentures	170,015	65,043	60,841
Other financial liabilities	24,293	77	-
Deferred taxes	138,991	130,226	139,393
Total non-current liabilities	600,564	617,654	556,420
Total liabilities	989,175	674,755	843,225
Equity Attributable to Company Shareholders			
Share capital	77	77	77
Premium on shares	144,237	144,237	144,237
Treasury shares	(746)	(746)	(746)
Other capital reserves	(531)	(531)	(531)
Statutory capital reserve	542,533	497,944	530,385
Retained earnings	161,804	221,399	202,868
Total equity attributable to Company shareholders	847,374	862,380	876,290
Non-controlling interests	34,852	35,065	35,145
Total equity	882,226	897,445	911,435
Total liabilities and equity	1,871,401	1,572,200	1,754,660

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

August 14, 2022			
Date of approval of the financial statements	Patrick Burke Chairman of the Board of Directors	Thierry Beaudemoulin CEO	Eran Edelman CFO

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT AND LOSS AND COMPREHENSIVE INCOME

	Six months ended June 30,		Three months ended June 30		Year ended December 31
	2022	2021	2022	2021	2021
	Unaudited				Audited
	€ in thousands (except for net earnings per share data)				
Revenues from rental of properties	29,786	29,893	14,880	14,840	59,243
Revenues from property management and others	12,079	11,973	6,155	5,942	23,706
Property management expenses	(11,992)	(11,925)	(5,870)	(6,092)	(23,644)
Cost of maintenance of rental properties	(5,265)	(5,087)	(2,804)	(2,488)	(10,228)
Rental and management revenues, net	24,608	24,854	12,361	12,202	49,077
Revenues from sale of apartments	-	8,301	-	6,719	8,301
Cost of sale of apartments	(10,868)	(7,304)	(10,868)	(5,839)	(7,304)
Gain (loss) from sale of apartments	(10,868)	997	(10,868)	880	997
Equity in earnings (losses) of companies accounted at equity	859	(1,999)	859	(1,999)	(2,083)
General and administrative expenses	(5,799)	(5,718)	(2,886)	(2,404)	(11,547)
General and administrative expenses relating to inventory of buildings under construction and real estate inventory	(878)	(893)	(324)	(278)	(1,502)
Operating profit (loss) before change in value of investment property, net	7,922	17,241	(858)	8,401	34,942
Appreciation of investment property, net	12,482	67,577	12,482	33,908	111,603
Operating income	20,404	84,818	11,624	42,309	146,545
Finance expenses net of exchange rate effect and currency hedging transactions	(6,162)	(5,384)	(3,214)	(2,671)	(10,635)
Exchange rate effect, CPI and currency hedging transactions	(18,307)	(2,305)	(17,538)	(1,660)	(10,023)
Change in fair value of financial instruments, credit losses and others	(6,898)	(4,500)	(8,326)	(4,469)	(28,949)
Other expenses, net (1)	(21,715)	-	509		-
Income (loss) before taxes on income	(32,678)	72,629	(16,945)	33,509	96,938
Taxes on income	3,469	(14,043)	343	(6,704)	(24,362)
Net and comprehensive income (loss) for the period	(29,209)	58,586	(16,602)	26,805	72,576
Net and comprehensive income (loss) attributable to:					
Equity holders of the Company	(28,916)	58,766	(16,249)	27,967	72,676
Non-controlling interests	(293)	(180)	(353)	(1,162)	(100)
	(29,209)	58,586	(16,602)	26,805	72,576
Net earnings per share attributable to equity holders of the Company (in Euro) - basic and diluted	(3.74)	7.60	(2.10)	3.62	9.40

(1) See Note 5(1) below.

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity Attributable to Company Shareholders								
	Share Capital	Premium on Shares	Treasury Shares	Other capital reserves	Statutory Capital Reserve	Retained Earnings	Total	Non-Controlling Interests	Total Equity
	Unaudited								
	€ in thousands								
Balance as of January 1, 2022 (audited)	77	144,237	(746)	(531)	530,385	202,868	876,290	35,145	911,435
Total net and comprehensive loss	-	-	-	-	-	(28,916)	(28,916)	(293)	(29,209)
Classification as per provisions of Dutch law	-	-	-	-	12,148	(12,148)	-	-	-
Balance as of June 30, 2022 (unaudited)	77	144,237	(746)	(531)	542,533	161,804	847,374	34,852	882,226

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity Attributable to Company Shareholders								
	Share Capital	**Premium on Shares**	**Treasury Shares**	**Other capital reserves**	**Statutory Capital Reserve**	**Retained Earnings**	**Total**	**Non-Controlling Interests**	**Total Equity**
	Unaudited								
	€ in thousands								
Balance as of January 1, 2021 (audited)	77	144,237	(746)	584	438,591	221,986	804,729	40,701	845,430
Total net and comprehensive income (loss)	-	-	-	-	-	58,766	58,766	(180)	58,586
Classification as per provisions of Dutch law	-	-	-	-	59,353	(59,353)	-	-	-
Purchase of rights from non-controlling interests	-	-	-	(1,115)	-	-	(1,115)	(5,456)	(6,571)
Balance as of June 30, 2021 (unaudited)	77	144,237	(746)	(531)	497,944	221,399	862,380	35,065	897,445

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share Capital	Premium on Shares	Treasury Shares	Other capital reserves	Statutory Capital Reserve	Retained Earnings	Total	Non-Controlling Interests	Total Equity
	Unaudited								
	€ in thousands								
Balance as of April 1, 2022 (unaudited)	77	144,237	(746)	(531)	530,385	190,201	863,623	35,205	898,828
Total net and comprehensive loss	-	-	-	-	-	(16,249)	(16,249)	(353)	(16,602)
Classification as per provisions of Dutch law	-	-	-	-	12,148	(12,148)	-	-	-
Balance as of June 30, 2022 (unaudited)	77	144,237	(746)	(531)	542,533	161,804	847,374	34,852	882,226

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share Capital	Premium on Shares	Treasury Shares	Other capital reserves	Statutory Capital Reserve	Retained Earnings	Total	Non-Controlling Interests	Total Equity
	Unaudited								
	€ in thousands								
Balance as of April 1, 2021 (unaudited)	77	144,237	(746)	584	466,107	225,269	835,528	41,683	877,211
Total net 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 rights from non-controlling interests	-	-	-	(1,115)	-	-	(1,115)	(5,456)	(6,571)
Balance as of June 30, 2021 (unaudited)	77	144,237	(746)	(531)	497,944	221,399	862,380	35,065	897,445

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2022	2021	2022	2021	2021
	Unaudited				Audited
	€ in thousands				
Cash flows from operating activities					
Net income (loss)	(29,209)	58,586	(16,602)	26,805	72,576
Adjustments to reconcile net income to net cash provided by operating activities:					
Adjustments to profit and loss:					
Depreciation	56	58	28	28	112
Financial expenses, net	25,486	7,677	23,978	4,194	22,193
Decrease (increase) in fair value of financial instruments	5,234	4,536	8,297	4,581	28,926
Increase in value of investment property, net	(12,482)	(67,577)	(12,482)	(33,908)	(111,603)
Deferred taxes, net	(3,838)	5,732	207	144	12,142
Equity in losses (earnings) of companies accounted at equity	(859)	1,999	(859)	1,999	2,083
	13,597	(47,575)	19,169	(22,962)	(46,147)
Cash flows from operating activities before changes in asset and liability items	(15,612)	11,011	2,567	3,843	26,429
Changes in asset and liability items:					
Decrease (increase) in restricted deposits, inventory, tenants and trade receivables, financial assets and other receivables	3,199	(1,441)	174	504	(4,620)
Increase (decrease) in accounts payable	8,281	717	(3,593)	2,673	2,084
	11,480	(724)	(3,419)	3,177	(2,536)
Net cash provided by (used in) operating activities before activity in real estate assets and liabilities	(4,132)	10,287	(852)	7,020	23,893
Change in advances and income receivable from apartment purchasers	-	2,819	-	(2,012)	2,819
Decrease (increase) in inventory of buildings under construction and real estate inventory	1,094	(1,525)	4,468	3,939	(6,680)
Net cash provided by (used in) operating activities	(3,038)	11,581	3,616	8,947	20,032

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,
	2022	2021	2022	2021	2021
	Unaudited				Audited
	€ in thousands				
Cash Flows from investing activities					
Investment in investment property – income generating assets	(6,938)	(7,954)	(3,613)	(4,629)	(17,180)
Investment in investment property – real estate rights and investment property under construction	(10,196)	(12,743)	(3,842)	(6,389)	(29,901)
Return on investment (investment) in companies measured at equity	-	(6,305)	-	(5,184)	(6,559)
Proceeds from sale of investment property, net	16,077	21,646	16,077	11,692	27,728
Proceeds from sale of subsidiaries, net (a)	-	9,261	-	-	9,261
Cash and cash equivalents of a newly consolidated subsidiary (b)	-	-	-	-	1,114
Withdrawal (placement) of restricted deposits, net	(3,754)	(447)	(7,858)	(920)	(2,505)
Net cash provided by (used in) investing activities	(4,811)	3,458	764	(7,040)	(18,042)
Cash flows from financing activities					
Interest paid	(7,557)	(4,943)	(4,667)	(2,453)	(9,488)
Loan granted to others	-	-	-	-	(11,429)
Purchase of rights from non-controlling interests	-	-	-	-	(6,571)
Receipt of long-term bank loans	11,215	33,365	1,268	33,365	60,059
Receipt of loan from controlling shareholder	100,000	-	100,000	-	-
Issuance of debentures, net	162,518	-	-	-	-
Repayment of debentures	-	-	-	-	(11,298)
Repayment of long-term bank loans	(152,940)	(27,995)	(150,175)	(25,285)	(33,216)
Net cash provided by (used in) financing activities	113,236	427	(53,574)	5,627	(11,943)
Change in cash and cash equivalents	105,387	15,466	(49,194)	7,534	(9,953)
Balance of cash and cash equivalents at the beginning of the period	24,861	34,814	179,442	42,746	34,814
Balance of cash and cash equivalents at the end of the period	130,248	50,280	130,248	50,280	24,861

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,
	2022	2021	2022	2021	2021
	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)	-	-	-
Working capital, net	-	14	-	-	-
Deferred taxes, net	-	4	-	-	-
Assets, net	-	9,261	-	-	-
(b) Cash and cash equivalents of a newly consolidated subsidiary					
Assets and liabilities of the consolidated subsidiary as of date of purchase (date of consolidation):					
Inventory of real estate	-	-	-	-	(164,638)
Restricted cash	-	-	-	-	(3,317)
Deferred tax asset	-	-	-	-	(2,037)
Loans from banks	-	-	-	-	145,185
Interest payable	-	-	-	-	595
Assets, net	-	-	-	-	(24,212)
Less investment balance in a company accounted at equity	-	-	-	-	25,326
	-	-	-	-	1,114
(c) Additional information					
Taxes paid	13,198	2,132	2,984	999	10,214

The accompanying notes are an integral part of 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 mainly in the segment of income generating residential real estate. In addition, the Company is engaged in the development of a residential complexes and improvement of land in Dusseldorf, Germany. For details regarding the Company's operating segments, see Note 4.

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

In April 2018, the control in the Company was purchased by ADLER Real Estate AG (ADLER).
In December, 2021, LEG Grundstucksverwaltung GmbH ("LEG") which is a subsidiary of LEG Immobilien AG acquired from ADLER 6.7% of the share capital and voting rights in the Company. In addition, ADLER undertook to participate in any tender offer which may be initiated by LEG for the balance of the ordinary shares of the Company held by Adler, provided that such tender offer is made by September 30, 2022 at a minimum price per share determined in the agreement between the parties as above amounting to EUR 157 per share. In addition, in January 2022, LEG acquired an additional 27.77% of the Company's shares which were held by the non-controlling interests in the Company. In the reported period, LEG continued to purchase the Company's shares, so that as of the date of signing the report, LEG holds approximately 35.66% of the Company's shares.

It should be noted that after the date of the report, the Company learned that LEG decided not to publish a tender offer for the purchase of the remaining shares of the Company and accordingly will not exercise ADLER's obligation towards it.

As of June 30, 2022, the Company (consolidated) has a working capital deficiency of approximately EUR 205,324 thousand, mainly due to loans the Company has taken in connection with loans in respect of income-generating assets of the Company that are due in the coming year.

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

In March, 2022, the Company completed a private placement by expanding bonds (Series B) and raised an amount of approximately NIS 576 million (approximately EUR 163.5 million) at convenient and favorable conditions for the Company compared to the existing loan which was designated to repay a loan in connection with the Gerresheim project which was paid on June 1, 2022. For further details in connection with the issuance of said bonds, see Note 5(2) below;

Note 1: - General (Cont.)

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

On May 19, 2022, the Company entered into agreement with ADLER, the controlling shareholder to obtain a credit facility in a total amount of EUR 200 million where on May 23, 2022 the amount of EUR 100 million was received in the Company's account. In addition, on August 13, 2022, the Company entered into credit facility modification agreement with ADLER, the main purpose of which is to update the availability period of the credit facility.
For further details regarding the credit facility its designation and the credit facility availability period, see Note 5(7) below.

In addition, the Company continues to explore other options to obtain financing sources such as selling assets of the Company, refinancing of existing loans (and is conducting negotiations with banks additional and other financing entities, completion of preparation of a shelf prospectus and obtaining a permit for its publication.

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

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

Note 2: - 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.

These Financial Statements have been prepared in a condensed format as of June 30, 2022 and for the six-month 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, 2021 and for the year then ended and the accompanying notes (the consolidated annual 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 relieves, contractual amendments or amendments to cash flows will be handled directly as a result of the implementation of the reform similar to the accounting treatment for changes in variable interest rates. Namely, a company is required to recognize the changes in interest rates by adjusting the effective interest rate without changing the book value of the financial instrument. The use of this practical relief depends on the fact that the transition from IBOR to RFR takes place on the basis of equal economic conditions.

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

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

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

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

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

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

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

Note 3: - Financial instruments

a. Financial instruments not measured at fair value

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

	June 30, 2022		June 30, 2021		December 31, 2021	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
	Unaudited				Audited	
	€ in thousands					
Financial liabilities:						
Debentures and interest payable in respect of debentures	233,958	243,741	75,940	85,867	72,949	82,309

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

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

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

Note 3: - Financial instruments (Cont.)

b. Financial instruments measured at fair value

Classification of the financial instruments according to fair value hierarchy

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

	June 30, 2022		
	Level 1	Level 2	Level 3
		Unaudited	
		€ in thousands	
Assets:			
Financial assets measured at fair value through profit or loss	1,383	-	6,525
Liabilities:			
Foreign exchange rate hedge transactions	-	-	(21,712)
Interest swap agreements	-	(48)	-

	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)	-

Note 3: - Financial instruments (Cont.)

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

c. Compliance with financial covenants

As of the report date, the Company complies with all its financial covenants.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 4: - Operating Segments

	Income-Generating Commercial Real Estate	Income-Generating Residential Real Estate	Land for Betterment	Residential development	Total
			€ in thousands		
For the Six -Month Period Ended June 30, 2022 (Unaudited)					
Revenues from property rental	1,824	27,927	35	-	29,786
Revenues from property management and others	497	11,555	27	-	12,079
Property management expenses	(452)	(11,478)	(62)	-	(11,992)
Rental property maintenance expenses	(1,305)	(3,895)	(65)	-	(5,265)
Total rental and management revenues, net	564	24,109	(65)	-	24,608
Revenues from sale of apartments	-	-	-	-	-
Cost of sale of apartments	-	-	-	(10,868)	(10,868)
Gain from sale of apartments	-	-	-	(10,868)	(10,868)
Group's share in losses of companies accounted at equity method of accounting	859	-	-	-	859
General and administrative expenses					(5,799)
General and administrative expenses attributed to inventory of buildings under construction and inventory of real estate	-	-	-	(878)	(878)
Appreciation (impairment) of investment property, net	-	24,581	(12,099)	-	12,482
Financial expenses, net					(31,367)
Other expenses, net					(21,715)
Loss before taxes on income					(32,678)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 4: - Operating Segments (Cont.)

	Income-Generating Commercial Real Estate	Income-Generating Residential Real Estate	Land for Betterment	Residential development	Total
			€ in thousands		
For the Six -Month Period Ended June 30, 2021 (Unaudited)					
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)
General and administrative expenses					(5,718)
Selling and marketing and general and administrative expenses attributed to inventory of buildings under construction and inventory of real estate	-	-	-	(893)	(893)
Appreciation (impairment) of investment property, net	(5,808)	79,177	(5,792)	-	67,577
Financial expenses, net					(12,189)
Income before taxes on income					72,629

Note 4: - Operating Segments (Cont.)

	Income-Generating Commercial Real Estate	Income-Generating Residential Real Estate	Land for Betterment	Residential development	Total
			€ in thousands		
For the Three -Month Period Ended June 30, 2022 (Unaudited)					
Revenues from property rental	883	13,980	17	-	14,880
Revenues from property management and others	438	5,702	15	-	6,155
Property management expenses	(227)	(5,595)	(48)	-	(5,870)
Rental property maintenance expenses	(613)	(2,135)	(56)	-	(2,804)
Total rental and management revenues, net	481	11,952	(72)	-	12,361
Revenues from sale of apartments	-	-	-	-	-
Cost of sale of apartments	-	-	-	(10,868)	(10,868)
Gain from sale of apartments	-	-	-	(10,868)	(10,868)
Group's share in losses of companies accounted at equity method of accounting	859	-	-	-	859
General and administrative expenses					(2,886)
General and administrative expenses attributed to inventory of buildings under construction and inventory of real estate	-	-	-	(324)	(324)
Appreciation (impairment) of investment property, net	-	24,581	(12,099)	-	12,482
Financial expenses, net					(29,078)
Other income, net	509	-	-	-	509
Loss before taxes on income					(16,945)

Note 4: - Operating Segments (Cont.)

	Income-Generating Commercial Real Estate	Income-Generating Residential Real Estate	Land for Betterment	Residential development	Total
			€ in thousands		
For the Three -Month Period Ended June 30, 2021 (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)
General and administrative expenses					(2,404)
Selling and marketing and general and administrative expenses attributed to inventory of buildings under construction and inventory of real estate	-	-	-	(278)	(278)
Appreciation (impairment) of investment property, net	(4,340)	44,040	(5,792)	-	33,908
Financial expenses, net					(8,800)
Income before taxes on income					33,509

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 4: - Operating Segments (Cont.)

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

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

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

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

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

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

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

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

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

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

   The credit facility will be provided to the Company for the purpose of refinancing the Company's financial liabilities which are due to be repaid during 2022 and 2023 payment of the Company's tax liability (as specified in Note 5(1) above) and financing expenses in connection therewith, and those only. It is indicated that during the reporting period the Company has drawn down EUR 100 million from the credit facility. It is indicated that on August 13, 2022, further to the approval of the audit committee and board of directors, the Company entered into credit facility modification agreement the principles of which are:

   - Updating the purpose of the credit facility: In addition to what was stated in the previous report, the credit facility will also be provided to the Company for the purpose of refinancing a financial liability of the Company which is supposed to be repaid during 2023.

   - Updating the credit facility availability period: the last payment date of the credit facility availability period has been extended to December 29, 2023 (in lieu of March 31, 2023).

   - Early repayment of the loan: as part of the modification agreement, the Company committed that, to the extent that after August 10, 2022, the Company realizes assets that will generate net proceeds in an amount that will exceed (cumulatively) EUR 200 million, such proceeds will be used to repay the principal of the credit, when it is clarified that said payment will be made only and to the extent that the Company can meet all its financial liabilities towards all its creditors until the last payment date.

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

9. In May 2022, the Company entered into several hedging transactions to hedge its expected NIS cash flow for repaying its future bonds. In the reported period, the Company recognized financing expenses in the amount of EUR 18.1 million following revaluation of the liability to EUR 21.7 million in respect of those hedging transactions.

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

10. After the date of the report, the Company signed a 3-month extension with the bank that finances one of the Company's loans in the amount of approximately EUR 45.3 million, which was expected to be repaid on August 30, 2022.

11. In the reported period, the Company recognized impairment of real estate inventory in the amount of EUR 10.9 million

Note 6: - **Investment property – real estate rights and income generating assets**

Composition and movement:

Balance as of January 1, 2022	1,416,330
Changes during the year:	
Investment in investment property – income generating assets	6,938
Investment in investment property – real estate rights and investment property under construction	10,196
Fair value adjustments	12,482
Others	426
Balance as of June 30, 2022	1,446,372

BRACK CAPITAL PROPERTIES N.V.

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

AS OF JUNE 30, 2022

UNAUDITED

IN THOUSANDS OF EUROS

KPMG

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

To the Shareholders of Brack Capital Properties N.V.

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

Introduction

We have reviewed the separate interim financial information according to regulation 38d of the Securities regulations (Periodic and Immediate Reports), 1970 of Brack Capital Properties N.V. (hereinafter – the Company), as of June 30, 2022 and for the six-month and three-month periods ending that date. The Board of Directors and Management are responsible for the separate interim financial information. Our responsibility is to express our conclusions with regard to the separate interim financial information for this interim period, based on our review.

The separate interim financial information as of June 30, 2021 and for the six-month and three-month periods ending that date was reviewed by the previous auditors whose report dated August 25, 2021 included an unqualified conclusion.

Scope of the Review

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

Conclusion

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

Somekh Chaikin
Certified Public Accountants (Isr)
August 14, 2022

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

	June 30,		December 31,
	2022	2021	2021
	Unaudited		Audited
	€ in thousands		
Current Assets			
Cash and cash equivalents	109,163	1,818	1,060
Cash and cash equivalents in trust	8,881	20,302	5,358
Restricted deposits, financial assets and other receivables	89	115	197
	118,133	22,235	6,615
Non-Current Assets			
Investment in investee	1,061,791	884,554	935,626
Investment in marketable financial asset measured at fair value through profit or loss	1,383	31,369	6,819
Total non-current assets	1,063,174	915,923	942,445
Total assets	1,181,307	938,158	949,060
Current Liabilities			
Current maturity of debentures	63,334	10,346	11,508
Accounts payable and other financial liabilities	459	389	421
Loan from controlling shareholder	100,125	-	-
Total current liabilities	163,918	10,735	11,929
Non-Current Liabilities			
Debentures	170,015	65,043	60,841
Total non-current liabilities	170,015	65,043	60,841
Total liabilities	333,933	75,778	72,770
Equity			
Share Capital	77	77	77
Premium on Shares	144,237	144,237	144,237
Treasury Shares	(746)	(746)	(746)
Other capital reserves	(531)	(531)	(531)
Statutory capital reserve	542,533	497,944	530,385
Retained earnings	161,804	221,399	202,868
Total equity	847,374	862,380	876,290
Total liabilities and equity	1,181,307	938,158	949,060

August 14, 2022			
Date of approval of the financial statements	Patrick Burke Chairman of the Board of Directors	Thierry Beaudemoulin CEO	Eran Edelman CFO

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

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

	Six months ended June 30,		Three months ended June 30		Year ended December 31
	2022	2021	2022	2021	2021
	Unaudited				Audited
	€ in thousands				
Administrative and general expenses	(1,703)	(1,220)	(852)	(487)	(2,434)
Financial expenses, net	(5,546)	(7,989)	(6,684)	(6,265)	(41,744)
Equity in earnings (losses) of investess	(21,667)	67,975	(8,713)	34,719	116,854
Net and comprehensive income (loss)	(28,916)	58,766	(16,249)	27,967	72,676

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

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

	Six months ended June 30,		Three months ended June 30		Year ended December 31
	2022	2021	2022	2021	2021
	Unaudited				Audited
	€ in thousands				
Cash flows from operating activities:					
Net income (loss) attributed to the Company's shareholders	(28,916)	58,766	(16,249)	27,967	72,676
Adjustments required to present net cash provided by operating activities:					
Adjustments to the profit or loss items:					
Financial expenses, net	7,128	7,149	8,709	5,760	41,164
Equity in earnings of investees	21,667	(67,975)	8,713	(34,719)	(116,854)
	28,795	(60,826)	17,422	(28,959)	(75,690)
Changes in assets and liabilities items:					
Decrease (increase) in other receivables and related parties	108	549	80	6	466
Increase (decrease) in accounts payable and related parties	(29)	53	(27)	106	67
	79	602	53	112	533
Net cash used in operating activities of the Company	(42)	(1,458)	1,226	(880)	(2,481)
Cash Flows from investing activities					
Change in investment in investee and cash and cash equivalents in trust, net	(151,355)	3,524	(153,353)	2,522	16,275
Net cash provided by (used in) investing activities of the Company	(151,355)	3,524	(153,353)	2,522	16,275

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

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

	Six months ended June 30,		Three months ended June 30		Year ended December 31
	2022	2021	2022	2021	2021
	Unaudited				Audited
	€ in thousands				
Cash flows from financing activities					
Interest paid	(3,018)	(1,220)	(2,293)	(617)	(2,408)
Issuance of debentures, net	162,518	-	-	-	-
Receipt of loan from controlling shareholder	100,000	-	100,000	-	-
Repayment of debentures	-	-	-	-	(11,298)
Net cash provided by (used in) financing activities of the Company	259,500	(1,220)	97,707	(617)	(13,706)
Change in cash and cash equivalents	108,103	846	(54,420)	1,025	88
Balance of cash and cash equivalents at the beginning of the period	1,060	972	163,583	793	972
Balance of cash and cash equivalents at the end of the period	109,163	1,818	109,163	1,818	1,060

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

ADDITIONAL INFORMATION

Note 1: - <u>General</u>

a. This separate financial information has been prepared in a condensed format as of June 30, 2022 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, 2021 and for the year then ended and the additional information.

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

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

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

Note 2: <u>Material Events during and after the Reported Period</u>

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

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

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

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

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

e. On May 19, 2022, the Company entered into an agreement with the controlling shareholder ADLER, under which ADLER will provide a credit facility to the Company in the total amount of EUR 200 million, inter alia, in order to provide the Company with an additional source of financing, as required, so the Company will refinance the loans it has taken. The credit facility will be provided to the Company for the purpose of refinancing the Company's financial liabilities which are due to be repaid during 2022 and 2023, payment of the Company's tax liability and financing expenses in connection therewith, and those only. It is indicated that in the reported period, the Company has drawn down EUR 100 million from the credit facility. It is indicated that on August 13, 2022, further to the approval of the audit committee and board of directors, the Company entered into credit facility modification agreement the principles of which are:

- Updating the purpose of the credit facility: In addition to what was stated in the previous report, the credit facility will also be provided to the Company for the purpose of refinancing a financial liability of the Company which is supposed to be repaid during 2023.

- Updating the credit facility availability period: the last payment date of the credit facility availability period has been extended to December 29, 2023 (in lieu of March 31, 2023).

- Early repayment of the loan: as part of the modification agreement, the Company committed that, to the extent that after August 10, 2022, the Company realizes assets that will generate net proceeds in an amount that will exceed (cumulatively) EUR 200 million, such proceeds will be used to repay the principal of the credit, when it is clarified that said payment will be made only and to the extent that the Company can meet all its financial liabilities towards all its creditors until the last payment date.

f. In May 2022, the Company entered into several hedging transactions to hedge its expected NIS cash flow for repaying its future bonds. In the reported period, the Company recognized financing expenses in the amount of EUR 18.1 million following revaluation of the liability to EUR 21.7 million in respect of those hedging transactions.