# Chapter A - Description of the Company's Business

## First Part – Description of the General Development of the Corporation



## Second Part - Other Information



## Third Part - Description of the Corporation's Business by Areas of Activity

## Fourth Part - Matters Relating to the Corporation's Operations in its Entirety

# First Part - Description of the General Development of the Corporation

Definitions

For the sake of convenience, the following are the main terms appearing in this Chapter:

| | |
|---|---|
| **The "Company", the "Corporation" or "BCP"** | Brack Capital Properties N.V. |
| **The "Subsidiary" or "BGP"** | Brack German Properties B.V., a private Dutch subsidiary under the full ownership and control of the Company. |
| **The "BCP Group" or the "Group"** | BCP, BGP and its subsidiaries. |
| **The "Property Management Company"** | RT Facility Management GmbH & Co. KG, a private German company wholly owned and controlled by BCP that employs the employees in accounting and finance, marketing, management and property operation segments of the Company in the field of commercial income generating real estate and residential income-generating real estate and is responsible for asset and property management. |
| **"ADLER" or "the controlling shareholder in the Company"** | ADLER Real Estate AG |
| **The Securities Law** | The securities law -1968 |
| **The Companies' Law** | The Companies law – 1999 |
| **"Report Period"** | A period commencing on January 1, 2021 and until December 31, 2021. |
| The "**Report Date**" or the "**Date of the Report**" | December 31, 2021. |
| The "**Signing Date of the Report**" | March 24, 2022. |

## 1.1 Operations of the Group and Description of its Business Development

### 1.1.1 Year of Incorporation and Form of Incorporation

The Company was incorporated and registered on June 21, 2006, in the name of Brack Capital Properties B.V., based on the laws of The Netherlands as a private company (B.V.). On May 28, 2010, the Company changed its name to Brack Capital Properties N.V., and on the same day became a public company (N.V.)[1]. On November 30, 2010, the Company published a prospectus under which it first offered shares to the public in Israel and on December 7, 2010, its shares were listed for trade on the Tel-Aviv Stock Exchange Ltd.

### 1.1.2 Material changes that occurred in the method of managing the Corporation's business

On April 2, 2018, a transaction for the acquisition of control of the Company by ADLER was completed. For further details, see the Company's immediate reports from February 18, 2018 and March 25 and 27, 2018 (reference numbers 2018-01-016024, 2018-01-028618 and 2018-09-029968, respectively). For details on the control of ADLER, see regulation 24 to Chapter D of this report.

On December 1, 2021, ADLER, the controlling shareholder of the Company announced that it entered into agreement with LEG Grundstücksverwaltung GmbH ("**LEG**") according to which ADLER will sell 6.7% of the Company's share capital and voting rights (which was completed on December 7, 2021[2]) and 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 amounting to EUR 157 per share. In addition, LEG announced that it entered into agreement with certain shareholders in the Company to acquire 24% of the Company's shares and voting rights (**Non-controlling interests transaction**). For further details see the Company's immediate report dated December 1, 2021 (Reference number 2021-01-175176) which is hereby included by reference.

On January 5, 2022, after receiving the required approvals, the non-controlling interests transaction was completed. For further details see the Company's immediate reports dated 6, 2022 (Reference number: 2022-01-004201; 2022-01-003712; and 2022-01-004147) which are included by way of reference. During December 2021 and the first quarter of 2022, LEG carried out a number of additional acquisitions of the Company's shares, so that as of the date of signing the report, LEG holds approximately 34.47% of the Company's share capital and voting rights. For further details, see the Company's immediate report dated March 2, 2022 (Reference No.: 2022-01-025459).

[1] NV is a legal entity under Dutch law, with registered capital divided into transferable shares. The shareholders are not personally liable for the actions performed by an NV, and are not responsible for its losses beyond the unpaid sums for the shares in their possession. Shares of NV can be traded on the stock exchange.

[2] For further details see the Company's immediate report detaed December 7, 2021 (Reference 2021-01-177366) which is hereby included by way of reference.

### 1.1.3 Purchase, sale or transfer of assets in a material scope

1.1.3.1 As of the date of the report, the Company continues to implement the Company's strategy in the field of income-producing and residential development, and as such, the Company continues to carry out operations for the sale of additional properties from its commercial real estate portfolio. During 2021, transactions were completed for the sale of the Company's commercial income-producing real estate assets in a total amount of EUR 69.7 million. For further details regarding the sale of said assets, see Note 8f to the Company's financial statements for 2021, attached as Chapter C to this report.

1.1.3.2 Cancellation of a transaction for selling a parcel of land in Gerresheim

On September 22, 2019, the Company entered into an agreement with a third-party buyer who is not related to the Company and is an investor focusing on real estate projects in Germany ("the buyer" or "the buyer in the transaction"), for selling 75% of its holdings in the sub- partnership, which owns the Gerresheim project (a land of 193 thousand square meters in Düsseldorf, Germany) in a consideration reflecting an asset value of EUR 375 million (for this purpose – the transaction). On December 26, 2019, an amendment to the agreement was signed, according to which the mechanism for paying the consideration was adjusted[3].

As specified in the Company's immediate reports[4], there has been a delay in obtaining the zoning plan approvals in connection with the project is due to objections of the Deutsche Bahn AG. In the view of the Company, such objections are relatively common in the process of building a project in the size and scope of Gerresheim.and the Company has been holding ongoing discussions with the Düsseldorf Municipality which is continuing to be supportive of the project and has expressed its interest in advancing the receipt of the required zoning approvals.
To the Board's estimation, and based on the information provided to it by the competent authorities in Germany, the approval is expected to be received in the second half of 2022 in order to prevent further delays due to the DB objections, the Company commenced to conduct discussions with the Düsseldorf municipality on a possibility of dividing the zoning plan.

[3] For further details regarding the amendment to the agreement and the mechanism for paying the consideration, see the Company's immediate reports from December 29, 2019, May 15, 2020 and July 27, 2020 (reference number: , 2019-01-114996, 2020-01-048417 And 2020-01-079464 respectively), which are hereby included by reference.
[4] For further details, see the Company's immediate reports from June 28, 2021 and July 11, 2021 (Reference No.: 2021-01-044587 and 2021-01-115422, respectively), which are hereby included by reference.

Nevertheless, following the foregoing regarding the delays in obtaining the zoning plan approvals (and the delay caused by it in the payment of the second installment of the Gerresheim Transaction and its effect on the profitability of the transaction from the Company's point of view), the Company has decided in the reported period that it intends to prepare for the cancellation of the transaction, among others, from the Company's estimations that the delays in the approvals (that grants the Buyer to right to rescind the Transaction) and as a result the beginning of the construction on a later date than planned, shall make it harder for the Buyer to finance the transaction[5]. In this context, it should be mentioned that during June 2021, the Company granted for the project a bridge loan in an amount of approx. EUR 3.8 million, in the place of the Buyer. In addition, the Company's decision derived from the improvement in its financial profile (low leverage rate), and the focus of its business in the field of residential real estate, including development real estate.

In accordance with and following the foregoing, the Company entered into an MOU with the Buyer according to which the transaction will be canceled (""MOU" and "the cancellation transaction", respectively), subject to the conditions set forth in the MOU, including obtaining the required consents under the financing agreements, obtaining binding tax ruling in connection with the tax aspects of the cancellation transaction. During November 2021, the binding ruling was received from the tax authorities and the cancellation transaction came into effect where on January 2, 2022, the Company entered into a binding agreement for the reversal and cancellation of the transaction (the "Cancellation Agreement"). The cancellation agreement stipulates the cancellation of the transaction in a binding manner (subject to the conditions precedent set forth below), in such a way that upon cancellation of the transaction the company will hold full ownership (100%) (indirectly) in the Gerresheim project holding company (the project company). For further details in connection with the transaction, the cancellation transaction and its conditions precedent, the accrued interest the Company is entitled to cancel and the consolidation of the project company with the Company's reports see Note 6b1of the annual financial statements attached as Chapter C to this report and the Company's immediate reports dated October 20, 2021 and January 3, 2022 (reference numbers: 2021-01-158193 and 2021-01-001300, respectively) which are included herein by reference.

For further details regarding a further delay in connection with the land zoning plan in the project, see the Company's immediate report dated March 24, 2022 (reference number: 2022-01-029595).

[5]For further details, see the Company's immediate report dated August 28, 2021 (reference number: 2021-01-139302), which is hereby included by reference.

1.1.3 Asset Portfolio of the Group in Germany

As of the report date, the Company holds 38 income-generating assets in Germany (including 31 residential income-generating assets and 7 commercial income-generating assets[6]). Additionally, the Company holds four land complexes for betterment and real estate development in Dusseldorf, as well as land for residential development in Aachen.

The following are details regarding the asset portfolio of the Group in Germany, as of the report date:

| No. | Asset Name and Location | General Details about the Asset | Asset Type (based on main use) | Purchase date | Company's Share in the Asset (final indirect holding)[7] | Purchase Cost (in EUR thousands) | The Fair Value of the Asset as of December 31, 2021 (in EUR thousands) |
|---|---|---|---|---|---|---|---|
| 1. | LEG Residential Duisburg | A complex of about 308 residential units with a total area for rent of about 17 thousand sq.m., in a residential neighborhood of Duisburg | Income-Generating Residential | May 2007 | 100% | 19,338[8] | 42,740 |
| 2. | LEG Residential Gelsenkirchen | A complex of about 299 residential units with a total rental area of about 18.3 thousand sq.m. in a residential neighborhood in Gelsenkirchen. | Income-Generating Residential | May 2007 | 100% | | |
| 3. | Remscheid | A commercial center in central Remscheid, located about 30 km east of Dusseldorf. The asset has an area for rent of about 5 thousand sq.m., which is mostly rented to a national supermarket chain for a long term. | Income-Generating Commercial | July 2007 | 100% | 5,143 | 3,000 |
| 4. | Neubrandenburg | A commercial center with an area of about 2.8 thousand sq.m., including commercial spaces on the lower levels and offices on the higher levels. The asset is located in the main pedestrian shopping area of the city of Neubrandenburg. | Income-Generating Commercial | August 2007 | 100% | 6,597 | 3,900 |

[6]Including two commercial assets out of the remaining seven commercial assets are under a binding sale agreement which is expected to be completed in 2022

[7]it is indicated that the Company is entitled to a certain rate from the share of the investors in the profit and therefore the Company's share in the profit is higher than its effective holding rate in sub-subsidiaries.

[8]It shall be noted that the two assets were purchased on the same date within the same transaction, were held from the purchase date and are currently held, as of the report date, by one asset company (Brack Capital (Gelsenkirchen) GmbH & Co. Immobilien KG).

| No. | Asset Name and Location | General Details about the Asset | Asset Type (based on main use) | Purchase date | Company's Share in the Asset (final indirect holding)[7] | Purchase Cost (in EUR thousands) | The Fair Value of the Asset as of December 31, 2021 (in EUR thousands) |
|---|---|---|---|---|---|---|---|
| 5. | Chemnitz Office Buildings | Two office buildings, one located in central Chemnitz and the other about 700 meters from the center. Both buildings are vacant and include about 5 thousand sq.m. for rent. | Office Income-Generating | August 2007 | 60% | 6,387 | 2,070 |
| 6. | Ludwigsfelde | A commercial center that mainly combines shopping and offices with an area for rent of about 8.7 thousand sq.m., located on the main street of Ludwigsfeld, about 30 km south of Berlin. | Income-Generating Commercial | November 2007 | 100% | 13,711 | 11,200 |
| 7. | LEG Oberhausen Residential Complex | A residential complex with 477 residential units with a total area of about 38 thousand sq.m., located in a residential neighborhood west of central Oberhausen. | Income-Generating Residential | January 2008 | 100% | 18,109 | 31,700 |
| 8. | Velbert Residential Complex | A residential complex with 718 residential units with area for rent of about 48 thousand sq.m. It extends over about 24 buildings with 3-8 floors each, in the city of Velbert, about 20 km northeast of Dusseldorf. | Income-Generating Residential | January 2010 | 100% | 22,975 | 66,860 |
| 9. | Hannover Residential Complex | A residential complex with 34 buildings, including 566 residential units, with an area for rent of about 27.6 thousand sq.m., in Hanover, located in the northwest part of Germany. | Income-Generating Residential | September 2010 | 100% | 20,213 | 65,350 |
| 10. | Leipzig Portfolio - located in Leipzig | 2,752 residential units with an average area per residential unit of 53 sq.m. The total area for rent amounts to about 146 thousand sq.m. | Income-Generating Residential | July 29, 2011 | 89.8% | 82,417 | 295,420 |
| 11. | Wuppertal | A complex of about 335 residential units with a leasable area of about 24.5 thousand sq.m, in a residential neighborhood of Wuppertal. | Income-Generating Residential | June 2012 | 100% | 14,200 | 39,440 |

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| 12. | Ludwigsburg | A commercial center with a leasable area of 14.1 thousand sq.m | Income-Generating commercial | June 2011 | 89.8% | 14,800 | 13,600 |
| 13. | Geislingen | A commercial center with a leasable area of 9.4 thousand sq.m. in 2017, the Company agreed with the anchor tenant on early eviction against compensation and acts to renovate and rent the asset | Income-Generating commercial | June 2011 | 89.8% | 11,600 | 940 |
| 14. | Neckarsulm | A commercial center with a leasable area of 15.9 thousand sq.m | Income-Generating commercial | June 2011 | 89.8% | 21,200 | 18,300 |
| 15. | Leipzig am Zoo - located in Leipzig | A residential complex including 459 residential units with an average unit area of 34 sq.m. The total area for lease amounts to about 15.3 thousand sq.m. | Income-Generating Residential | May 13, 2013 | 89.9% | 13,555 | 50,690 |

| No. | Asset Name and Location | General Details about the Asset | Asset Type (based on main use) | Purchase date | Company's Share in the Asset (final indirect holding ) | Purchase Cost (in EUR thousands) | The Fair Value of the Asset as of December 31, 2021 (in EUR thousands) |
|---|---|---|---|---|---|---|---|
| 16. | Falcon - Dortmund (North Rhine Westphalia) | The said assets are residential complexes known as the Falcon portfolio, including 1,000 residential units with an average area per residential unit of 52 sq.m. The total leasable area amounts to about 52 thousand sq.m. | Income-Generating Residential | July 31, 2013 | 100% | 11,960 | 37,140 |
| 17. | Falcon - Duisburg (North Rhine Westphalia) | | Income-Generating Residential | July 31, 2013 | 100% | 12,820 | 27,640 |
| 18. | Falcon - Essen (North Rhine Westphalia) | | Income-Generating Residential | July 31, 2013 | 100% | 9,158 | 20,980 |
| 19. | Hamm (North Rhine Westphalia) | Two residential buildings which together include 301 residential units with an average area per residential unit of 70 sq.m. The total leasable area amounts to about 21 thousand sq.m. | Income-Generating Residential | October 31, 2013 | 100% | 15,144 | 27,780 |
| 20. | Bremen and Bremerhaven | 863 residential units in the city of Bremen and 156 in Bremerhaven) with an average area per residential unit of 59 sq.m. The total area for lease amounts to 51thousand sq.m. | Income-Generating Residential | May 1, 2014 | 100% | 34,645 | 85,620 |
| 21. | Bremerhaven | 181 residential units in Bremerhaven with an average area per residential unit of 73 sq.m. The total leasable area amounts to about 13 thousand sq.m. | Income-Generating Residential | May 1, 2014 | 100% | 5,387 | 12,590 |
| 22. | Göttingen | 238 residential units in Gottingen with an average area per residential unit of 41 sq.m. The total leasable area amounts to about 9 thousand sq.m. | Income-Generating Residential | May 1, 2014 | 100% | 7,915 | 22,330 |
| 23. | Essen | 91 residential units in Essen with an average area per residential unit of 54 sq.m. The total leasable area amounts to about 5 thousand sq.m. | Income-Generating Residential | May 1, 2014 | 100% | 3,361 | 8,080 |
| 24. | Dortmund-Marten (North Rhine Westphalia) | 351 residential units with an average area per residential unit of 49 sq.m. The total | Income-Generating Residential | October 31, 2014 | 100% | 13,671 | 53,480 |

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|---|---|---|---|---|---|---|---|---|
| | | leasable area amounts to about 17.2 thousand sq.m. | | | | | | |
| 25. | Dortmund-Waterloostr | 173 residential units in the city of Dortmund with an average residential unit area of about 63 sq.m. The total leasable area amounts to about 11 thousand sq.m. | Income-generating residential | October 1, 2016 | 100% | 7,996 | |
| 26. | Dortmund-Provinzialstr | 32 residential units in Dortmund with an average residential unit area of about 72 sq.m. The total leasable area amounts to about 2 thousand sq.m | Income-generating residential | June 1, 2016 | 100% | 2,669 | |
| 27 | Hannover and Krefeld | 266 residential units (72 residential units in Hannover and 194 residential units in Krefeld) with an average area per residential unit of 69 sq.m. The total leasable area amounts to about 18.30 thousand sq.m. | Income-Generating Residential | December 31, 2014 | 100% | 14,892 | 43,570 |
| 28 | Kiel (I) | 429 residential units in Kiel with an average area per residential unit of 67 sq.m. The total leasable area amounts to about 29 thousand sq.m. | Income-Generating Residential | June 30, 2015 | 100% | 24,920 | 91,750 |
| 29. | Kiel (II) | 296 residential units in Kiel with an average area per residential unit of 69 sq.m. The total leasable area amounts to about 21 thousand sq.m. | Income-Generating Residential | March 1, 2016 | 100% | 20,400 | |
| 30. | Kiel (III) | 288 residential units in Kiel with an average residential unit area of about 75 sq.m. The total leasable area amounts to about 22 thousand sq.m | Income-generating residential | June 1, 2016 | 100% | 35,370 | 60,290 |
| 31. | Lange-Laube | 31 residential units and 14 commercial units in Hanover. The total leasable area amounts to about 4 thousand sq.m | Income-generating residential | July 1, 2016 | 100% | 8,029 | 12,300 |
| 32. | Essen | 320 residential units in Essen with an average area per residential unit of 66 sq.m. The total leasable area amounts to about 21 thousand sq.m. | Income-generating residential | June 1, 2017 | 100% | 23,695 | 42,430 |
| 33. | Hanover Kronsberg | 155 residential units in Hannover with an average area per residential unit of 65 sq.m. The total leasable area amounts to about 10.2 thousand sq.m. | Income-generating residential | June 1, 2017 | 100% | 18,239 | 21,780 |

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|---|---|---|---|---|---|---|---|
| 34. | Magdeburg | 190 residential units in Magdeburg with an average area per residential unit of 70 sq.m. The total leasable area amounts to about 13.3 thousand sq.m. | Income-generating residential | December 1, 2017 | 100% | 19,147 | 22,710 |
| 35. | 605 residential units in the cities: Leipzig, Magdeburg and Halle | 605 residential units (223 units in Leipzig, 242 units in Magdeburg and 140 units in Halle) with an average area per residential unit of 60 sq.m. The total leasable area amounts to about 36.1 thousand sq.m. | Income-generating residential | November 24, 2017 | 100% | 49,624 | 58,970 |
| 36. | 165 residential units in Leipzig | 165 residential units with an average area per residential unit of 60 sq.m. The total leasable area amounts to about 10 thousand sq.m. | Income-generating residential | In the second and third quarters of 2017 | 100% | 15,231 | 21,590 |
| 37. | Neuss | 16 residential units with an average area per residential unit of 68 sq.m. The total leasable area amounts to about 1.1 thousand sq.m. | Income-generating residential | March 31, 2017 | 100% | 1,550 | 2,260 |
| 38. | Grafental, Dusseldorf | 113 residential units with an average area per residential unit of 78 sq.m. The total leasable area amounts to about 8.8 thousand sq.m. the asset was constructed by the Company (Stage F in Grafental project). Its construction was completed at the beginning of 2020. | Income-generating residential | The asset was constructed by the Company | 100% | 26,081 | 39,400 |

The following is an aggregate description of the various land divisions in which the Company is carrying out renovations and development work:

| Name of complex | Area of activity | Area (in sq.m) | Classification in financial statements | Company's share in the asset (in final indirect holding ) | value in the financial statements as of December 31, 2021 (consolidated) (EUR thousands) | Current designation | Future designation | No. planned residential units | Reference to section |
|---|---|---|---|---|---|---|---|---|---|
| Dusseldorf Grafental-Ost | Betterment of land in Dusseldorf | 29,838 | Real estate Inventory investment property – real estate rights | 89.9% | 45,800 | Industry | Land for construction of Stage J (169 units in an area of approximately 13 square meters designated for rental), and for construction of Stage K (166 units with an area of approximately 16.8 square meters designated for sale) | 335 units | Section 1.8.3.4 below |
| Dusseldorf Grafental - (stage I) | Residential development in Dusseldorf | 14,804 | Investment property under construction | 89.9% | 37,326 | Land for residential | Construction of Stage I in Grafental project (204 units with an area of 14.8 thousand sq.m designated for rental) | 204 | Section 1.8.3.2 below |
| Grafenberg | Betterment of land in Dusseldorf | 13,410 | Investment property – real estate rights | 100% | 46,300 | Land for residential | Land for construction of Grafenberg project (85 units with an area of 13.4 thousand sq.m designated for sale) | 85 residential units | Section 1.8.3.6 below. |

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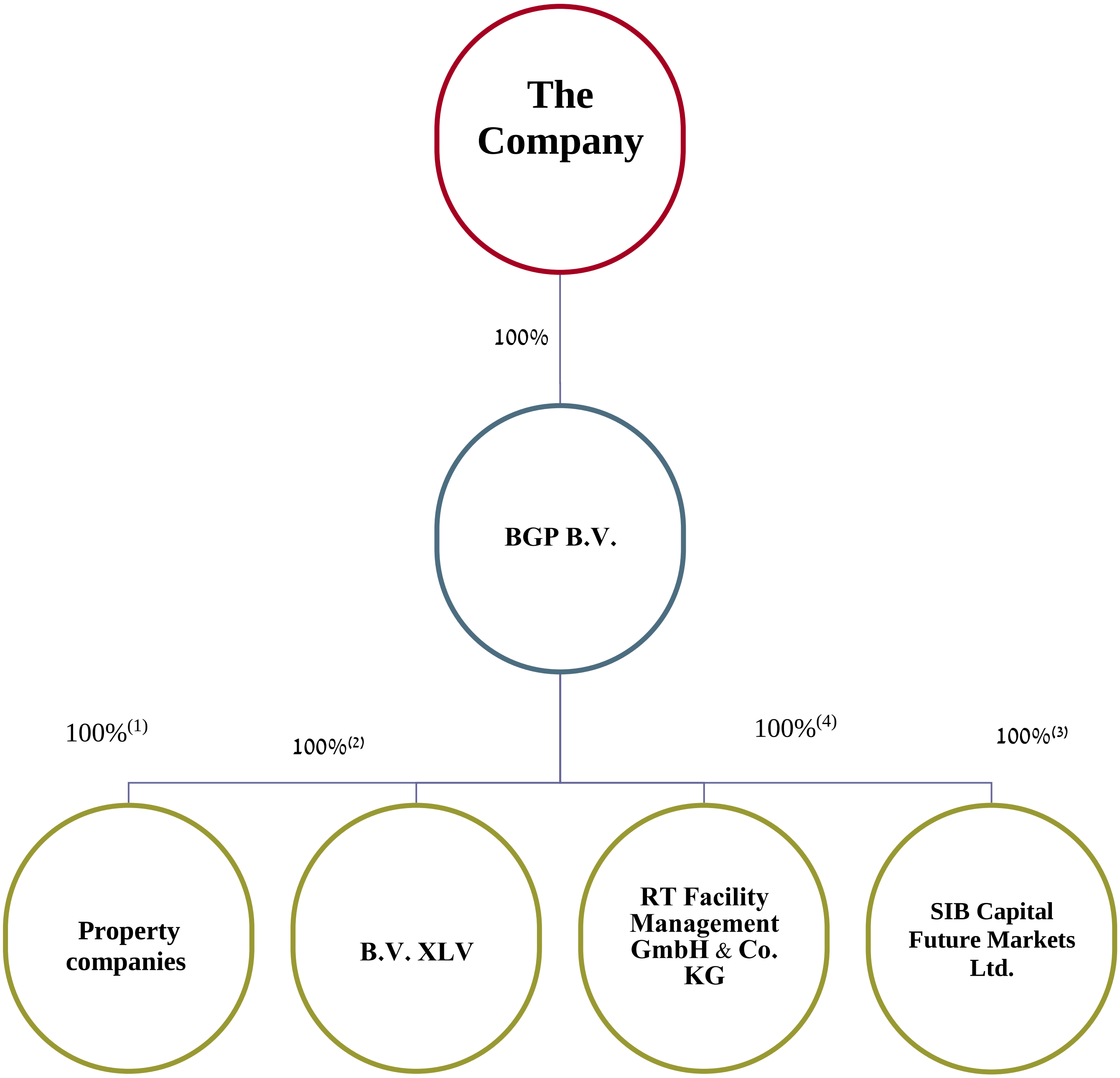
|---|---|---|---|---|---|---|---|---|---|
| Aachen | Residential development | 6,058 | Investment property under construction | 89.9% | 15,300 | Land for residential | Construction of Aachen project (82 units with an area of 1.6 thousand sq.m designated for rental). | 82 residential units | Section 1.8.3.3 below |
| Gerresheim | Residential development | About 193,000 sq.m | Real estate inventory | 100% | 164,807 | Industry/commercial | Combination of residential construction, commercial assets offices kindergartens and schools | About 1,500 residential units, and 40 thousand square meters for commercial office, kindergartens and school | Section 1.8.3.5 below. |

1.1.5 Structure of Holdings in the Group

**The following illustration describes the structure of holdings in the Group[9], as of December 31, 2021 and the report date:**




[9] Excluding a number of "shelf" companies which are inactive as of December 31, 2021. It shall be noted that in cases where (a) property companies are held by the Company (by indirect holding) at a rate between 90% and 95%; and (b) the Company has a purchase option to acquire the partner's shares, these investments were presented at a holding rate of 100%.

(1) 55 property companies. It shall be noted that most of the property companies (31 companies) are private Dutch companies, 20 are private German limited partnerships and 4 property companies are private Luxembourgian companies.

(2) Brack Capital Germany (Netherlands) XLV B.V. Is the financing company of the property companies.

(3) SIB Capital Future Markets Ltd. (hereinafter: "**SIB Capital**" or "**SIB**") is a private Israeli company wholly owned by the Company (through its wholly owned foreign second-tier subsidiary with final indirect holdings). SIB Capital has three management employees. These employees are exclusively involved in the activity of the Group in Germany. The expenses of their employment by SIB (employer costs) are fully covered by the Company.

(4) Property operations company, see definitions

## 1.2 **The Group’s Areas of Activity**

As of the report date, the Group is engaged in 3 areas of activity: the field of income-generating real estate, the field of land betterment and in the field of real-estate residential development. As of December 31, 2021, and as of the report signing date, the Group’s activities are carried out in Germany only.

As of the report publication date, the Company is continuing to examine the possibilities for focusing its business strategy, as of the report publication date, the Company is continuing to examine the possibilities for focusing its business strategy, where, in the reported period, the Company entered into and completed several transactions for selling parts of the Company's income generating commercial and development assets.

For further details see section 1.1.3.1 above.

### 1.2.1 The income generating real estate field

The income generating real estate field is divided into two sub-areas: (a) commercial income generating real estate and (b) residential income-generating real estate (as set forth in Section 1.6 below).

1.2.1.1 The field of commercial income-generating real-estate includes, inter alia, the purchase, development, renovation and lease of income-generating assets, mainly offices and retail. After the Group sold the majority of its commercial income generating portfolio, the Group owns, as of the report date, 6 commercial income-generating real estate assets with a total area for rent of about 52 thousand sq.m. [10]. The income-generating assets are mainly located in medium to large cities in western Germany. The occupancy rate of these income-generating assets, as of the report date, is about 62%. For details regarding the transactions for the sale of assets from the commercial income generating portfolio see section 1.1.3.1 above and Note 8f to the Company's financial statements for 2021 attached to this report.

1.2.1.2 The field of residential income-generating real-estate includes, inter alia, the purchase, development, renovation and lease of income-generating assets for residential purposes. The Group owns, as of the report signing date, 31 residential complexes in a total scope of about 12,075 apartments and with a total area for rent of about 714 thousand sq.m. (consolidated). All of the residential assets of the Group are fully managed by the group and concentrated in medium to large cities in the federal state of North Rhine Westphalia (“**NRW**”), located in western Germany, northern Germany (in the cities of Hanover, Bremen, Kiel and Gottingen) and Leipzig and adjacent cities. The occupancy rate of these income-generating assets, as of the report date, is about 98%.

[10] Excluding an asset in associate with an area of about 5,000 square meters in Chemnitz.

1.2.2 The field of betterment of the land in Dusseldorf:

As part of this area of activity, the Company is engaged in the acquisition, development and betterment of lands. The Company owns a plot of land in a central location in the city of Düsseldorf, close to/ near the location of the Company's "Grafental residential project"

1.2.3 Area of residential real estate development:

As part of this area of activity, the Company is engaged in the development of apartments for sale and rental in Dusseldorf and Aachen.

For additional details regarding the Company’s areas of activity, see Sections 1.6 and 1.8 below.

## 1.3 Investments in the Corporation's Equity and Material Transactions with its Shares in the last Two Years

From January 1, 2020 until the date of publication of this report, no investments in the Company's capital and no material transactions by interested parties in the Company's shares outside the stock exchange were made, except as detailed below

| Date | Transaction | Transaction amount | Share price as of the transaction date |
|---|---|---|---|
| December 7, 2021 | Sale of 524,292 shares by ADLER to LEG (became an interested party). For further details see section 1.1.2 above. | Approximately EUR 75 million (reflecting a price per share of EUR 143.05) | EUR 133.43 per share |
| December 16, 2021 | Purchase of 90,000 shares by LEG. For further details, see the Company's immediate report dated December 19, 2021 (reference number: 2021-01-181779), which is hereby included by reference. | Approximately EUR 12 million (reflecting a price per share of EUR 135.82) | EUR 133.24 per share |
| January 4-5, 2022 | Purchase of 1,860,623 ordinary shares of the Company by LEG (including 420,511 ordinary shares of the Company held by Altshuler-Shaham Ltd. (ceased to be interested party); and 394,598 shares by Harel Insurance Investments and Financial Services Ltd. ( ceased to be an interested party). For further details, see section 1.1.2 above and immediate reports of the Company dated January 6, 2022 (Reference No.: 2022-01-004201; 2022-01-003712; and 2022-01-004147), which are hereby included by reference. | Approximately EUR 253 million (reflecting a price per share of EUR 135.82) | EUR 143.63 per share |
| February 23, 2022 | Purchase of 190,258 shares by LEG. For further details, see the Company's immediate report dated March 2, 2022 (reference number: 2022-01-025459), | NIS 29,870,506 (EUR 157 per share) | EUR 151.40 per share |

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| | which is hereby included by reference. | | |

For further details regarding the transactions detailed above, see section 1.1.2 above.

## 1.4 Distribution of Dividends and Buybacks

### 1.4.1 Distribution of Dividends

The Dutch Civil Code[11] (DCC) stipulates that a Dutch public company (NV) may distribute any type of dividends to its shareholders, subject to (1) its equity exceeding the total nominal value of the issued and paid up share capital together with statutory reserves (for further discussion regarding the statutory reserves relevant to the Company, see Section 1.4.2 below) and (2) the dividend distribution will not risk the Company's continued activity. Such distribution may occur only from the profits of the Company (solo) or from the Distributable Reserves (as defined below), but not from the statutory reserves. In Holland, the principle of "capital preservation" is considered based on the separate financial data of the Company, and not from the consolidated financial data.

The statutory reserves which must be maintained under the Dutch companies law and/or the Articles of Association are referred to as "non-distributable reserves". It shall be noted that the Articles of Association of the Company do not include a requirement to maintain certain reserves beyond the reserves that the Company is required to maintain under the Dutch companies law. Other reserves, which are not statutory reserves by law or the Articles of Association, are referred to as "freely distributable reserves". The profit reserve and share premium reserve, for example, are considered "freely distributable reserves".

It shall be noted that despite that fact that the Company implements the international financial reporting standards (IFRS) instead of the Dutch generally accepted accounting principles (GAAP), as permitted in principle under Dutch law, the provisions of the Dutch law regarding statutory reserves shall still apply. Further to the above, it shall be noted that as of the date of the Statement of Financial Position (i.e, as of December 31, 2021) an amount of EUR 144,237 thousand was recorded in the books of the Company as premium on the shares. As stated above, based on Dutch law, a share premium is part of the distributable reserves – and therefore, the Company may[12] distribute said amount as dividends to its shareholders. It shall be noted that the distribution of dividends to shareholders (including from the distributable funds which are not accrued profits, including a share premium), is subject to Dutch withholding dividend tax of 15%, subject to the exemptions and leniencies provided in the law[13].

[11]The provisions of this section below are based on the information provided to the Company by its legal counsel in Holland.

[12]subject to approval of distribution by the Company's competent organs according to the provisions of the law and the Articles of Association.

[13]It shall be indicated that a shareholder that is a corporation in an EU country and who holds 5% or more was exempt from withholding tax as stated; additionally, all of the exemptions of leniencies provided in a tax convention that The Netherlands is a party to shall apply. It is indicated that effective from January 1, 2018 this exemption was extended such that in certain conditions also a shareholder holding above 5% of the Company's shares who is a resident of a country with which The Netherlands has a tax treaty and is not an EU member can enjoy this exemption.

Regarding the ability to convert the premium to share capital and later perform a capital distribution to the shareholders by way of reducing capital without requiring withholding tax, see Section 1.4.3 below.

### 1.4.2 Conversion of Revaluation Reserves to Capital, Reduction of Capital and Distribution Thereof

The Dutch Civil Code provided that dividends cannot be distributed, inter alia, from: (a) profits of the Company arising from adjustments to fair value of investment property and from revaluations arising from fair value adjustments of financial liabilities or financial assets which were not exercised; and (b) profits arising from fair value adjustments of investment property of subsidiaries and revaluations arising from fair value adjustments of financial liabilities of subsidiaries or financial assets of subsidiaries which were not exercised and (c) other profits of the subsidiaries which were not distributed to the Company as dividends and which constitute part of the Company's profit as a result of the consolidation of the financial statements of the subsidiaries with the financial statements of the Company.

The Dutch companies law stipulates that a Dutch public company must create statutory reserves, inter alia, for the profits described in subsection (a) or (b) above (hereinafter and below: "**Revaluation Reserves**").

The Dutch Civil Code enables the conversion of Revaluation Reserves to share capital, whether by way of issuing additional shares against the Revaluation Reserve[14] or by way of increasing the nominal values of the existing shares in the Company's capital on account of the Revaluation Reserve. [15] Subsequently, the share capital (increased) can be reduced in the manner provided by law and the Articles of Association for the reduction of share capital, and for payment of the part reduced to shareholders of the Company, pro-rata to their shares, as described below.

The main stages during the conversion process of Revaluation Reserves to share capital, the reduction of the share capital and the distribution thereof to shareholders are described below.

[14] It shall be clarified that the issuance of additional shares may require an amendment to the Articles of Association of the Company in order to maintain the ratio required between the registered and issued capital in Dutch law (which is a ratio of no more than 5 times).

[15] It shall be clarified that the increase of the nominal value of the shares as stated will require an amendment to the Articles of Association of the Company.

<table>
<tr><th>Nature of the Action</th><th>Approving Entity</th><th>Required Majority</th></tr>
<tr><td>Amending the Articles of Association of the Company – increasing the nominal values of the shares of the Company and increasing the registered share capital of the Company</td><td>The general assembly of shareholders in the Company</td><td>More than half of the votes cast</td></tr>
<tr><td>Amending the Articles of Association of the Company – reducing the nominal values of the Company’s shares and reducing the registered share capital of the Company</td><td>The general assembly of shareholders in the Company</td><td>A majority of two thirds of the votes will be required if less than half of the issued share capital is represented in the assembly</td></tr>
<tr><td colspan="3">The resolution of the shareholders regarding the reduction of capital shall be provided by the Company to the Dutch Trade Register, and at the same time, the Company will publish a notice in a daily Dutch newspaper with national distribution regarding the delivery of the resolution to the Dutch Trade Register as stated (hereinafter: the “Publication Date”).</td></tr>
<tr><td colspan="2">The creditors of the Company may oppose the reduction of capital, within a period of two months from the Publication Date (hereinafter: the “Period for Opposition”). In the event that no oppositions are submitted as stated, then the approval of the court will not be required for the completion of the capital reduction proceedings.</td><td>In the event that oppositions are filed by the creditors of the Company, the Court may instruct the Company to provide additional securities to the opposing creditors as a condition for its approval to reduce the capital, unless said creditors have sufficient securities and the Company is able to repay its liabilities (solvent);</td></tr>
<tr><td colspan="3">Upon the elapse of the Period for Opposition, in the event that no oppositions are filed as stated by creditors of the Company, then the amendment of the Articles of Association allowing the reduction of the nominal values of the shares of the Company shall become effective, and the reduction of the capital shall be performed by way of a payment to the shareholders of the difference between the previous nominal values of the shares and the reduced nominal values of the shares</td></tr>
</table>

It shall be noted that the conversion of statutory reserves to share capital requires Dutch withholding tax at a rate of 15% to the shareholders, subject to the exemptions provided by law. [16]

It shall be noted that in any event, based on the guidelines of the Stock Exchange, all of the shares shall be issued and fully repaid.

[16] A shareholder that is a corporation in an EU country and holds 5% or more is exempt from withholding tax as stated; additionally, any exemption provided in a tax convention that The Netherlands is a party to shall apply and the Dutch tax laws. It is indicated that effective from January 1, 2018 this exemption was extended such that in certain conditions also a shareholder holding above 5% of the Company's shares who is a resident of a country with which The Netherlands has a tax treaty and is not an EU member can enjoy this exemption.

### 1.4.3 Conversion of Premium to Capital, Reduction of Capital and Distribution Thereof Without Withholding Tax

The premium on shares may be convertible to share capital and later reduced and distributed to shareholders in the manner described in Section 1.4.2 above regarding the statutory reserves. However, in contrast to the conversion of statutory reserves to share capital, the conversion of premium on shares (which is not a statutory reserve) to share capital and the reduction of the share capital against the actual repayment to the shareholders (i.e., the reduction of capital) does not require withholding tax in Holland.

### 1.4.4 Change of the Company's Capital Structure

If a distribution/distributions as stated are approved in the future by the organs of the Company, if and as required, the Company will act, subject to the provisions of the law, including without derogating from the generality of the above, the approval of organs of the Company as required, to convert the share premium[17] to issued and paid share capital in a manner allowing the Company to perform a distribution of capital in the future to the Company's shareholders without the requirement of withholding tax in Holland.

### 1.4.5 Limitations on dividend distribution

The following is a description of external limitations which have impacted the ability of the Company to distribute dividends effective from January 1, 2019 until the date of this report, as well as limitations as stated which may impact its ability to distribute dividends in the future.

During the last two years, there were no external limitations which impacted the Company's ability to distribute dividends, and there are no limitations as stated as of the Report date that may impact its ability to distribute dividends in the future, other than as provided below:

1.4.5.1 Distribution limitations in trust deeds

| <u>**Trust deed**</u> | <u>**Main legislative limitations**</u> | <u>**Reference to additional details**</u> |
|---|---|---|
| Amendment and addition no. 1 dated May 9, 2013 of the trust deed dated May 23, 2012 between the Company on the one hand and Reznik Paz Nevo Trusts Ltd. (Reznik) as a trustee for holders of the Bonds (Series B) | The Company will not distribute dividends to its shareholders and/or distribute capital to its shareholders and/or will not perform a buy-back of its shares or convertible securities (hereinafter collectively: a "**Distribution**") if as a result of such Distribution, the equity of the Company is reduced (excluding minority interests) **below EUR 160 million and/or the debt to CAP ratio (as defined in subsection** | See Section 1.4.5(a) of Chapter A, "Description of the Corporation's Business," in the Company's periodic report for 2013 (which was published on March 27, 2014) [reference no.: 2014-01-025902] (hereinafter: the "**2013** |

[17]As of December 31, 2021, a total of EUR 144,237 thousand is registered in the Company's books as share premium.

| | | |
|---|---|---|
| of the Company on the other hand (hereinafter: the "**B Bonds Deed**") | **5.4(b) of the B Bonds Deed) exceeds 70%** | **Periodic Report**") as well as sections 5.3(a), 5.3(b) and 5.4(b) of B Bonds Deed which is attached as Appendix B to the Shelf Offering Report of the Company dated May 19, 2013 [reference no.: 2013-01-064576] |
| Amendment and addition 2 dated July 14, 2014 of the trust deed dated May 23, 2012 between the Company on the one hand and Reznik as a trustee for the Bondholders (Series C) of the Company on the other hand (hereinafter: the "**C Bonds Deed**") | The Company has undertaken that it will not perform a distribution unless **all** of the terms set forth below are met: (1) as a result of the distribution as stated, the equity of the Company (excluding minority interests) is not less **than EUR 150 million**; (2) as a result of the distribution as stated, the debt to CAP ratio (as defined in subsection 5.4(b) of the C Bonds Deed) **does not exceed 75%**; (3) there was and is no real concern that any of the events set forth in Section 16.1 of the C Bonds Deed are met and (4) the most recent financial statements published by the Company before the distribution date do not contain any of the warning signs set forth below: (i) a deficit in equity; or (ii) an opinion or review by an accountant as of the date of the report that includes reference relating to the financial position of the Company; the Company will provide the Trustee with confirmation by a senior officer in the Company's financial department regarding: (1) the fulfillment of the terms set forth in subsection (1) through (4) (inclusive), in addition to a detail of the relevant calculation regarding the terms set forth in subsection (1) and (2); and (2) **that the distribution and/or acquisition as stated will not harm the Company's solvency with respect to the holders of Bonds (Series C) of the Company.** | See sections 5.3(a), 5.3(b) and 5.4(b) and 16.1 of C Bonds Deed which is attached as Appendix B to the Shelf Offering Report of the Company dated July 20, 2014 [reference no.: 2014-01-117642] |

It shall be emphasized that in accordance with the provisions of the Deed of Trust, the performance of the distribution by the Company in contrast with the provisions of the Dividend Limitation (as detailed above) constitutes grounds for the placement for immediate repayment of the entire unpaid balance of the bonds and/or the exercise of collaterals.

1.4.5.2 The distribution of the dividend by the second tier subsidiaries of the Company - for the avoidance of doubt it shall be noted that there are external limitations on the second tier subsidiaries of the Company from the agreements with financing entities in relation with the distribution of the dividends to the subsidiary (100%) BGP and/or the repayment of principal of the shareholders' loans provided by the subsidiary BGP for said corporations, as the case may be. Without derogating from the foregoing, it shall be emphasized that as long as the investee companies as stated meet the terms of the financial conditions included in the financing agreements with the financing entities (if conditions as stated exist) and no other material breach of these agreements occurs, usually there is no external limitation to the distribution of dividends and/or payment of the principal of the shareholders' loans provided to the companies held by the subsidiary BGP.

### 1.4.6 **Dividend distribution policy**

On May 18, 2017, the Company's Board of Directors adopted a dividend policy deriving from the Company's annual FFO.

In accordance with this policy, the Company will distribute to its shareholders a dividend and/or capital at a rate of 30% of the total FFO, according to the consolidated annual financial statements audited and known at the time of the decision on the distribution. The decision will be made by the board of directors after approval of the annual reports for the year for which the distribution is made and will be resolved only if distribution payment amount does not affect the Company's current business activities, investment plan, liquidity, leverage ratios, rating of its bonds, its liabilities and financial covenants, the Company's financial policies and its needs. In addition, for the purpose of calculating the FFO for a given year, the FFO data in the fourth quarter of that year will be adjusted to full year data.

It is hereby clarified that the aforesaid dividend policy should not be regarded as a commitment by the Company to make a distribution according to its provisions, and each distribution will be discussed separately by the Company's Board of Directors, which will be authorized to decide on the actual distribution at its discretion, inter alia, taking into account the criteria detailed above and subject to the approval to carry out such distribution by the general meeting of the Company's shareholders, if and to the extent required (in accordance with the provisions of any law). In addition, the Company's Board of Directors may also, from time to time, review said dividend policy and amend it and/or cancel it at its sole discretion.

# Second Part - Other Information

## Financial information regarding the Group's areas of activity

For financial information and financial data regarding the Group's activities, see the Company's annual financial statements for 2021 attached in Chapter C of this report. For an explanation of the developments that took place in the data presented in the financial statements, see the Board of Directors' report on the state of the Group's affairs, which is attached in Chapter B of this report.

## 1.5 General Environment and Impact of External Factors on the Group's Activity

**General – Germany**

The activities of the Group within operating segment focus, as of the report date, in Germany, and are comprised of actions of purchasing residential, commercial and office buildings, mainly in Western Germany, the betterment thereof (if necessary) and their rental. It shall be noted that the operations of the Company in the residential segment are focused on medium and large cities in North Rhine Westphalia ("NRW"), in the cities of Leipzig, Hanover, Kiel, Bremen, Magdeburg, Gottingen and Halle and that the actions of the Company in the commercial segment focus mostly on medium and large cities in western Germany.

Additionally, the Group is engaged in fields of activity including the betterment of land in Dusseldorf and the development of residential real estate in Dusseldorf and Aachen focusing mainly in a central area in Dusseldorf, the administrative capital of NRW.

The following are the main details regarding the macro-economic environment in Germany (including a description regarding North Rhine Westphalia, in which the "Grafental" land is located), and the real-estate industry in Germany, as of the report date, as well as the macro-economic impacts they have or are expected to have a material impact on the business results of the Group or the developments of the Group.

### 1.5.1 The Macro-Economic Environment in Germany

#### 1.5.1.1 General Financial Data

| | **2020** | **2021** | **2022*** | **2023 *** |
|---|---|---|---|---|
| Real growth | -4.6% | 2.7% | 3.2% | 2.0% |
| Unemployment rate | 5.0% | 5.2% | 5.2% | No data |
| Inflation | 0.4% | 2.9% | 1.5% | 1.4% |

* Forecast of the Organization of Economic Cooperation and Development (OECD)

Source: German Federal Statistical Office, Organization for Economic Cooperation and Development (OECD)

For the German economy, 2021 was characterized by positive growth of 2.7% compared to a negative growth of 4.6% in 2020. Nevertheless, in the other large economies in Europe (17 large European countries) and in the OECD countries GDP in Eurozone increased by 5% in 2021. The OECD economists forecast returning to stability and positive growth in the economic activity in Germany in the years 2022-2023, which are expected to show a growth of 3.2% and 2.0%, respectively.

In addition, inflation increased sharply from 0.4% in 2020 to 2.9% in 2021. The OECD economists expect positive inflation in Germany (but lower) also in 2022 and 2023, which is expected to show growth of about 1.5% and 1.4%, respectively.

The average unemployment rate has increased insignificantly from 5.0% in 2020, to about 5.2% in 2021.

#### 1.5.1.2 North Rhine Westphalia

The federal state of North Rhine Westphalia (NRW) is located in northwestern Germany, and its capital is Dusseldorf. NRW has about 17.93 million inhabitants, is the most populous state in Germany and comprises about 25% of the German GDP. The main economic sectors in the area are telecommunications (leading companies in the field: Vodafone, Deutsche Telecom), IT (Fujitsu, IBM, Toshiba, HP), insurance, media, logistics, mechanical and electrical engineering, vehicle manufacturing (Ford, Opel, Daymler), chemical industries (Bayer) and energy (RWE, E.ON).

#### 1.5.1.3 Dusseldorf

Dusseldorf - General Characteristics[18] -

The city of Dusseldorf has about 644 thousand residents, and is the sixth largest city in Germany. The city constitutes an important economic center, and based on the Federal Statistical Office, is one of the largest cities, third after Frankfurt and Munich in terms of GDP per capita.

[18] Based among others on statistical data of Dusseldorf Municipality www.duesseldorf.de

Additionally, Dusseldorf enjoys a high quality of life. In 1998 – 2019 the number of residents has increased consistently but declined for the first time in 2020 by 0.25% (1,650 residents). In addition, compared to previous years, there is a clear reduction in migration inflow to Dusseldorf due to the Corona virus (COVID – 19). Nevertheless, it appears that the effect of the pandemic on the increase in the number of residents in Dusseldorf is short term or at best for a medium term since estimates are that until 2035 the average increase in population will be 4,000 residents per year. As a result, demand for residential units will increase and will be higher than it was (prior to the pandemic). Nonetheless, the grant of 3,809 building permits will significantly contribute to increase in construction levels which will constitute a response to demands created from increase in population.

1.5.1.4 General Information regarding the Area of the Grafental Asset, Dusseldorf

The complex is located between Grafenberg and Dusseltal, in a central location of the city, with high accessibility to business centers (about 10 minute travel from the central Dusseldorf), the airport (15 minute travel from Dusseldorf international airport), and main transportation lines. This area is characterized by a mix of uses and combines business and trade with high quality residence, culture, sport and parks. The site is bordered by the established neighborhoods of Grafenberg and Dusseltal in the north and Flingern on the south.

1.5.2 Real Estate in Germany

1.5.2.1 General

The real estate market in Germany is the second largest in Europe (after Britain) and is characterized with low fluctuations in prices compared to other European and global markets. Due to the stability of real estate prices and the financial strength, German real estate is perceived as a safe haven by foreign investors.

1.5.2.2 Residential Real Estate

The upward trend in residential real estate property prices in Germany continues with the housing price index in Germany increased by 15.69% (December 2021 – 214.29, December 2020 – 185.2266). As of July 2021, apartment prices increased by about 11.46% per year, slightly lower compared to the corresponding period last year in which prices increased by about 13.61%. In contrast, the prices of new homes increased in July 2021 by about 7.51%, and prices of existing homes increased by about 14.73%.

Low construction activity in Germany is one of the reasons for the continued increase in prices. In 1992-1999, the annual average of building permits was 476,000 compared to 2001-2015 where annual average was 222,000. This trend is reflected in the short term which is practically shown that in these years the supply of apartments does not meet the required demands, although the rate of construction has increased by about 2.2% in 2020 and is about 368,400 units per year (according to Destatis data). This construction rate still does not meet the demands since population growth rate along with positive immigration is higher. According to Destatis data, to supply such demands, annual construction rate must be about 400,000 apartments per year.

According to JLL, the scope of residential real estate transactions has increased significantly in 2021 and amounted to EUR 52.2 billion compared to about EUR 25.3 billion in 2020.

The German residential market is characterized by a high rate of residents living in rentals and extensive protections provided to renters, including, inter alia, regulation of rental fees. For additional details, see Section 1.17.2.1.

According to JLL report - the scope of commercial real estate transactions in 2021 amounted to EUR 8.9 billion compared to EUR 10.6 billion in 2020. The scope of commercial real estate transactions (offices) in 2021 was EUR 27.8 billion constituting 25% of the scope of transactions in 2021 compared to 2020 where the scope of transactions was EUR 24.5 billion constituting 30% of the scope of transactions in that year.

1.5.3 Real Estate in Dusseldorf

1.5.3.1 The Residential Real Estate Market in Dusseldorf


Due to a shortage of land for development in central areas of the city, the construction rate of residential buildings during recent years did not catch up with the population growth rate as the number of households in the city is expected to continue to grow, as well as the demand for residential apartments in the city despite the effect of the Corona pandemic which created changes in the population growth rate and migration into Dusseldorf.

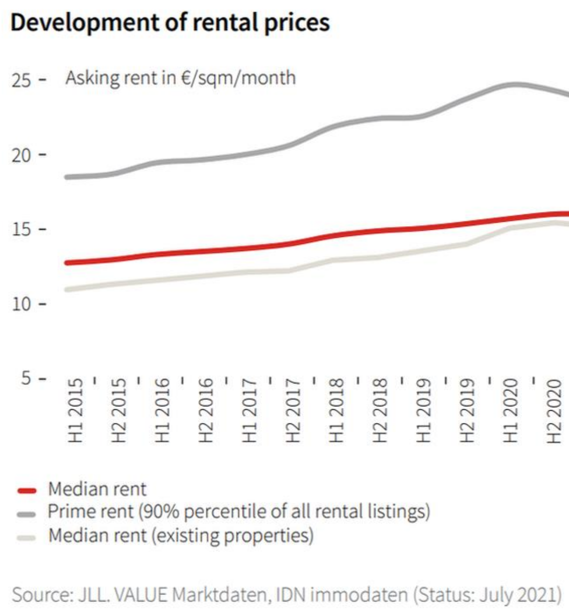
In addition, the number of building permits approved in 2019 was 3,908 representing an increase of 30% compared to the previous year. In 2020, the number of building permits was about 2,560 constituting a decrease of about 32% compared to 2019. In 2016 about 3,400 building permits were approved and in 2017 about 3,750 building permits were approved, compared to 2018 when only 2,500 building permits were approved. Therefore, 2019 was a peak in building permit approvals compared to the years 2016-2018, 2020. In addition, 2019 is another achievement of meeting the transition for determining the municipality's target of issuing building permits for about 3,000 units per year.

Prices in the Düsseldorf apartment market have been increasing since 2009 where recently there is a division by areas: the increase in prices continues in the segment of average price levels, whereas the prices of the segment of apartments in luxurious areas has slightly decreased.

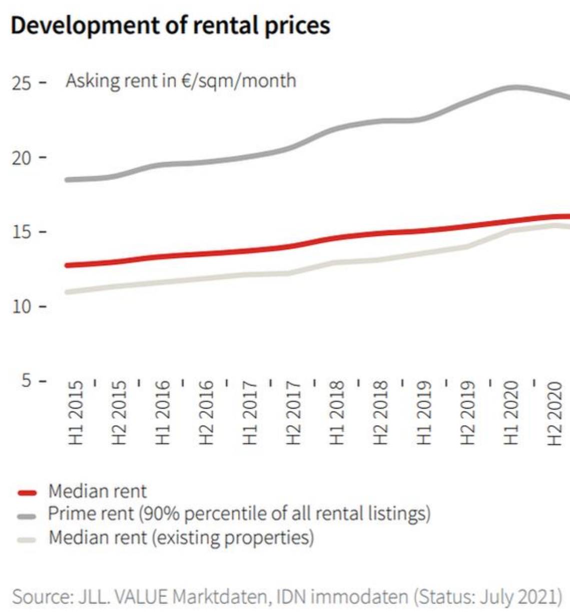
The surplus in demand for residential properties has a positive effect on occupancy rates, price levels, and rent levels of new residential real estate in the city.

Following are diagrams showing the development of construction completions (new and renewed apartments) and trends in purchase prices and rent of residential units in Düsseldorf and similar large cities in Germany.

Development of real estate prices in Dusseldorf (Euro per square meter)




Development of rental prices of apartments in Dusseldorf (Euro per square meter per month)



The rental prices of residential apartments in Düsseldorf reached an average price of € 12.00 per sq.m. per month in the second half of 2021 constituting a slight increase compared to €11.90 per sq.m. per month in the first half of 2021. In the prestigious neighborhoods (prime segment) the price level reached € 18.15 per sq.m. per month (Based on maximum observations) compared to a price level of € 16.85 per sq.m. per month in the first half of 2021.

According to a study by JLL, in the second half of 2021 the increase in sale prices of condos was 14% compared to the corresponding period last year. The average price in the second half of 2021 is € 7,200 for new apartments.


## 1.5.4 The Macro-Economic Impacts Which Have Or Expected To have Substantial Impact on the Business Results of the Company or Company's Developments

The policy of the European Central Bank (ECB) has remained unchanged like in the previous year so the interest policy remained zero. The interest margin on loans remained 0.25% while the interest on deposits remained at a negative level of 0.5%.

The main target of ECB under its monetary policy is to maintain price stability while placing an inflation rate which is low and close to inflation rate of 2% in the medium range.

### 1.5.5 General – global

1.5.5.1 After the report date, at the end of February 2022, the Russian military invasion of Ukraine commenced as part of attempts by the Russian government to occupy Ukraine, due to geopolitical tensions between the countries. The escalation of tensions between the countries has led various Western entities, including the United States and the European Union, to impose various economic sanctions on Russia and personal and economic sanctions on the Russian business and political sector, in particular. Such sanctions, the fighting between the countries and the developing geopolitical crisis may have far-reaching effects (some of which are already evident at the time of publication of this report), both regarding prices and transportation of common raw materials in the world, including iron and oil, which may affect availability and cost of such materials also in connection with projects the Company is establishing, both on world economy, and among other things, on high volatility in the capital markets in Israel and around the world and in exchange rates and regarding demographic changes related to immigration and refugees. In the Company's opinion, as of the approval date of the report, the aforesaid events have no material effect on its activities, however, in light of the relatively short time from the invasion of Ukraine to the publication date of this report, as well as the uncertainty surrounding the continued fighting and its expansion, the joining of additional parties and/or the imposition of sanctions as well as its implications as set forth above, the Company is unable to assess at this stage the possible effect, if any, that this situation may have on its future operations.

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

#### 1.5.5.2 Outbreak of the Corona Virus

For further details regarding the effects of the Corona crisis on the Company's operations, see Note 1c to the Company's financial statements attached as Chapter C attached to this report.

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

1.5.5.3 For details regarding the risk factors of the Company see section 1.14 below.

# Third Part - Description of the Corporation's Business by Area of Activity

## 1.6 <u>Income Generating Real Estate in Germany - Aggregate Level</u>

**Aggregate disclosure regarding the Company's activity in the income generating real estate sector - the disclosure is provided collectively both for income generating residential real estate and for income generating commercial real estate (collectively - income-generating real estate).**

### 1.6.1 <u>General Information on the Area of Activity</u>

1.6.1.1 <u>Structure of the Sector and Changes Therein</u>

As stated above, as of December 31, 2021, and as of the signing of the report, the Group has been engaged in the field of income-generating real estate in Germany only. The Income Generating Real Estate Sector is divided into two subcategories: (a) the commercial income generating real estate sector, and (b) the residential income generating real estate sector.

The activities of the Group in the Income Generating Real Estate Sector have been concentrated, as of the report date, in Germany, one of the largest and strongest countries in Europe. Starting with the fall of the Berlin Wall during 1989 and the unification of the eastern part of the city with its western part, Germany has been experiencing economic recession which is expressed, inter alia, in the high unemployment rate and slow growth. As a result, the sector was characterized for a number of years by low real estate asset prices and high yields compared to other countries in Western Europe. However, the low real estate prices, together with the activities performed in Germany (on a municipal and federal level) for ending the recession led to the beginning of recovery in the real estate market, expressed by the massive entrance of investors (foreign and local) in the field of real estate to the German market, to identify real estate investments at attractive prices; the beginning of increased real estate asset prices, and accordingly the beginning of increased rental fee prices; and the creation of a variety of financial options for financing such transactions.

The Income Generating Real Estate Sector in which the Group is engaged is directly impacted by the economic and demographic situation in Germany. For details regarding the economic and demographic situation in Germany, see Section 1.5 above.

1.6.1.2 <u>Main Areas in which the Properties are Located</u>

Most of the real estate assets of the Group are in a sub-segment of commercial real estate activities, and in a sub-segment of residential real estate activities, as well as residential development concentrated in the western part of Germany, including in North Rhine Westphalia (particularly residential assets), in North Germany (in Hannover, Bremen, Gottingen and Kiel) and in east Germany in the cities of Leipzig, Halle and Megdeburg.

### 1.6.1.3 Changes in the Scope of the Area of Activities and its Profitability

At the backdrop of the relatively low real estate prices in Germany, the Group commenced its operations during 2005[19] in the Income Generating Real Estate Sector in Germany, and during the years, continued to increase its land assets, while using its relative advantages in the local market, the Group's existing reputation and its ability to perform engagements in the field.

Sub segment of commercial income generating real estate

During 2018, upon the acquisition of control of the Company by ADLER, the Company decided to carry out operations for the sale of its properties in the commercial income generating real estate in Germany, following a refocusing of the Company's strategy in residential real estate, and as of the report date, completed the sale of a considerable portion of its commercial real estate. For further details regarding the sale of said assets, see section 1.1.3.1 above and Note 8f to the Company's financial statements for 2021 attached to this report. For further details regarding the Company's strategy, see section 1.20 below.

As of the signing date of the report, the Company's income- generating commercial real estate assets constitute approximately 4.4% of the Company's income-generating real estate assets.

Sub segment of residential income generating real estate

The Company concentrated most of its assets in the residential field in the North Rhine Westphalia area, in which the Company holds about 4,700 residential units, in Leipzig, the Company holds about 3,600 residential units, in Magdeburg and Halle it holds 572 residential units and at the same time expanded its operations in northern Germany, in which it holds 3,135 residential units in order to utilize its managerial economies of scale. Concurrently with the performance of these purchases, the Company perfected the platform and its managerial abilities, allowing it to currently manage and renovate residential real estate assets while maintaining operational efficiency.

### 1.6.1.4 Critical Success Factors in the Area of Activity

As per the Company's estimate, the critical success factors in the income generating real estate are as follows:

a. Geographic targeting (Germany only) and regional targeting (the commercial assets are mainly concentrated in West Germany).

b. An independent and complete management system (facility, property, asset management).

[19] The Brack Capital Group commenced its operations in the field of income-generating real estate in Germany during 2005. The Company itself was established during June 2006, and during July 2006, it was transferred all of the holdings of the previous shareholders in BGP, which at the time, already held (through asset companies) four income generating assets in Germany. See also Section 1.1.4 above.

c. Critical mass of assets, creating an economies of scale and decreasing marginal cost in asset management.

d. Combination of defensive assets creating high cash flows in long term durations and assets creating (relatively) low cash flows in the short term, while still allowing significant improvement over time.

e. High financial strength, allowing perseverance and exercise of the business plan.

f. Accessibility to various financing resources, allowing matching funding to the relevant market conditions/business plans.

g. Varied and current deal flow from banks, private entities, governmental companies, public companies, municipal authorities and more.

h. Accumulation of extensive and thorough knowledge and deep familiarity with the legal environment (contract, land, banking and finance, receivership, mergers and acquisitions, environmental laws), tax environment (tax planning in purchase and realization of land, corporate taxation) and zoning environment (planning and zoning laws, city building plans, construction permits), which enable the performance of complex transactions, some of which are below market prices, and the renovation of assets while increasing value both during the performance of the transaction and throughout the life of the asset.

1.6.1.5 Main Entry and Exit Barriers to the Field of Activity

The Company estimates that the main entry barriers in the income generating real estate are:

a. equity requirements in a large scale.

b. the need to establish a management system that will provide a response to economic, legal, engineering, planning, taxation, financing and operating (asset maintenance, renovation, marketing and lease, collection) aspects, etc.

c. establishment of a system of relationships and access to transactions and maintaining this relationship and these contacts.

The Company estimates that the main exit barriers in the income generating real estate are:

d. realization of the assets subject to conditions of supply and demand
e. realization of the assets subject to existing financing options in the market for the potential purchasers.

1.6.1.6 Alternatives to the Group's Activities

The tenants (current and potential) in the Group's assets may move from a rental model to an ownership model. In the sub-segment of the Income-Generating Residential Real Estate Sector, to the best of the Group's assessment, the main alternative existing for the rental of apartments is direct ownership of the residential apartments by the residents. However, to the best of the Company's assessments, the characteristics of the market in Germany indicate that many residential apartments (about 48% are rented or designated for rental) are not owned by the residents thereof.

1.6.1.7 Structure of the Competition in the Sector and Changes Occurring Thereto

For additional details regarding the competition structure, see Section 1.9 below.

1.6.1.8 Limitations, Legislation, Standards and Special Constrains Applicable to the Sector

For details see section 1.16 below.

1.6.1.9 Unique Tax Implications within the Activities – as of the report date, the purchase tax on land in Germany is at a rate between 3.5% and 6.5% of the cost of the asset, depending on the specific tax legislation in the federal state in which the asset is located (for example, 6% in Berlin and Hesse, 6.5% in NRW and Schleswig-Holstein, 5% in Baden-Württemberg and Bremen, and 3.5% in Saxony). The purchase of an asset by a share transaction allows for certain terms which prevent the payment of purchase tax. For details regarding the formation of a tax liability to the Company following the completion of the acquisition of the Company's shares by LEG on January 6, 2022, see Note 25 (1) to the Company's annual financial statements, which are attached as Chapter C to this report.

1.6.1.10 Asset Purchase and Realization Policies

For details regarding actions taken by the Company to focus its business strategy in the residential income generating sector see Section 1.20 below.

1.6.1.11 Material changes underlying the business activity in the last three years

In 2020 - 2021, the Company carried out a series of transactions to sell some of the Company's income-generating real estate assets. For further details regarding the above transactions, see section 1.1.3.1 above and Note 8f to the financial statements of the Company for 2021 attached to this report. For more information on the Company's strategy, see section 1.20 below.

As of the report publication date, the Company is continuing to carry out operations to sell additional assets from the Company's commercial real estate portfolios, as discussed above.

1.6.1.12 Types of assets and uses

See section 1.14 above.

1.6.1.13 The Composition of Tenants

Sub-segment of commercial income generating real estate

The Group's customers renting office spaces, commercial or other spaces (for non-residential purposes) are usually business corporations and retail chains. The main assets of the Group in the sub-segment of commercial income generating real estate are rented, as of the report date, to tenants with high financial strength.

It shall be noted that some of the residential complexes include a small number of commercial areas leased to commercial tenants. It shall be noted that the part of commercial tenants of the total rented space in an asset or total rental fees from the asset is negligible. Additionally, it shall be noted that less than 5% of the total rental fee revenues are paid each month by the relevant local authority, in accordance with a residential subsidy policy for eligible residents of the same relevant authority.

Sub-segment of residential income generating real estate:

The Group engages with a single type of tenant in the sub-segment of apartment renters in residential buildings.

In addition, some of the complexes include a small number of commercial spaces rented to commercial tenants. It should be noted that the share of the commercial tenants in the total rented space of the asset or total rental fees is negligible.

As of the report date, the Company is not reliant on a single tenant or a limited number of tenants, the loss of which would substantially impact the area of activity.

1.6.2 Summary of the Segment's Results

The following is a summary of the financial results of the segment for a period of three years ending on December 31, 2021:

| Parameter | For the year ending on | | |
|---|---|---|---|
| | **31.12.2021** | **31.12.2020** | **31.12.2019** |
| | In EUR thousand | | |
| Total income of the operations (consolidated) | 82,793 | 86,801 | 99,349 |
| Estimated revaluation gains/losses (consolidated), net | 117,242 | 87,676 | 17,517 |
| Operating profit (consolidated)* | 166,705 | 138,447 | 78,824 |
| NOI (consolidated) | 49,463 | 50,771 | 61,307 |
| NOI (share of the corporation) | 48,423 | 49,527 | 59,173 |
| Total NOI (consolidated) | 49,463 | 50,771 | 61,307 |
| Total NOI (share of the corporation) | 48,423 | 49,527 | 59,173 |

* Results of operating profit, calculated as the NOI amount, increase/decrease in value of investment property and other income/expenses, net.

1.6.3 Geographic Areas

The following are the financial parameters for the geographic area that the Group operates in (Germany):

| | Germany | | |
|---|---|---|---|
| | For the year ending on | | |
| | 31.12.2021 | 31.12.2020 | 31.12.2019 |
| | | | |
| Gross domestic product (EUR billions) * | 3,564 | 3,367 | 3,473 |
| GDP per capital (EUR) * | 42,839 | 40,949 | 41,801 |
| GDP growth rate * | 2.7% | 4.6%- | 1.1% |
| Rate of inflation* | 2.9% | 0.5% | 1.1% |
| Return on domestic long term government debt ** | 0.08%- | 0.44%- | 0.22%- |
| Rating of long term government debt **** | AAA | AAA | AAA |
| Exchange rate of New Shekel compared to Euro as of December 31, 2021 ***** | 3.52 | 3.94 | 3.88 |

* From the website of the Federal Ministry of Statistics of Germany (www.destatis.de)
** From the website of statistics of EU countries www. ec.europa.eu/eurostat(
*** From the website of the Wall Street Journal (wsj.com).
****Based on the S&P rating agency (www.standardandpoors.com).
*****From the website of the Bank of Israel (www.boi.org.il).

1.6.4 Segmentations in Overall Level of Activity[20]

The following tables shall present various segmentations regarding income-generating real estate assets of the Group by use.

1.6.4.1 Segmentation of income generating real estate spaces by areas and uses

As of December 31, 2021

| | Uses | Residential | Commercial (including offices) | Total | Percentage of Total Asset Space |
|---|---|---|---|---|---|
| Areas | | In sq.m. | | | |
| Germany | Consolidated | 713,667 | 55,899 | 769,566 | 100.0% |
| Germany | Share of the corporation | 697,215 | 49,074 | 746,289 | 100.0% |
| Percentage of Total Asset Space | Consolidated | 92.7% | 7.3% | 100.0% | |
| Percentage of Total Asset Space | Share of the corporation | 93.4% | 6.6% | 100.0% | |

As of December 31, 2020

| | Uses | Residential | Commercial (including offices) | Total | Percentage of Total Asset Space |
|---|---|---|---|---|---|
| Areas | | In sq.m. | | | |
| Germany | Consolidated | 712,384 | 87,479 | 799,863 | 100.0% |
| Germany | Share of the corporation | 695,929 | 80,654 | 776,583 | 100.0% |
| Percentage of Total Asset Space | Consolidated | 89.1% | 10.9% | 100.0% | |
| Percentage of Total Asset Space | Share of the corporation | 89.6% | 10.4% | 100.0% | |

[20] Regarding consolidated data and the Company's share of income-generating assets for residential and commercial use as set forth in this Section 1.6.4 below – it is noted that the Company holds 89.9% of the rights in the corporations holding the assets in the Matrix Titan and Leipzig. The remaining rights are held by ADLER as specified in section 1.18 below.

### 1.6.4.2 Segmentation of Real Estate Fair Value by areas and uses

As of December 31, 2021

| Areas | Uses | Residential | Commercial (including offices) | Total (EUR in thousands) |
|---|---|---|---|---|
| Germany | Consolidated | 1,292,590 | 49,140 | 1,341,730 |
| Germany | Share of the corporation | 1,259,344 | 46,763 | 1,306,107 |
| Percentage of Total Asset Space | Consolidated | 96.3% | 3.7% | 100.0% |
| Percentage of Total Asset Space | Share of the corporation | 96.4% | 3.6% | 100.0% |

As of December 31, 2020

| Areas | Uses | Residential | Commercial (including offices) | Total (EUR in thousands) |
|---|---|---|---|---|
| Germany | Consolidated | 1,152,436 | 104,405 | 1,256,841 |
| Germany | Share of the corporation | 1,119,726 | 99,467 | 1,219,193 |
| Percentage of Total Asset Space | Consolidated | 84.1% | 15.9% | 100.0% |
| Percentage of Total Asset Space | Share of the corporation | 8437% | 15.3% | 100.0% |

NOI Segmentation by areas and uses

For the year ending on December 31, 2021 (EUR thousand)

| | Uses | Residential | Commercial (including offices) | Total (EUR in thousands) |
|---|---|---|---|---|
| Germany | Consolidated | 47,500 | 1,963 | 49,463 |
| | Share of the corporation | 46,515 | 1,908 | 48,423 |
| Percentage of Total Asset NOI | Consolidated | 96.0% | 4.0% | 100.0% |
| | Share of the corporation | 96.1% | 3.9% | 100.0% |

For the year ending on December 31, 2020 (EUR thousand)

| | Uses | Residential | Commercial (including offices) | Total (EUR in thousands) |
|---|---|---|---|---|
| Germany | Consolidated | 45,988 | 4,783 | 50,771 |
| | Share of the corporation | 44,864 | 4,663 | 49,527 |
| Percentage of Total Asset NOI | Consolidated | 90.6% | 9.4% | 100.0% |
| | Share of the corporation | 90.6% | 9.4% | 100.0% |

For the year ending on December 31, 2019 (EUR thousand)

| | Uses | Residential | Commercial (including offices) | Total (EUR in thousands) |
|---|---|---|---|---|
| Germany | Consolidated | 42,025 | 19,282 | 61,307 |
| | Share of the corporation | 41,098 | 18,075 | 59,173 |
| Percentage of Total Asset NOI | Consolidated | 68.6% | 31.4% | 100.0% |
| | Share of the corporation | 69.5% | 30.5% | 100.0% |

### 1.6.4.3 Revaluation Profit and Loss Segmentation by areas and uses

For the Year ending of December 31, 2021:

| Areas | Uses | Residential | Commercial (including offices) | Total (EUR in thousands) |
|---|---|---|---|---|
| Germany | Consolidated | 124,121 | (6,879) | 117,242 |
| Germany | Share of the corporation | 120,830 | (6,472) | 114,358 |
| Percentage of Total Revaluation Profits or Losses | Consolidated | 106% | (6%) | 100% |
| Percentage of Total Revaluation Profits or Losses | Share of the corporation | 106% | (6%) | 100% |

For the Year ending of December 31, 2020:

| Areas | Uses | Residential | Commercial (including offices) | Total (EUR in thousands) |
|---|---|---|---|---|
| Germany | Consolidated | 115,900 | (28,224) | 87,676 |
| Germany | Share of the corporation | 110,929 | (26,655) | 84,274 |
| Percentage of Total Revaluation Profits or Losses | Consolidated | 132% | (32%) | 100% |
| Percentage of Total Revaluation Profits or Losses | Share of the corporation | 132% | (32%) | 100% |

For the Year ending of December 31, 2019:

| Areas | Uses | Residential | Commercial (including offices) | Total (EUR in thousands) |
|---|---|---|---|---|
| Germany | Consolidated | 54,810 | (37,293) | 17,517 |
| Germany | Share of the corporation | 53,060 | (35,216) | 17,844 |
| Percentage of Total Revaluation Profits or Losses | Consolidated | 313% | (213%) | 100% |
| Percentage of Total Revaluation Profits or Losses | Share of the corporation | 297% | (197%) | 100% |

### 1.6.4.4 Segmentation of Average Rental Fees per Sq.m by areas and uses:

| Uses | Residential | | Commercial | | Office | |
|---|---|---|---|---|---|---|
| Germany | In EUR | | In EUR | | In EUR | |
| | For the year ending on | | For the year ending on | | For the year ending on | |
| | 31.12.2021 | 31.12.2020 | 31.12.2021 | 31.12.2020 | 31.12.2021 | 31.12.2020 |
| Average annual rental fees per sq.m. | 81 | 79 | 82 | 87 | 104 | 151 |

The data above reflects a state of rental fees as of the end of the year.

#### 1.6.4.5 Segmentation of average occupancy rates, by areas and uses:

| Uses | Residential | | | Commercial | | | Office | | |
|---|---|---|---|---|---|---|---|---|---|
| Germany | In percentages | | | | | | | | |
| | 31.12.2021 | For 2021 | 31.12.2020 | 31.12.2021 | For 2021 | 31.12.2021 | 31.12.2021 | For 2021 | 31.12.2020 |
| Average occupancy rate (in %) | 98% | 97% | 96% | 62% | 79% | 84% | 73% | 53% | 32% |

**It is stressed that office buildings constitute only 7.8% of the Company's total area of income generating real estate.**

#### 1.6.4.6 Segmentation of a number of income-generating assets by areas and uses:

| Uses | Residential* | | Commercial | | Office | |
|---|---|---|---|---|---|---|
| Germany | | | | | | |
| | For the year ending on | | For the year ending on | | For the year ending on | |
| | 31.12.2021 | 31.12.2020 | 31.12.2021 | 31.12.2020 | 31.12.2021 | 31.12.2020 |
| Number of income-generating assets | 31 | 31 | 4 | 7 | 3 | 3 |

* The residential portfolio of the Company spans over many cities in Germany: it shall be emphasized that in addition to the area of residential units, some of the complexes include a small number of commercial spaces rented to commercial tenants. It shall be noted that the share of such tenants of the total rented space in the asset or total rental fees from the asset is negligible.

#### 1.6.4.7 Segmentation of actual average rates of return[21] (in percentage, by value at the end of the year) by areas and uses.

| Uses | Residential | | Commercial | | Office | |
|---|---|---|---|---|---|---|
| Germany | | | | | | |
| | For the year ending on | | For the year ending on | | For the year ending on | |
| | 31.12.2021 | 31.12.2020 | 31.12.2021 | 31.12.2020 | 31.12.2021 | 31.12.2020 |
| Actual rate of return | 4.3% | 4.7% | 6.4% | 7.6% | 7.0% | 5.2% |

[21] Yield – the ratio between NOI during the specific period and between the value at the end of the same period.

1.6.4.8 Principal lessees: as of the date of the report, the Company does not depend on any tenant.

1.6.4.9 Purchase and sale of assets (aggregate):

| AREA | | Parameters | Period (ending on) | |
|---|---|---|---|---|
| | | | **31.12.2021** | **31.12.2020** |
| Germany | Assets purchased | Number of assets purchased during the year | - | - |
| | | Net cost from assets purchased during the year (consolidated) (EUR in thousands) | - | - |
| | | NOI of assets purchased (consolidated) (EUR in thousands)* | - | - |
| | | Area of assets purchased during the year (consolidated) (EUR in thousands) | - | - |
| | | Gain/loss recorded from the realization of assets (consolidated) (EUR in thousands) | - | - |
| Germany | Assets sold | Number of assets sold during the year | 4 | 6 |
| | | Net consideration from the realization of assets sold during the year (consolidated) (EUR in thousands) | 36,243 | 59,250 |
| | | Gain/loss recorded from the realization of assets (consolidated) (EUR in thousands) | - | (6,200) |
| | | Area of assets sold in the year (consolidated) (in thousands of sq.m) | 37.6 | 61.7 |
| | | NOI of assets sold in the year (consolidated) (EUR in thousands)* | 1,394 | 1,954 |

* The NOI was standardized to annual terms.

## 1.6.5 List of material and very material income-generating assets of the Company in the field of income generating real estate activity

### 1.6.5.1 Very material building - Residential portfolio in Leipzig.

| (**Data according to 100%; the corporation's share in the asset - 89.8%**[22] | **Details as of December 31, 2021** |
|---|---|
| Name of the asset | Leipzig portfolio |
| Location of the asset | Leipzig, Germany |
| Areas of the property - split according to uses; If there is a significant change in the areas - the areas will be given for the last three years | 2,752 residential units with an average area of 53 sq.m. The total area for rental totals 146,067 sq.m. It should be noted that the aforesaid portfolio also includes commercial areas in immaterial scope that are leased in consideration that is not material to the Company. |
| The holding structure in the asset (description of the holding through investee companies, including the holding rates therein and the rate of their holding in the asset) | Through investee companies -<br>BCRE Leipzig Wohnen Ost BV<br>BCRE Leipzig Wohnen West BV<br>BCRE Leipzig Wohnen Nord BV<br>held (100%) by BCP Leipzig B.V<br>(100%) [23] held by the subsidiary (100%) of the Company -Brack German Properties BV |
| The actual share of the corporation in the asset (if the asset is in an investee company - multiplying the share of the corporation in the investee company by the investee company's share in the asset) | ›89.8%<br>(For details regarding collaboration agreements between the Company and ADLER which holds 10.1% of the rights in said asset, see section 1.18 below) |
| Indicating the names of the partners in the asset (if the partners own more than 25 percent of the rights in the asset or if the partners are related parties) | NA |
| Purchase date of the asset | July 2011[24] |
| Details of legal rights in the asset (ownership, lease, etc.) | Ownership |
| Legal rights registration status | Registered |
| Unutilized significant construction rights | None |
| Special issues (material construction irregularities, soil pollution, etc) | None |
| Presentation method in the financial statements (full consolidation/equity method of accounting/joint activity) | Full consolidation |
| Details regarding sold asset | NA |

[22] As of December 31, 2021; it should be noted that the Company is entitled to a certain percentage of the share of the other investors in the profit, and therefore the Company's share in the profit is higher than the rate of its effective holdings in the sub-subsidiaries. The share of the Company, given the aforementioned Promote mechanism, is 91.6% as of December 31, 2021.

[23] The minority shares in the sub-subsidiaries that hold the said asset have not yet been allocated, and as of this date, ADLER holds contractual rights with respect to the property companies

[24] It should be noted that the portfolio includes 182 residential units with a leasable area of 11 thousand square meters that were purchased in May 2014 by an investee company of the Company, which together with two other investee companies hold said portfolio

.

(a) key details about the asset

| **Data according to 100%; the corporation's share in the asset – 89.8%[25]** | **2021** | **2020** | **2019** | | **On the asset purchase date** |
|---|---|---|---|---|---|
| Fair value at year end (EUR in thousands) | 295,420 | 264,970 | 230,860 | Cost of purchase / construction ( EUR in thousands) ** | 82,181 |
| Book value at year end (EUR in thousands) | 295,420 | 264,970 | 230,860 | Date of purchase** | July 2011 |
| Revaluation gains or losses (EUR in thousands) | 27,629 | 31,841 | 17,623 | Occupancy rate (%) | 93.4% |
| If the asset is measured at cost –carrying amount at the end of the year (EUR in thousands) | NA | NA | NA | NOI (EUR in thousands) | 6,610 |
| If the asset is measured at cost – impairment (reversal of impairment) recorded during the year (EUR in thousands) | NA | NA | NA | | |
| Average occupancy rate (%) | 98 | 96 | 96 | | |
| Actual leased areas (in square meters) | 143,196 | 140,754 | 140,604 | | |
| Total revenues (EUR in thousands) | 10,914 | 10,492 | 10,039 | | |
| Average rental fees per meter (per month/year) (EUR) | 6.35 | 6.21 | 6.13 | | |
| Average rental fees per square meter in agreements signed over the year (EUR) | 7.40 | 7.11 | 7.17 | | |
| NOI (EUR in thousands) | 9,452 | 9,588 | 8,999 | | |
| ERV (EUR in thousands) | 12,549 | 12,509 | 12,565 | | |
| ERV yield (%) | 4.3% | 4.7% | 5.5% | | |
| Actual yield rate (%) | 3.7% | 3.8% | 4.5% | | |
| Adjusted yield rate (%) ** | 4.2% | 4.3% | 5.1% | | |
| Number of tenants at the end of the reported year (#) | 2,697 | 2,613 | 2,650 | | |

** according to average rental fees per square meter in new agreements signed over the year

25

## (b) Segmentation of revenues and expense structure

| Data according to 100%; the corporation's share in the asset – 89.8% | 2021 | 2020 | 2019 |
|---|---|---|---|
| **Revenues:** | **EUR in thousands** | | |
| Rental fees – fixed | 10,914 | 10,492 | 10,039 |
| Rental fees – variable | - | - | - |
| Management fees | 3,929 | 4,526 | 4,409 |
| Operation of parking lots | | | |
| Others | | | |
| **Total revenues** | 14,843 | 15,018 | 14,448 |
| **Costs:** | | | |
| Management, maintenance and operation | 5,391 | 5,430 | 5,449 |
| Depreciation (if recorded) | | | |
| Others | | | |
| **Total costs** | 5,391 | 5,430 | 5,449 |
| **Profit** | | | |
| **NOI:** | 9,452 | 9,588 | 8,999 |
| | | | |

## Financing

| Certain financing (the corporation's share in the asset - 89.8%) | | | Loan A |
|---|---|---|---|
| **Balances in the consolidated statement of financial position** | **31.12.2021 (EUR in thousands)** | **Presented as short-term loans:** | 1,770 |
| | | **Presented as long-term loans:** | 64,071 |
| | **31.12.2020 (EUR in thousands)** | **Presented as short-term loans:** | 1,770 |
| | | **Presented as long-term loans:** | 65,910 |
| **Fair value as of 31.12.2021 (EUR in thousands)** | | | NA |
| **Original date of taking the loan** | | | July 1, 2011 |
| **Original loan amount (EUR in thousands)** | | | EUR 60 million. It is indicated that additional EUR 17.4 million were received as part of drawing down a credit line carried out on December 31, 2017. |
| **Actual interest rate (effective) as of 31.12.2021** | | | 1.81% |
| **Principal and interest repayment dates** | | | on the last business day of each calendar quarter |
| **Key financial covenants** | | | None |
| **Other Key financial covenants** (including tenant departure, asset value etc) | | | None |
| **Indicate whether the corporation complies with the keys covenants and the financial covenants at the end of the reported year** | | | Yes |
| **Is the loan of a non-recourse type [yes / no]** (For this purpose, "non-recourse" - financing without recourse to the borrower, other than the realization of collateral) | | | Yes |

It is noted that in January 2018, the Company and the lending bank agreed to extend the loan period described above until October 30, 2028 at a fixed interest rate of 1.81% and principal repayment of 2.5% of the original principal amount. These conditions came into effect commencing April 1, 2019.

## ( C) Material legal restrictions and liens on the asset

| Type | Details |
|---|---|
| Liens<br>First ranking | First ranking lien in favor of the banking corporation on the rights of the asset (about 2,752 units in the city of Leipzig) assigning rental fee proceeds in favor of the lender, bank accounts and insurance receipts. |

## (D) Information regarding valuations:

| Data according to 100%; the corporation's share in the asset – 89.8%[26] | 31.12.2021 | 30.09.2021 | 30.06.2021 |
|---|---|---|---|
| The determined value (EUR in thousands) | 295,420 | 292,280 | 288,310 |
| Identity of the appraiser | CBRE | CBRE | CBRE |
| Is the appraiser independent? | Yes | Yes | Yes |
| Is an indemnification agreement in place? | No | No | No |
| The effective date of the valuation (the date intended by the valuation) | 31.12.2021 | 30.09.2021 | 30.06.2021 |
| Valuation model | DCF | DCF | DCF |

**Key assumptions used for the valuation:**

| | | 31.12.2021 | 30.09.2021 | 30.06.2021 |
|---|---|---|---|---|
| **Valuation using Discounted Cash Flows (DCF)** | Gross leasable area taken into account in the calculation (sq. m) | 146,067 | 146,067 | 146,067 |
| | Average value per sq.m (EUR) | 2,023 | 2,001 | 1,974 |
| | Actual annual rental (EUR in thousands) | 10,914 | 10,598 | 10,533 |
| | Representative annual rental (EUR in thousands) | 12,710 | 12,547 | 12,500 |
| | Lettable area residential | 98.6% | 98.6% | 98.6% |
| | Lettable area commercial | 1.4% | 1.4% | 1.4% |
| | Actual vacancy rate | 1.97% | 4.01% | 4.03% |
| | Representative vacancy rate | 2.0% | 2.0% | 2.0% |

[26] As of december 31, 2021, the Compoany's share, given the Promote mechanism, is 91.6% as of December 31, 2021.
.

| | | | | |
|---|---|---|---|---|
| | Monthly rental per sq.m | 6.33 | 6.28 | 6.26 |
| | Representative monthly rental | 7.40 | 7.46 | 7.43 |
| | Expected appreciation for years 1-5 | 2.0% | 2.0% | 2.0% |
| | Expected appreciation for years 6-10 | 1.5% | 1.5% | 1.5% |
| | Annual maintenance costs per sq.m | 10.0 | 10.0 | 10.0 |
| | Annual leasehold improvements costs per sq.m | 65 | 63 | 63 |
| | Discount rate for the valuation | 4.43% | 4.43% | 4.46% |
| | Yield rate on notional realization (Cap rate) | 2.94% | 2.94% | 2.96% |

*)

| **Sensitivity analyzes for value (according to the selected approach):** | | **Changes in value in EUR in thousands** | | |
|---|---|---|---|---|
| **Discount rate** | Decrease of 0.5 basis points | 57,000 | 55,860 | 55,200 |
| | Decrease of 0.25 basis points | 28,850 | 28,273 | 27,600 |
| | Increase of 0.25 basis points | (24,200) | (23,716) | (23,640) |
| | Increase of 0.5 basis points | (48,400) | (47,432) | (47,280) |

Additional clarifications in connection with the valuation:

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 as of June 30, 2021, September 30, 2021 and December 31, 2021 were conducted by CBRE. 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.

It is clarified that to the best of the Company's knowledge, the differences between the valuations conducted by Savills and CBRE are related, inter alia, to changes in various indices following the consequences of the Corona crisis, which affected the market in which the Company operates during the relevant period (i.e., December 31, 2019), compared to the indices on which the Company's previous appraise has relied, among other things, taking into account the fact that this is the "pre-Corona" period and also, in view of the fact that CBRE is a large and leading company in the German market and therefore has access to a wider database.

Below are the main differences that occurred in the valuations in 2021:

(1) The income generating residential segment - during the reporting period there was a decrease in the discount rates used to measure the fair value of some of the Company's investment properties in the residential segment at a rate of approximately 0.35% due to changes in market conditions during the period and among other things, the residential sector in Germany positions itself during the Corona crisis as a stable and attractive investment following subsidies and assistance provided by the German government to protect tenants. As a result, the fair value of the residential assets has increased and a profit from change of fair value of EUR 124.1 million was recognized. Also, another reason for the increase in the fair value of residential real estate properties is an increase in rental fees charged by the Company of approximately 3.4% during 2021.

The main reason is due to the fact that the residential real estate sector in Germany has positioned itself during the Corona crisis as a stable and attractive investment as described above, thus many new investors, who previously invested in different sectors, started investing in this sector, contributing to increase market prices.

(2) Income generating commercial segment - on the other hand, during the reporting period there was a decrease in value of investment properties in the income generating commercial segment due to changes in market conditions during the period deriving mainly from the uncertainty created in the commercial real estate market and the change in investor reasons, among other things, towards the residential real estate sector following the Corona crisis.

In addition, there was a decrease in occupancy rates of some of the Company's income generating commercial assets and a loss from change in fair value of EUR 6.9 million was recognized.

**(E) Additional details - illustrating the Promote Mechanism regarding the Company's asset in Leipzig.**

In addition to the Company's share in the distribution of profits in accordance with the rate of its holdings in the capital of the asset company, the Company is entitled to 20% of the share of its partners in any future distribution of profits in the asset company, after the repayment of the entire investment of the partners in the transaction in addition to aggregate annual yield of 8% on the investment (above and hereinafter: the "**Promote Mechanism**").

**It shall be noted that as of the Signing Date of the Report, no distribution was performed as stated above, and the data on the table below reflects a case of the sale of the asset on December 31, 2021 in accordance with the fair value of the asset as of the same date, for the illustration of the promote mechanism. The following example is a numeric example only considering the promote mechanism, for convenience purposes and in order to understand the promote mechanism only.**

| **Data on the table is in NIS thousands** | | | |
|---|---|---|---|
| **Fair value of the asset as of December 31, 2021** | **295,420** | | |
| **Repayment of loans from banks** | **(65,841)** | | |
| **Other net assets and liabilities** | **(29,195)** | | |
| **Remaining distributable amount** | **200,384** | | |
| **Rate of holdings before impact of Promote mechanism** | **89.82%** | | |
| **Rate of holdings after impact of Promote mechanism** | **91.65%** | | |
| **Amount for distribution and nature** | **Distribution to partners (non-controlling interests)** | **Total amounts distributed to the Company** | **Total remaining distributable amounts** |
| Distribution of profits before use of promote mechanism | 20,401 | 179,983 | - |
| Value of Promote | (3,660) | 3,660 | - |
| Total | 16,741 | 183,643 | - |

| **Sensitivity analysis of value of Promote compared to change in fair value of investment property** | | | | |
|---|---|---|---|---|
| **Company's effective share – in EUR thousands** | | | | |
| **Impact of increase of 10% in fair value of real estate** | **Impact of increase of 5% in fair value of investment property** | **Total promote value** | **Impact of decrease of 5% in fair value of investment property** | **Impact of increase of 10% in fair value of investment property** |
| 366 | 183 | 3,660 | (183) | (366) |

The holdings rate after the impact of the promote mechanism was calculated under the assumption that the holdings rate of the minority in the joint venture is equal to the total holdings in the equity of the joint venture while considering the total capital loans provided from non-controlling interests and the value of the promote mechanism - in the following manner:

| | | EUR thousands |
|---|---|---|
| Equity of the joint venture, excluding loans from non-controlling interests and from the Company: | | 200,384 |
| Share of non-controlling interests in the equity (excluding loans from non-controlling interest and from the Company) before the impact of the promote mechanism: | 10.18% | 20,401 |
| Value of the promote mechanism: | | (3,660) |
| Value of holdings of non-controlling interests after the impact of the promote mechanism: | | 16,741 |
| Equity of joint venture excluding loans from non-controlling interests and the company | | 200,384 |
| Effective holdings rate of the non-controlling interests in the joint venture, after use of the promote mechanism(excluding capital loans): | | 8.35% |
| Effective holdings rate in the joint venture, after use of the promote mechanism: | **91.65%** | |

1.6.6 Adjustments Required on the Company Level

1.6.6.1 Adjustments of Fair Value to Values in the Statement of Financial Position:

| | | As of (consolidated) (in EUR thousands) | |
|---|---|---|---|
| | | 31.12.2021 | 31.12.2020 |
| Presentation in the Description of the Corporation's Business Report | Total income generating assets (consolidated) | 1,341,730 | 1,256,841 |
| | Total lands for investment (consolidated) | 99,100 | 60,900 |
| | Total (consolidated) | 1,440,830 | 1,317,741 |
| Adjustments | Assets included within "non-current assets held for sale" in the Statement of Financial Position | (30,100) | (27,242) |
| | Adjustments to value arising from accounts payable and receivable sections | - | - |
| | Adjustments arising from presentation of assets by cost | - | - |
| | Other adjustments | 5,600 | (4,153) |
| | Total adjustments | (24,500) | (31,394) |
| | Total, after adjustments | 1,416,330 | 1,286,346 |
| Presentation in the Statement of Financial Position | Section of investment property in the Statement of Financial Position (consolidated) | 1,416,330 | 1,286,346 |
| | Total | 1,416,330 | 1,286,346 |

### 1.6.6.2 Adjustments to FFO Profits (Funds from Operations)

| | FFO for year ending on | | |
|---|---|---|---|
| | 31.12.2021 | 31.12.2020 | 31.12.2019 |
| | **In EUR thousands, consolidated** | | |
| | **Unaudited** | | |
| Net profit for the year attributed to holders of capital rights of the Company | 72,675 | 92,695 | 18,318 |
| Adjustments based on provisions of the Fourth Addendum to the Securities Regulations (Details and Draft of Prospectus – Form and Structure) - 1969 (hereinafter: the "Prospectus Details Regulations")*: | | | |
| Changes in value of investment property, investment property under construction, lands and additional investment assets | (111,144) | (82,153) | (16,388) |
| Changes in fair value of financial instruments measured at fair value through profit and loss | 28,948 | (1,117) | 8,914 |
| Deferred taxes for adjustments | 21,214 | 27,751 | 10,927 |
| Adjustments [1-8] regarding affiliates or joint transactions presented in accordance with the equity method | - | - | - |
| ================================== | ====== | ====== | ====== |
| **Nominal FFO (Funds from Operations) under the provisions of the Fourth Addendum to the Prospectus Details Regulations*** | 11,693 | 37,176 | 21,771 |
| | | | |
| Additional adjustments in respect of non-cash flow items: | | | |
| Cost of share-based remuneration | - | - | - |
| Amortization of financing costs, exchange rate differences and non-cash flow indexing | 10,800 | (1,032) | 10,667 |
| Interest component in hedging transactions | - | - | 1,451 |
| Additional adjustments for one-off items/ new activities/discontinued activities /other: | | | |
| Administrative and general expenses for management time in connection with the betterment of land in Dusseldorf | 1,353 | 1,072 | 4,211 |
| Depreciation , donations, professional services, and one-off adjustments | (363) | 548 | 5,271 |
| Adjustments for associates and non-controlling interests | 2,083 | (262) | 378 |
| Profit from the sale of apartments | (897) | (12,217) | (11,073) |
| Additional adjustments with non-controlling interests | - | (2,012) | - |
| ==================== | ====== | ======= | ======= |
| FFO according to management approach | 24,669 | 25,285 | 32,676 |

* FFO is not a financial index based on accepted accounting rules; this index is calculated according to the provisions of the Securities Authority; the index is accounting net income for the period, less the one-off revenues and expenses (including profits or losses from the revaluation of assets), sale of assets, depreciation and amortization and additional types of profit; the use of this index is accepted for determining the performances of income generating real estate companies and **does not include profit from the sale of apartments**; the adjustments required from the accounting income are detailed in this table.

## 1.7 Betterment of the Land in Dusseldorf

### 1.7.1 <u>General information regarding the operating segment</u>

1.7.1.1 Structure of the Operating Segment and Changes Applicable Thereto

The Company owns a plot of land ("Grafental Ost") in a central location in the city of Dusseldorf, where the Company's "Grafental" residential project is located. The Company also works for the betterment of the land and changing its zoning from the current zoning to its future zoning as a land for residential development and in the reported period the Company continued to promote the urban building scheme process.

In addition, in August 2014, the Company purchased a land complex with an area of 20,000 sq.m where several residential buildings and offices are erected thereon (Grafenberg) located in the Grafenberg neighborhood – one of the prestigious residential neighborhoods of Düsseldorf adjacent to the "Grafental" residential project established by the Company.

In December 2021, the Company obtained an approval for change of zoning of the land as a land for residential development and building permits are expected to be received in 2022[27].

Also, during February 2018, the Company completed the acquisition of a parcel of land ("Gerresheim") in the Gerresheim neighborhood in the city of Düsseldorf in Germany for a total consideration (including related costs) of approximately EUR 141.9 million. The land is located in the Gerresheim neighborhood (with a population of about 30 thousand people) east of downtown Düsseldorf, adjacent to and south of the luxurious Grafenberg neighborhood and close to the Grafenberg forest. For further details in connection with a transaction for the sale of said land and the cancellation of the transaction, see section 1.1.3.2 above.

1.7.1.2 Critical Success Factors in the Segment

The Group estimates that the main factors contributing to the success in the area of activity are as follows:

a. Thorough familiarity with the local real-estate market in Dusseldorf and mapping its needs for the medium-long term.
b. Building a quality and professional planning team (city planners, architects, road and infrastructure planners, environmental development planners), with experienced familiarity with the real estate market in Dusseldorf, together with understanding and control of the planning laws relevant to the designation change process as stated.
c. Access and personal familiarity with the various planning entities in the city of Dusseldorf.

[27] **It should be noted that the above in connection with the date of receipt of building permits, is based on the Company's assessments only and is forward-looking information as defined in the Securities Law and there is no assurance that these assessments will be realized or in any way since it depends on external factors which the Company has no influence on them or that its influence is limited, including the receipt of regulatory approvals and their date.**

d. Accumulating extensive and thorough knowledge and familiarity with the legal and planning environment.

1.7.1.3 Main Entry and Exit Barriers of the Area of Activity

The Company estimates that the main entry barriers in the income generating real estate are:

(1) equity requirements in a large scale.

(2) the need to establish a management system that will provide a response to economic, legal, engineering, aspects, etc.

(3) thorough familiarity on a professional basis with the decision makers in Dusseldorf municipality in general and in the various planning authorities, in particular.

The Company estimates that the main exit barriers in the income generating real estate are:

(1) realization of assets subject to conditions of supply and demand
(2) realization of assets subject to existing financing options in the market for the potential purchasers.

1.7.1.4 Competition structure in the area of activity and the changes thereof

For further details see section 1.9 below.

1.7.1.5 Limitations, Legislation, Standards and Special Constraints Applicable to the Segment

For further details see section 1.17 below.

1.7.1.6 The main areas in which the assets are located

The assets are located in Dusseldorf. For further details see section 1.7.3 below.

1.7.1.7 Asset purchase and realization policy

See section 1.20 below.

1.7.1.8 Material changes underlying the business activity in the last three years

a. Grafental Mitte city building plan

The city building plan for 389 residential units/about 34 thousand sq.m of construction rights, net (of which 172 units/about 12 thousand sq.m of construction rights, net that are subject to rent control). This city building plan is in effect and applies to stages G-I of the Dusseldorf residential project as specified in section 1.8 below.

b. Grafental Ost city building plan

The city building plan for the remaining 335 residential units/about 30 thousand sq.m of construction rights, net (of which 154 residential units/about 12 thousand sqm of construction rights net expected to be subject to rent control) is in the process of planning and the Company estimates that the city building plan will be approved and will be available for construction towards the end of 2022. This city building plan will apply to stages J - L of the residential project in Düsseldorf (for further details see section 1.8.below). The city building plan will apply to the remainder of the land at the present zoning for offices.

**The information described above in connection with the progress in the city building plan approval procedures and the aforesaid change in zoning (including the expected dates of its completion) is forward-looking information as defined in the securities law – 1968 which is not under the Company's full control and the occurrence of which in practice is not at all certain. There is no assurance that the change in zoning proceeding will take place and/or be completed, if at all, as its completion is subject to planning and construction proceedings required according to German law, the completion of which is not under the Company's control.**

For further details regarding restrictions on rental for part of the stages in the project see section 1.7 of the 2018 periodic report.

c. Land for improvement in the Grafenberg neighborhood

The Company owns a land with an area of approximately 20,000 m² on which are located residential and office buildings (generating annual rental fees of EUR 81 thousand) in the Grafenberg neighborhood – one of the upscale neighborhoods in the City of Düsseldorf – and adjacent to the "Grafental" residential project constructed by the Company. For further details regarding this transaction see immediate report dated August 31, 2014 (ref 146337-01-2014) which is brought by way of reference.

In the reported period, the Company obtained an approval from the Dusseldorf municipality to change the designation of the aforesaid land in Grafenberg to residential construction. According to the Company's plan, the construction of a residential project which will include 85 residential units (approximately 13,400 m² constructed area, net) on the land (instead of the existing structures) will be permitted.

For details regarding the Gerresheim project see residential real estate development in Dusseldorf in section 1.8.3.5 below.

For details regarding the Company's project in Aachen see residential real estate development in Aachen in section 1.8.3.3 below.

1.7.1.9 Implications of tax laws applicable to the Group and unique to this area of activity.

See Note 17 of the Company's annual financial statements attached as Chapter C to this report.

### 1.7.2 Summary of Segment Results

The following is a summary of the financial results of the segment for a period of three years ending on December 31, 2021:

| Parameter | For the year ending on | | |
|---|---|---|---|
| | 31.12.2021 | 31.12.2020 | 31.12.2019 |
| | In EUR thousand | | |
| Total operating income (consolidated) | 156 | 265 | 326 |
| Estimated revaluation gains or losses (consolidated) | (5,639) | (4,455) | (4,179) |
| Operating profit (consolidated) | (6,026) | (4,621) | (4,006) |
| Same property NOI (for two recent reporting periods) (consolidated) | (387) | (166) | 174 |
| Same property NOI (for two recent reporting periods) share of the corporation | (346) | (132) | 155 |
| Total NOI (consolidated) | (387) | (166) | 174 |
| Total NOI (share of the corporation) | (346) | (132) | 155 |

### 1.7.3 Geographic Areas

| | | **Dusseldorf/Germany/NRW** | | |
|---|---|---|---|---|
| | | **For year ending on** | | |
| | | **31.12.2021** | **31.12.2020** | **31.12.2019** |
| **Binding sectorial parameters:** | | | | |
| Index relating to asset prices in relevant uses in Dusseldorf | Residential (price psm)**** | 4,800 | 4,250 | 3,950 |
| | Office (price psm)**** | 28.5 | 28.5 | 28.5 |
| Construction price index in Germany – annual change rate ** | | 8.9% | 3.3% | 5.5% |
| Construction permits in NRW**** (by use) | Residential (residential units) | Information was not yet published | 43,309 | 42,939 |

* Based on the website of Dusseldorf municipality www.duesseldorf.de
**Based on the publication by the German Federal Statistical Office (www.destatis.de). It shall be noted that the company has not requested consent of the said entity for the inclusion of the data below, as it is published public information.
***Based on the Wall Street Journal (www.wsj.com).
**** Based on market research of JLL.
***** Based on the IT.NRW Bureau of Statistics.

******Based on publications of the German Central Bank (www.bundesbank.de). It shall be noted that the company has not requested consent of said entity for the inclusion of the data below, as it is published public information.

1.7.4 Land for Investment

Land classified as investment property (aggregate)

| Area | Parameters | Period (year ending on) | |
|---|---|---|---|
| | | 31.12.2021 | 31.12.2020 |
| Germany | The amount that the lands are presented in the financial statements at the end of the year (consolidated) (in EUR thousands) | 46,300 | 46,700 |
| | Total area of land at the end of the year (in thousands of sq.m.) | 20,000 | 20,000 |
| | Total construction rights in land, based on approved plans, by use (in thousands of sq.m.) | 13 | 7 |

## 1.8 Area of Residential Real Estate Development

**Definitions for the purpose of section 1.8 only**

(1) Real estate development project which ended in the current year – Said project is a project in which all of the following are met: (A) The rate of project completion as of the last day of the reporting year is one-hundred percent; (B) handing over of the apartments in the project was completed in the course of the reporting year; (C) Income in respect of the project was recognized during the reporting year; (D) No income from the project is expected which has not yet been recognized; (E) The inventory attributed to the project was fully derecognized by the last day of the reporting year;

(2) Real estate development project the construction of which ended during the current period and the sale of which has not yet fully ended – Said project is a project where its completion rate as of the last day of the reporting year is one-hundred percent and it does not meet the requirements set forth in subsection 1(B) and (D), above;

(3) Real estate development project under construction – Said project is a project in which all of the following are met: (A) Construction of the project commenced before the end of the reporting year and there is no prevention to consistently continue its construction; (B) Construction of the project did not end by the last day of the reporting year;

(4) Real estate development project being planned **-** Said project is a project in which all of the following are met: (A) On the last day of the reporting year, its construction has not yet commenced; (B) One of the following – (1) in the assessment of the corporation's management, its construction is expected to begin in the year following the reporting year; (2) a building permit has been received (or outside of Israel – a permit which is the equivalent of a building permit);

(5) Land reserve project **-** Said project is land which is presented as inventory or real property inventory on which project construction has not yet commenced, and the requirements of subsection 4(B) above are not met;

**Introduction**

The following projects are included in this area of activity:

Grafental project - residential project in Dusseldorf

The Group owns land with an area of about 150 thousand square meters ("Grafental"), located in a central area of Dusseldorf[28], the administrative capital of NRW.

The Company has decided to develop the land such that on a portion of the land a residential neighborhood will be constructed.

The development of the neighborhood is performed in a number of stages while maintaining a high ratio of advance sales (hereinafter: the "**Residential Project**"). As a result of this decision, the Company began operating to promote the commencement of the construction of the Residential Project and therefore, the Company has decided to classify the part of the project attributed to the development of residential real estate as inventory of buildings under construction and land inventory, in accordance with the Company's operating cycle. Out of the project, lands designated for subsidized rent above (Stage I and Stage J) were not classified to inventory and are presented and accounted for in the financial statements as investment property (according to accepted accounting principles). Other data for these lands are included in land reserves in this chapter.

[28]Incl. spaces on which units were already built and handed over to purchasers and are therefore no longer owned by the company as described in this chapter.

Project description

Residential project is a project for the establishment of a residential neighborhood which commenced in 2011 in a scope of about 1,659 residential units of which 453 residential units for rental in affordable housing and rent control and 1,174 residential units as Condo apartments for sale in the free market intended for the middle-upper class. The development of the neighborhood was and will be carried out in several stages while aiming to maintain high ratio of advance sales.

As of the date of this report, construction of stages A to H has been completed, they were handed over and are fully occupied. Stage I is in various construction and development stages.

The following is a description of the main activities performed by the Company in the reported period in connection with the progress of the Residential Project in Dusseldorf:

(A) **Performance and marketing of Stage H, the third stage that was built as part of Grafental Mitte (residential income generating project that ended in the current year)** - a construction permit for 96 residential units for free sale in the market (condo apartments) along with 101 underground parking spaces with a total gross area of 10,000 sq.m. was received in the third quarter of 2019. The Company commenced to develop and market this stage. In the second quarter of 2021, the construction and handing over of stage H was fully completed. The Company recognized revenues of EUR 58,029 thousand for this stage. Stage H is a part of the Grafental project which is classified in this report as "very material project". All data regarding this stage were concentrated for the convenience of the reader under section 1.8.3.1below.

(B) **Performance of Stage I, the fourth stage built as part of Grafental Mitte (income generating residential under construction)** - Construction permit for 204 units for rental (of which 100 apartments in subsidized rental and 72 apartments in affordable housing and 32 additional apartments not under rent control that are expected to be leased at market prices) along with 113 underground parking spaces in a total area of approximately 14,800 square meters gross. In the third quarter of 2020, the Company commenced to develop the stage. As of the report date, completion rate is 76.2%. Stage I is a part of the Grafental project which is classified in this report as "very material project". All data regarding this stage were concentrated for the convenience of the reader under section 1.8.3.2 below.

(C) Grafental Ost Land reserve project - the remaining stages in the residential project in Dusseldorf

(1) Stage J - under the city building plan Grafental Ost – establishment of 169 residential units in a net area of approximately 13,000 sq.m. (of which 77 apartments in subsidized rent, 77 apartments in affordable housing and 15 apartments to be rented in the free market) the Company intends to hold.

(2) Stage K: under the Grafental Ost city building plan for the construction of 166 residential units with a net area of 16,800 square meters, which are designated for free sale in the market (Condo apartments).

The residential project in Dusseldorf is classified in this report as "very material project". All data regarding this project were concentrated for the convenience of the reader under section 1.8.3 below.

The Company's residential project in Gerresheim neighborhood in Dusseldorf, Germany.

On February 28, 2018, the Company completed the purchase of parcel of land in Gerresheim neighborhood in Dusseldorf, Germany, for a total consideration (including related costs) of EUR 141.9 million. The land is located in the Gerresheim neighborhood (with a population of 30,000 people) east of the city center of Dusseldorf adjacent and south of the luxurious neighborhood of Granfenberg and close to Granfenberg forest. On the vacant land of 193 thousand square meters, 1,500 residential units and 30,000 square meters of commercial spaces, offices and kindergartens and school are planned to be constructed.

It should be noted that during 2019 the Company entered into an agreement for the sale of 75% of the Gerresheim project, but said transaction was canceled during the reported period and as of the publication date of the report, the Company holds (indirectly) 100% of the project. For further details in connection with said transaction, see section 1.1.3.2 above and Note 6b (1) to the Company's financial statements for 2021, which are attached to this report.

The Gerreshiem project is classified in this report as "very material project". All data regarding this project were concentrated for the convenience of the reader under section 1.8.3.5 below.

**The Company's residential project in Aachen Germany -** residential income generating project for constructing 82 residential units for rental under rent control on a land wholly owned by the Company in Aachen, Germany on which an old unused factory was situated. The Company commenced construction of the project in the second quarter of 2020. After the report date, on March 1, 2022, the Company completed the construction of the project and as of the report signing date, the project is fully rented. It should be indicated that the project was a part of a joint venture of the Company to construct 280 residential units on the land but upon termination of the partnership and selling the Company's share in the land this project was reduced to 82 residential units only.

It should be indicated that this project is presented in the Company's consolidated financial statements as part of investment property – rights to real estate.

The Aachen project is classified in this report as "very material project". All data regarding this project were concentrated for the convenience of the reader under section 1.8.3.3 below.

## Aggregate Description – real estate development

1.8.1 **General Information regarding the Segment**

1.8.1.1 Structure of the area of activity and Changes Occurring Thereto

For additional details regarding the segment structure and the changes occurring thereto, see Section 1.8 above.

1.8.1.2 Geographic area in which operations are performed – most of the activity is concentrated in a central area of Dusseldorf, the administrative capital of NRW where the Grafental, Gerresheim and Grafenberg projects are located.

In addition, certain part of the Group's operations under this area of activity is carried out in Aachen, Germany.

1.8.1.3 Types of projects

Relevant projects include construction on land owned by the Company.

1.8.1.4 Types of uses in the sold inventory

Sold inventory is composed of apartments, parking spaces and common areas relating thereto. There are spaces in negligible scope that is used for commercial use.

1.8.1.5 Nature of the engagements with performing contractors within the area of activity - With respect to the Grafental project - the Company has put up the work under external tender among leading construction companies. The agreement is a turnkey agreement with a general contractor for the performance of all of the construction work.

1.8.1.6 **Activities financing policy -** the financing of the project is performed from its equity and withdrawing bank credit as necessary. Most of the equity the Company provided for the project is the value of the land charged for the benefit of the financing bank against the provision of construction loan. It is indicated that the receipts from purchasers, received from the sale of the apartments in the project are deposited in a designated bank account and will reduce the total construction loan (if any). For additional details regarding the project's financing, see section 1.8.3 below with respect to each stage. It should be indicated that after the date of the report, the Company raised bonds by expanding an existing series (Series B), which will be used, among other things, to refinance a loan in connection with the Gerresheim project. For further details, see Note 1.12.2b below.

1.8.1.7 **Limitations, legislation, standards and special constraints applicable to the segment** - see Section 1.17 below.

1.8.1.8 **Critical success factors in the segment**

The Company estimates that the critical factors contributing to success in the segment are as follows:

1) Thorough familiarity with the local real-estate market in Dusseldorf and mapping its needs for the medium-long term.
2) Building a high quality and professional planning team (city planners, architects, road and infrastructure planners, environmental development planners), with experienced familiarity with the real estate market in Dusseldorf, together with understanding and control of the planning laws relevant to the issuance process of construction permits.
3) Accessibility to and personal familiarity with the various planning entities in the city of Dusseldorf and the decision makers in the city of Dusseldorf
4) Planning the project, including determining the composition of apartments and their size, the technical specifications, designing the appearance and public spaces, in a manner maximizing the quality of the product sold compared to competitors in the market and allowing achievement of sales prices in the upper part of the range (compared to competitors).
5) Establishment of a marketing and sales team with significant experience in the residential market of Dusseldorf within the Company.
6) Establishment of a project management staff with significant experience in the performance of residential construction projects.
7) Obtaining financing for the construction of the project with optimal terms (low interest margins, low pre-sale rates, unsubstantial investment of additional equity beyond the provision of land as collateral for the construction loan).
8) Selection of a performing contractor with professional abilities, experience, a quantity of employees and equipment allowing the completion of the project while meeting the plans, schedules, quality and nature desired, without significantly deviating from the expected costs.
9) Delivery of the apartments to purchasers and/or tenants on time (or with only minor delay) compared to the agreed date and limited problems during the quality and inspection stage after delivery, to the extent possible, while providing the residents with a high level of service after occupancy in order to reach a high level of satisfaction which will impact the Company's ability to market itself as the leading entity in the residential construction market in Dusseldorf and will contribute to the Company's success in marketing the coming stages of the project.

1.8.1.9 **Main entry and exit barriers of the segment and changes applicable thereto** - regarding entry barriers, see Section 1.7.1.3 above. The main exit barrier is the Company's liability for quality and inspection warranty for a period of five years from the delivery date of the residential units located within the project; in this regard, see also subsection (I) above.

1.8.1.10 **Structure of the competition** - for additional details see 1.9 below.

## 1.8.2 Summary of Results

| Parameter | For year ending on | | |
|---|---|---|---|
| | **31.12.2021** | **31.12.2020** | **31.1.2019** |
| | **EUR in thousand** | | |
| Segment revenues (consolidated) | 8,301 | 72,548 | 70,029 |
| Segment profits (consolidated) | 997 | 14,376 | 13,030 |
| Segment profits (corporation's shares) | 896 | 12,217 | 11,073 |
| Total segment assets in balance sheet (consolidated) | 46,888 | 85,707 | 250,038 |
| Total liabilities attributed to the segment (consolidated) | 37,477 | 19,208 | 150,635 |

### Aggregate Data regarding Projects

1.8.2.1 Completed projects

As a result of the Company's business plan, the Company sells the residential units in the project in advance, so when stages are completed, all units in the project are handed over to the buyers, and the Company has no inventory of apartments that have been completed.

1.8.2.2 Disclosure regarding supplies and sub-contractors

See section 1.8.4 regarding suppliers and sub-contractors.

# Disclosure Regarding Very Material Projects

## 1.8.3 <u>Data Required for a Very material Project</u>

### 1.8.3.1 Grafental Stage H; residential project completed in the current year

### A. Presentation of the project

| **(Data based on 100%. The Corporation's effective share of the project – 89.9%)** | **Description as of 31.12.2021** |
|---|---|
| Project name: | Grafental (Stage H of the residential project) |
| Project location: | Neumann Str. 6, Dusseldorf, Germany |
| Short description of the project: | 96 residential units under construction (about 9,793 thousand sq.m, net) with underground parking including 101 parking spaces |
| Corporation's effective share of the project: | 89.9% |
| Structure of holdings in the project | See Section 1.1.5 above. |
| Listing the names of partners in the project | See Section 1.1.5 above. |
| Presentation method in the financial statements: | Consolidation |
| Purchase date of the land the project will be built on: | June 2008 |
| Area of the land the project will be built on: | 6,500 sq.m. |
| Completion date of construction: | The second quarter of 2021 |
| Commencement date of project marketing: | The marketing of this Stage commenced in July 2019; |
| Expected marketing completion date: | As of the report date, all apartments in the project were sold. |
| **Agreements with performing contractors in connection with the project:** | See Section 1.8.4 below. |
| Beginning date of construction: | First quarter of 2019 |
| Description of legal rights on the land: | Ownership |
| Special agreements relating to the project (combination / gentrification / other): | None |
| Existence of material exposures of the reporting corporation to the project: | Regarding planning and environmental development requirements – see development agreement in Section 1.8 above. |

| | |
|---|---|
| Was the net realizable value estimated in the reporting period? | No |
| Discussion of existence of infrastructures in proximity to project: | For details regarding the engagement of the project companies in the development agreement, see Section 1.8 above. |
| Special matters: | None. |

## B. Planning State of the Project

| Stage H -Planning state as of 31.12.2021 | | | |
|---|---|---|---|
| Current planning state | | | |
| **Inventory type** | **Total construction rights (sq.m.)** | **Total units** | **Notes** |
| Residential units | About 9.8 thousand square meters,net, above ground together with 101 underground parking spaces | 96 apartments | The construction permit was received in the fourth quarter of 2018. |

## C. Costs invested and to be invested in the project

| Stage H | Costs invested in the Project | |
|---|---|---|
| **Data according to 100%. (Corporation's effective part in the project – 84.98%)** | **Financial data in EUR thousands (aggregate)** | |
| | **2021** | **2020** |
| Total cumulative costs for the land at the end of the period. | 14,119 | 14,119 |
| Total cumulative costs for planning, marketing and sales, fees, management of the project and office costs. | 1,636 | 1,337 |
| Total cumulative costs for development of public infrastructures. | 152 | 146 |
| Total cumulative costs for construction | 32,242 | 28,792 |
| Total cumulative costs for financing (capitalized) | - | - |
| **Total cumulative costs** | 48,149 | 44,394 |

| Stage H | | |
|---|---|---|
| **Costs not yet invested and investment balance** | | |
| **Data according to 100%. (Corporation's effective part in the project – 84.98%)** | **Financial data in EUR thousands** | |
| | **2021** | **2020** |
| Total costs for the land that have not yet been invested (estimate) | - | - |
| Total costs for planning, marketing and sales, fees, management of the project and office costs that have not yet been invested (estimate) | - | 1,657 |
| Total costs for development of public infrastructures that have not yet been invested (estimate) | - | 275 |
| Total costs for construction that have not yet been invested (estimate) | - | 3,149 |
| Total cumulative costs for financing that are expected to be capitalized in the future (estimate) | - | - |
| **Total cost remaining for completion** | - | 5,081 |
| **Completion rate [financial] (not including land) (%)** | 100% | 85.6% |
| Expected construction completion date | Construction completed | Second quarter of 2021 |

## D. Project Marketing

| Stage H – project marketing | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **(Data according to 100%. The corporation's effective share in the project – 83%)** | **2021** | | | | | **2020** | | | |
| | **As of the report signing date** | **Quarter 4** | **Quarter 3** | **Quarter 2** | **Quarter 1** | **Quarter 4** | **Quarter 3** | **Quarter 2** | **Quarter 1** |
| **Cumulative signed agreements in the current period** | | | | | | | | | |
| Flats (#) | 96 | 96 | 96 | 96 | 96 | 96 | 96 | 96 | 92 |
| Flats – total monetary consideration (including for parking, EUR in thousands) | 58,029 | 58,029 | 58,029 | 58,029 | 58,029 | 58,029 | 58,029 | 58,029 | 55,604 |
| Flats (square meters) | 9,793 | 9,793 | 9,793 | 9,793 | 9,793 | 9,793 | 9,793 | 9,793 | 9,402 |
| Average price per sqm (EUR) | 5,926 | 5,926 | 5,926 | 5,926 | 5,926 | 5,926 | 5,926 | 5,926 | 5,914 |
| **Reservations as of the report signing date:** | | | | | | | | | |
| Flats (#) | 96 | | | | | | | | |
| Flats – total monetary consideration (including for parking, EUR in thousands) | 58,029 | | | | | | | | |
| Flats (square meters) | 9,793 | | | | | | | | |
| Average price per sqm (EUR) | 5,926 | | | | | | | | |
| **cumulative signed agreements and reservations until the report signing date** | | | | | | | | | |
| Flats (#) | 96 | | | | | | | | |
| Flats – total monetary consideration (including for parking, EUR in thousands) | 58,029 | | | | | | | | |
| Flats (square meters) | 9,793 | | | | | | | | |
| Average price per sqm (EUR) | 5,926 | | | | | | | | |
| **Marketing rate of the project %** | | | | | | | | | |
| | **2021** | | | | | **2020** | | | |
| | **As of the report signing date** | **Quarter 4** | **Quarter 3** | **Quarter 2** | **Quarter 1** | **Quarter 4** | **Quarter 3** | **Quarter 2** | **Quarter 1** |
| Marketing rate as of the report signing date – signed agreements | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 95.8% |
| Marketing rate as of the report signing date – signed agreements and reservations | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 95.8% |
| **Advances from tenants** | | | | | | | | | |
| | | | | | | | | | |
| Advances from tenants (EUR in thousands) | 58,029 | 58,029 | 58,029 | 58,029 | 58,029 | 47,631 | 41,130 | 10,419 | - |
| Rate of advances from tenants (%) | 100% | 100% | 100% | 100% | 100% | 82.1% | 70.9% | 18.0% | - |
| | | | | | | | | | |
| **Spaces for which agreements and reservations were not yet signed as of the report signing date** | | | | | | | | | |
| Flats (#) | - | - | | | | | | | |
| Flats – total expected monetary consideration (including for parking, EUR in thousands) | - | - | | | | | | | |
| Flats (square meters) | - | - | | | | | | | |
| Average price per sqm (EUR) | - | - | | | | | | | |

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

## E. Gross profitability

The following are details regarding the profitability data in Stage H of the project:

| **Expected developer's profit** | |
|---|---|
| Total estimated expected income during stage H of the project (in thousands of euro) | 58,029 |
| Total cost (including land) (in thousands of euros) | 48,149 |
| Total developer's profit in respect of the project which was presented in profit or loss (in thousands of euros) | 9,880 |
| **Total expected developer's profit rate in the project (%)** | 20.5% |
| Average sale price in the project (including in respect of income from the sale of parking spaces) (in euros per square meter) | 5,926 |

## F. Sensitivity analyses of gross profit not yet recognized in the project

It should be noted that because the Company has delivered all apartments of this stage, the Company did not see fit to present a sensitivity analysis to the profitability of the project.

## G. Specific financing and accompanying frameworks for the project

| | | | |
|---|---|---|---|
| **Balances in the statement of financial position (in EUR thousands)** | **31.12.2021** | **Presented as short-term loans:** | - |
| | | **Presented as long-term loans:** | - |
| | **31.12.2020** | **Presented as short-term loans:** | - |
| | | **Presented as long-term loans:** | - |
| **Lending institution:** | | | Banking corporation |
| **Date of approval of the loan/ framework and the date of taking the loan:** | | | July 2019 |
| **Total framework:** | | | EUR 36.1 million for financing the project. In 2020, the Company drew down EUR 16.4 million of this amount which was repaid in full in September 2020. . |

| | |
|---|---|
| **From which, the unutilized balance:** | - |
| **System for determining the interest and indicating the interest:** | Interest margin of 1.95% above the Euribor interest for 3 months. |
| **Repayment date of principal and interest:** | The principal repayment for the construction loans is in one payment (bullet) during April 2021 or upon construction completion of stage H whichever is earlier. Interest is paid quarterly. |
| **Key financing conditions:** | None |
| **Other key conditions** [including: sales pace, etc.]: | There is no requirement for investment of equity in constructing this stage; there is no requirement for advance sales as a condition for drawing down construction loans in respect of this stage. |
| **Additional main conditions determined in the loan agreement:** | Proceeds from sale of apartments are deposited in a closed account for the benefit of the project companies; Assignment of rights of the project companies in the performance agreements with contractors for the benefit of the banking corporation; assignment of rights of the project companies in the work insurance policy for the benefit of the banking corporation. |
| **Note if key conditions or other covenants were breached at the end of the reporting year:** | No |
| **Is it a non-recourse type [Y/N]:** | Yes it is indicated that the Company extended various performance guarantees in favor of the bank. |
| **Conditions for releasing earnings from the accompanying account, including noting whether the conditions existed:** | The Company may, with the bank's approval, to withdraw earnings from the accompanying account provided it fully repaid the construction loan. |
| **Securities:** | A first-degree pledge on the lands of the project, a pledge on the insurance proceeds as well as the assignment of proceeds from the sale of apartments for the benefit of the banking corporation. |

### 1.8.3.2 Grafental Mitte - Stage I

### Project for the establishment of income generating residential project under construction

### a. Presentation of the project

| (Data based on 100%. The Corporation's effective share of the project – 89.9%) | Description as of 31.12.2021 |
|---|---|
| Project name: | Grafental Mitte (Stage I of the residential project) |
| Project location: | Neumann Str. 6, Dusseldorf, Germany |
| Short description of the project: | 204 residential units in saturated construction with an area of 14,000 gross sq.m, of which 100 apartments in subsidized rent and 40 apartments in affordable housing under rent control and 32 apartments are expected to be rented at market prices with underground parking with 113 parking spaces. |

| | |
|---|---|
| Corporation's effective share of the project: | 89.9% |
| Structure of holdings in the project | See Section 1.1.5 above. |
| Listing the names of partners in the project | See Section 1.1.5 above. |
| Presentation method in the financial statements: | Consolidation |
| Purchase date of the land the project will be built on: | June 2008 |
| Area of the land the project will be built on: | 14,800 sq.m. |
| Completion date of construction: | The third quarter of 2022 |
| Commencement date of project marketing: | NA |
| Expected marketing completion date: | NA |
| **Agreements with performing contractors in connection with the project:** | See section 1.8.4 below |
| Beginning date of construction: | In August 2020 upon receiving the construction permit |
| Description of legal rights on the land: | Ownership |
| Special agreements relating to the project (combination / gentrification / other): | None |
| Existence of material exposures of the reporting corporation to the project: | Regarding planning and environmental development requirements – see development agreement in Section 1.8.5 above. |
| Was the net realizable value estimated in the reporting period? | No |
| Discussion of existence of infrastructures in proximity to project: | For details regarding the engagement of the project companies in the development agreement, see Section 1.8 above. |
| Special matters: | None. |

## b. Planning State of the Project

| Stage I - Planning state as of 31.12.2021 | | | |
|---|---|---|---|
| Current planning state | | | |
| **Inventory type** | **Total construction rights (sq.m.)** | **Total units** | **Notes** |
| Residential units | About 15 thousand square meters, gross, above ground together with 113 underground parking spaces | 204 apartments of which 100 apartments in subsidized housing, 72 apartments in affordable housing. In addition, 32 apartments that are not under rent control. | The construction permit was received in 2020. |

### c. Costs invested and to be invested in the project

| Stage I | Costs invested in the Project | |
|---|---|---|
| **Data according to 100%. (Corporation's effective part in the project – 89.9%)** | **Financial data in EUR thousands (aggregate)** | |
| | **2021** | **2020** |
| Total cumulative costs for the land at the end of the period. | 12,932 | 12,932 |
| Total cumulative costs for development, taxes and fees | 724 | 596 |
| Total cumulative costs for construction. | 36,301 | 7,596 |
| Total cumulative costs for financing (capitalized) | - | - |
| **Total cumulative costs** | 49,957 | 21,124 |

| **Stage I** | | |
|---|---|---|
| **Costs not yet invested and investment balance** | | |
| **Data according to 100%. (Corporation's effective part in the project – 89.9%)** | **Financial data in EUR thousands** | |
| | **2021** | **2020** |
| Total costs for the land that have not yet been invested (estimate) | - | - |
| Total costs for planning, marketing and sales, fees, management of the project and office costs that have not yet been invested (estimate) | - | 43 |
| Total costs for development of public infrastructures that have not yet been invested (estimate) | - | - |
| Total costs for construction that have not yet been invested (estimate) | 11,569 | 39,209 |
| Total cumulative costs for financing that are expected to be capitalized in the future (estimate) | - | - |
| **Total cost remaining for completion** | 11,569 | 39,252 |
| **Completion rate [financial] (not including land) (%)** | 76.2% | 17.3% |
| Expected construction completion date | Third quarter of 2022 | Fourth quarter of 2022 |

## d. Project marketing

The marketing and rental of the apartments are expected to commence toward the end of 2022 upon the construction completion of this stage. Stage I will include 4,273 square meters of apartments rented in subsidized rent of 6.8 euro/ sq m / month, 2,088 m² net of apartments rented in subsidized rent of € 7.6/sq m / month, 5,580 sq. m. in affordable housing units rented at a rent of € 10.7/sq.m / month, 2,863 sq.m net, of apartments rented with no rent control and 113 parking spaces rented at € 80-95/ month per parking space. The total annual rental income expected to amount to EUR 1,874 thousand.

**It is clarified that the Company's assessments in connection with the above, including regarding the commencement date of marketing the apartments, are forward-looking information, as defined in the Securities Law, based on the Company's assessments and which may not be fulfilled or fulfilled at various times than estimated by the Company resulting, among others, from regulatory approvals required from third parties and regulatory procedures beyond the control of the Company.**

## e. Gross profitability

The Company believes that gross profitability analysis is not relevant since it holds Stage I as income generating asset.

## f. Sensitivity analyses of gross profit not yet recognized in the project

The company believes that sensitivity analysis is not relevant since it holds Stage I as an income generating asset

## g. Specific financing and accompanying frameworks for the project

The company took two loans for financing the project. A bank loan and NRW subsidized loan.

<u>Bank loan</u>

<table>
<tr><td rowspan="4">Balances in the statement of financial position (in EUR thousands)</td><td rowspan="2">31.12.2021</td><td>Presented as short-term loans:</td><td>-</td></tr>
<tr><td>Presented as long-term loans:</td><td>EUR 16.1 million</td></tr>
<tr><td rowspan="2">31.12.2020</td><td>Presented as short-term loans:</td><td>-</td></tr>
<tr><td>Presented as long-term loans:</td><td>-</td></tr>
<tr><td colspan="3">Lending institution:</td><td>Banking corporation</td></tr>
<tr><td colspan="3">Date of approval of the loan/ framework and the date of taking the loan:</td><td>September 2021</td></tr>
</table>

| | |
|---|---|
| **Total framework:** | EUR 28.0 million for financing the project. In 2021, the Company drew down EUR 16.1 million of this amount |
| **From which, the unutilized balance:** | EUR 11.9 million |
| **System for determining the interest and indicating the interest:** | Fixed interest margin of 1.49% |
| **Repayment date of principal and interest:** | The principal repayment for the construction loans is in one payment (bullet) during September 2031. Interest is paid monthly. |
| **Key financing conditions:** | None |
| **Other key conditions** [including: sales pace, etc.]: | There is a requirement for a minimum investment of equity in constructing this stage; as of the report date, the Company invested the full amount. |
| **Additional main conditions determined in the loan agreement:** | NA |
| **Note if key conditions or other covenants were breached at the end of the reporting year:** | No |
| **Is it a non-recourse type [Y/N]:** | Yes it is indicated that the Company extended various performance guarantees in favor of the bank. |
| **Conditions for releasing earnings from the accompanying account, including noting whether the conditions existed:** | NA |
| **Securities:** | A first-degree pledge on the project land. |

NRW subsidized loan

| | | | |
|---|---|---|---|
| **Balances in the statement of financial position (in EUR thousands)** | **31.12.2021** | **Presented as short-term loans:** | - |
| | | **Presented as long-term loans:** | EUR 8.0 million |
| | **31.12.2020** | **Presented as short-term loans:** | - |
| | | **Presented as long-term loans:** | - |
| **Lending institution:** | | | NRW BANK |
| **Date of approval of the loan/ framework and the date of taking the loan:** | | | November 2020 |
| **Total framework:** | | | EUR 12.8 million for financing the project. In 2021, the Company drew down EUR 8.0 million of this amount |
| **From which, the unutilized balance:** | | | EUR 4.8 million |
| **System for determining the interest and indicating the interest:** | | | The loan does not accumulate interest during the construction period and in the period of 10 years after construction completion. Thereafter interest of 0.5% is payable semiannually. |
| **Repayment date of principal and interest:** | | | Principal repayment of the NRW loan is made in a semi-annual payment of 1% of the principal amount. It is indicated that due to the fact that the loan is subsidized, at the time of construction completion, the loan principal is reduced by 25%, so the Company has to repay only 75% of |

| | |
|---|---|
| | the total loan amount it had taken. Interest is paid every six months, as noted above. |
| **Key financing conditions:** | None |
| **Other key conditions** [including: sales pace, etc.]: | There is a requirement for a minimum investment of equity in constructing this stage; as of the report date, the Company invested the full amount. |
| **Additional main conditions determined in the loan agreement:** | NA |
| **Note if key conditions or other covenants were breached at the end of the reporting year:** | No |
| **Is it a non-recourse type [Y/N]:** | Yes it is indicated that the Company extended various performance guarantees in favor of the bank. |
| **Conditions for releasing earnings from the accompanying account, including noting whether the conditions existed:** | NA |
| **Securities:** | A first-degree pledge on the project land. |

### 1.8.3.3 Residential project of the Company in Aachen – project for constructing residential income generating asset under construction

#### a. Presentation of the project

| **(Data based on 100%. The Corporation's effective share of the project – 89.9%)** | **Description as of 31.12.2021** |
|---|---|
| Project name: | Aachen social housing |
| Project location: | Becker Str., Aachen, Germany |
| Short description of the project: | 6,058 sq.m,net, of construction rights for residential use to establish a project that will include 82 residential units which are expected to be rented under affordable/social rental |
| Corporation's effective share of the project: | 89.9% |
| Structure of holdings in the project (through subsidiaries etc.) | See section 1.1.5 above |
| Listing the names of the partners in the project | See section 1.1.5 above |
| Presentation method in the financial statements: | Consolidation |
| Purchase date of the land the project will be built on: | February 2016 |
| Area of the land the project will be built on: | 6,211 sq.m |
| Completion date of construction: | First quarter of 2022 |

| | |
|---|---|
| Commencement date of project marketing | NA |
| Expected marketing completion date: | NA |
| **Agreements with performing contractors in connection with the project:** | See section 1.8.4 |
| Beginning date of construction: | Second quarter of 2020 |
| Description of legal rights on the land (ownership, lease and the like): | Ownership |
| Special agreements relating to the project (combination / gentrification / other): | None |
| Existence of material exposures of the reporting corporation to the project: | NA |
| Was the net realizable value estimated in the reporting period? If so, a disclosure will be given for the basic assumptions | No |
| Discussion of existence of infrastructures in proximity to project: | NA |
| Special mattes: (material construction deviations, soil pollution etc) | NA |

## b. Planning State of the Project

| **Planning state for the Aachen project as of 31.12.2021** | | | |
|---|---|---|---|
| **Current planning state** | | | |
| **Inventory type** | **Total construction rights (sq.m)** | **Total units** | **Comments** |
| Residential units | 6,211 - construction rights, net | 82 | Construction permit was received in 2020. |

### c. Costs invested and to be invested in the project

| Aachen project | Costs invested in the project | |
|---|---|---|
| | 2021 | 2020 |
| (financial data in EUR thousands) | | |
| Total cumulative costs for land at the end of the period | 2,215 | 2,215 |
| Total cumulative costs for planning, marketing development taxes and fees | 1,212 | 1,074 |
| Total cumulative costs for construction | 14,196 | 3,395 |
| Total cumulative costs for financing (discounted) | - | - |
| **Total cumulative costs** | 17,623 | 6,684 |

| Aachen project | Costs not yet invested in the project and investment balance | |
|---|---|---|
| **(financial data in EUR thousands)** | **2021** | **2020** |
| Total costs for the land that have not yet been invested (estimate) | - | - |
| Total costs for the planning, marketing and sales, fees, management of the project and office costs that have not yet been invested (estimate) | 233 | 370 |
| Total costs for the development of public infrastructures that have not yet been invested (estimate) | - | - |
| Total costs for construction that have not yet been invested | 5,363 | 16,164 |
| Total cumulative costs for financing that are expected to be capitalized in the future (estimate) | - | - |
| **Total cost remaining for completion** | 5,596 | 16,535 |
| **Completion rate [financial] (not including land) (%)** | 73.4% | 21.3% |
| Expected construction completion date | First quarter of 2022 | Fourth quarter of 2022 |

### d. Project marketing

Irrelevant – the project will be fully rented upon construction completion.

**e. Gross profitability estimate for the project**

The Company believes that gross profitability analysis is not relevant since it will hold the project as income generating asset upon construction completion.

**f. Sensitivity analyses of gross profit not yet recognized in the project**

The Company believes that gross profitability analysis is not relevant since it will hold the project as income generating asset upon construction completion.

**g. Specific financing and accompanying frameworks for the project**

The Company took two loans to finance the construction of the project. A bank loan and NRW subsidized loan.

<u>Bank loan</u>

| | | | |
|---|---|---|---|
| **Balances in the statement of financial position (in EUR thousands)** | **31.12.2021** | **Presented as short-term loans:** | - |
| | | **Presented as long-term loans:** | EUR 6.6 million |
| | **31.12.2020** | **Presented as short-term loans:** | - |
| | | **Presented as long-term loans:** | - |
| **Lending institution:** | | | Banking corporation |
| **Date of approval of the loan/ framework and the date of taking the loan:** | | | September 2020 |
| **Total framework:** | | | EUR 8.0 million for financing the project. In 2021, the Company drew down EUR 6.6 million of this amount |
| **From which, the unutilized balance:** | | | EUR 1.4 million |
| **System for determining the interest and indicating the interest:** | | | Fixed interest margin of 1.00% |
| **Repayment date of principal and interest:** | | | The principal repayment for the construction loans is in one payment (bullet) during May 2030. Interest is paid monthly. |
| **Key financing conditions:** | | | None |
| **Other key conditions** [including: sales pace, etc.]: | | | There is a requirement for a minimum investment of equity in constructing this stage; as of the report date, the Company invested the full amount. |
| **Additional main conditions determined in the loan agreement:** | | | NA |
| **Note if key conditions or other covenants were breached at the end of the reporting year:** | | | No |
| **Is it a non-recourse type [Y/N]:** | | | Yes it is indicated that the Company extended various performance guarantees in favor of the bank. |

| | |
|---|---|
| **Conditions for releasing earnings from the accompanying account, including noting whether the conditions existed:** | NA |
| **Securities:** | A first-degree pledge on the project land. |

NRW subsidized loan

| | | | |
|---|---|---|---|
| **Balances in the statement of financial position (in EUR thousands)** | **31.12.2021** | **Presented as short-term loans:** | - |
| | | **Presented as long-term loans:** | EUR 6.8 million |
| | **31.12.2020** | **Presented as short-term loans:** | - |
| | | **Presented as long-term loans:** | - |
| **Lending institution:** | | | NRW BANK |
| **Date of approval of the loan/ framework and the date of taking the loan:** | | | October 2020 |
| **Total framework:** | | | EUR 10.5 million for financing the project. In 2021, the Company drew down EUR 6.8 million of this amount |
| **From which, the unutilized balance:** | | | EUR 3.7 million |
| **System for determining the interest and indicating the interest:** | | | The loan does not accumulate interest during the construction period and in the period of 10 years after construction completion. Thereafter interest of 0.5% is payable semiannually. |
| **Repayment date of principal and interest:** | | | Principal repayment of the NRW loan is made in a semi-annual payment of 1% of the principal amount. It is indicated that due to the fact that the loan is subsidized, at the time of construction completion, the loan principal is reduced by 25%, so the Company has to repay only 75% of the total loan amount it had taken. Interest is paid every six months, as noted above. |
| **Key financing conditions:** | | | None |
| **Other key conditions** [including: sales pace, etc.]: | | | There is a requirement for a minimum investment of equity in constructing this stage; as of the report date, the Company invested the full amount. |
| **Additional main conditions determined in the loan agreement:** | | | NA |
| **Note if key conditions or other covenants were breached at the end of the reporting year:** | | | No |
| **Is it a non-recourse type [Y/N]:** | | | Yes it is indicated that the Company extended various performance guarantees in favor of the bank. |
| **Conditions for releasing earnings from the accompanying account, including noting whether the conditions existed:** | | | NA |
| **Securities:** | | | A first-degree pledge on the project land. |

### 1.8.3.4 Grafental Ost Land (stages J-K in the planned residential project under the city building plans for Grafental Ost)

#### a. Presentation of the project

| (Data based on 100%. The Corporation's effective share of the project – 89.9%) | Description as of 31.12.2021 |
|---|---|
| Project name: | Grafental Ost (Stages I-L of the residential project) |
| Project location: | Neumann Str. 6, Dusseldorf, Germany |
| Short description of the project: | 30 thousand square meters, net, about 335 residential units in saturated construction and private homes. |
| Corporation's effective share of the project: | 89.9% |
| Structure of holdings in the project (description of holding through subsidiaries etc.) | See Section 1.1.5 above. |
| Listing the names of partners in the project | See Section 1.1.5 above. |
| Presentation method in the financial statements: | Consolidation |
| Purchase date of the land that the project will be built on: | June 2008 |
| Area of the land the project will be built on: | 30,000 sq.m. net |
| Completion date of construction [planned]: | Not yet determined |
| Commencement date of project marketing [expected]: | Not yet determined |
| Expected marketing completion date [expected]: | Not yet determined |
| Agreements with performing contractors in connection with the project: | see section 1.8.4.0 |
| Expected construction commencement date [planned]: | Not yet determined |
| Description of legal rights on the land (ownership, lease and the like): | Ownership |
| Special agreements relating to the project (combination / gentrification / other): | None |

| | |
|---|---|
| Existence of material exposures of the reporting corporation to the project: | Regarding planning and environmental development requirements – see development agreement in Section 1.8 above. |
| Was the net realizable value estimated in the reporting period? If so, a disclosure will be given for the basic assumptions | No |
| Discussion of existence of infrastructures in proximity to project: | For details regarding the engagement of the project companies in the development agreement, see Section 1.8 above. |
| Special matters: (material construction deviations, soil pollution etc) | None |

## b. Planning State of the Project

| **Planning state for Grafental Ost Land Reserve as of 31.12.2021** | | | |
|---|---|---|---|
| **Current planning state** | | | |
| **Inventory type** | **Total construction rights (sq.m)** | **Total units** | **Comments** |
| Residential units | 29,838 | 335 | 335 residential units are included under the Grafental Ost city building plan the construction permit for which is expected in 2022. Stages I-L are expected to be constructed as per the city building plan in the Grafental project:<br><br>Stage J - will be built on an area of 13,012 square meters, net and will include 169 units, which are intended for rent, of which 77 apartments in subsidized rent, 77 apartments in affordable housing in rent control and 15 apartments at no rent control.<br>Stage K - will be built on an area of 16,826 square meters, net and will include 166 housing units, designated for sale. |

c. **Costs invested in the projec**t

as of the report date, the Company has not yet received building permits for stages J-K and therefore the costs invested in the project are negligible.

d. **Project marketing:** No data were presented for marketing, in view of the early stage of the project.

e. **Gross profitability**: the Company believes that gross profitability analysis is irrelevant in view of the early stage of the project.

f. **Sensitivity analyses of gross profit not yet recognized in the project:** the Company believes that sensitivity analysis is irrelevant in view of the early stage of the project.

g. **Specific financing and accompanying frameworks for the project:** the Company has not yet entered into agreement with a bank for financing the construction of the stage.

h. **Charges and legal restrictions**: the lands of the project constitute collateral for the construction facility granted for the previous stages of the complex and were not yet repaid/ended.

### 1.8.3.5 Gerresheim Land reserve: (193 thousand square meters in Gerresheim neighborhood, Dusseldorf Germany).

### a. Presentation of the project

| | Description as of 31.12.2021 |
|---|---|
| Project name: | Glasmacherviertel |
| Project location: | Heyestraße/Torfbruchstraße Gereesheim, Germany |
| Short description of the project: | 193 thousand square meters with industrial zoning. The Company works to change the zoning so it can establish a residential neighborhood. |
| Corporation's effective share of the project: | 100% |
| Structure of holdings in the project (through subsidiaries etc.) | See Section 1.1.5 above. |
| Listing the names of partners in the project | See Section 1.1.5 above. |
| Presentation method in the financial statements: | Consolidation |
| Purchase date of the land the project will be built on: | February 2018 |
| Area of the land the project will be built on: | 193 thousand square meters |
| Completion date of construction [planned]: | Not yet determined |
| Commencement date of project marketing [expected]: | Not yet determined |
| Expected marketing completion date (expected): | Not yet determined |
| Agreements with performing contractors in connection with the project: | Not yet determined |
| Commencement date of construction [planned]: | Not yet determined |
| Description of legal rights on the land (ownership, lease and the like): | Ownership |
| Special agreements relating to the project (combination / gentrification / other): | None |
| Existence of material exposures of the reporting corporation to the project: | None |

| | |
|---|---|
| Was the net realizable value estimated in the reporting period? If so, a disclosure will be given for the basic assumptions | No |
| Discussion of existence of infrastructures in proximity to project: | The construction of the project will require the Company to develop public infrastructure. |
| Special matters: (material construction deviations, soil pollution etc) | None |

## b. Planning State of the Project

| Planning state for the land reserve project of 193 thousand square meters in Gerresheim neighborhood, Dusseldorf Germany as of 31.12.2021, Data based on 100%, the Corporation's share in the project – 100% | | | |
|---|---|---|---|
| **Current planning state** | | | |
| **Inventory type** | **Total construction rights (sq.m)** | **Total units** | **Comments** |
| Industrial use | NA | NA | |
| **Planning state after the planned change** | | | |
| Residential units | 161,000 | 1,482 | The Company works to promote the city building plan with the local authority and estimates that it will be approved in 2022. |
| Commercial spacers and offices | 35,000 | NA | |
| Kindergartens and school | NA | 3 | |
| | | | |

## c. Costs invested in the project[29]

| | **2021** |
|---|---|
| **(financial data in EUR thousands)** | |
| **<u>Costs invested:</u>** | |
| Total cumulative costs for land at the end of the period | 141,645 |
| Total cumulative costs for planning, marketing, development, taxes and fees | 4,393 |
| Total cumulative costs for construction | - |
| Total cumulative costs for financing (discounted) | 18,769 |
| **<u>Total cumulative costs</u>** | 164,807 |

[29] in view of the early stages of the project, only costs that were invested at this stage are presented.

d. No data were presented for marketing, revenue recognition, estimated gross profitability and analysis of expected gross profitability in view of the early stages of the project.

e. Specific financing charges and legal restrictions related to the project:

<table>
<tr><td rowspan="2">Balances in the statement of financial position (in EUR thousands)</td><td>31.12.2021</td><td>Presented as loans from banks classified as noncurrent liabilities:</td><td>147,500</td></tr>
<tr><td>31.12.2020</td><td>Presented as liabilities of disposal group held for sale:</td><td>147,500</td></tr>
<tr><td colspan="3">Lending institution:</td><td>Banking corporation</td></tr>
<tr><td colspan="3">Date of approval of the loan / framework and the date of taking the loan:</td><td>June 2020</td></tr>
<tr><td colspan="3">Total loan:</td><td>EUR 147.5 million for the financing of the project. Loan repayment date in one payment- June 1, 2022. It is should be indicated that the Company does not intend to extend this loan and for this purpose raised bonds by a private placement. For further details regarding the private placement, see section 25 (1) of the Company's annual financial statements, which are attached as Chapter C to this report.</td></tr>
<tr><td colspan="3">From which, the unutilized balance:</td><td>NA</td></tr>
<tr><td colspan="3">System for determining the interest and noting the interest:</td><td>Weighted average interest of 4.54% in the first year and 5.15% in the second year.</td></tr>
<tr><td colspan="3">Repayment date of the principal and interest:</td><td>The principal repayment is in one payment (bullet) during June 2022.</td></tr>
<tr><td colspan="3">Additional main conditions determined in the loan agreement:</td><td>No</td></tr>
<tr><td colspan="3">Note if key conditions or other covenants were breached at the end of the reporting year:</td><td>No</td></tr>
<tr><td colspan="3">Is it a non-recourse type [Y/N]:</td><td>Yes see other key covenants</td></tr>
<tr><td colspan="3">Conditions for releasing earnings from the accompanying account, including noting whether the conditions existed:</td><td>NA</td></tr>
<tr><td colspan="3">Securities:</td><td>A first-degree pledge on the purchased asset and a pledge on the deposit (as defined below).</td></tr>
</table>

### 1.8.3.6 Grafenberg Land reserve.

### a. Presentation of the project

| | Description as of 31.12.2021 |
|---|---|
| Project name: | Grafenberg |
| Project location: | Grafenberg, Dusseldorf, Germany |
| Short description of the project: | 13.4 thousand sq.m., on which the Company will build 85 residential units as well as 137 parking spaces, intended for sale. |
| Corporation's effective share of the project: | 100% |
| Structure of holdings in the project (through subsidiaries etc.) | See Section 1.1.5 above. |
| Listing the names of partners in the project | NA |
| Presentation method in the financial statements: | Consolidation |
| Purchase date of the land the project will be built on: | March 2014 |
| Area of the land the project will be built on: | 13.4 thousand sq.m |
| Completion date of construction [planned]: | 2025 |
| Commencement date of project marketing [expected]: | 2023 |
| Expected marketing completion date (expected): | 2024 |
| Agreements with performing contractors in connection with the project: | See section 1.8.4 below |
| Commencement date of construction [planned]: | 2023 |
| Description of legal rights on the land (ownership, lease and the like): | Ownership |
| Special agreements relating to the project (combination / gentrification / other): | None |
| Existence of material exposures of the reporting corporation to the project: | None |
| Was the net realizable value estimated in the reporting period? If so, a | No |

| | |
|---|---|
| disclosure will be given for the basic assumptions | |
| Discussion of existence of infrastructures in proximity to project: | The construction of the project will require the Company to develop public infrastructure. |
| Special matters: (material construction deviations, soil pollution etc) | None |

## b. Planning State of the Project

| Current planning state | | | |
|---|---|---|---|
| **Inventory type** | **Total construction rights (sq.m)** | **Total units** | **Comments** |
| Residential construction | 13.4 thousand sq.m | 85 | Residential construction permit was received in 2021. |

## c. Costs invested in the project[30]

| (financial data in EUR thousands) | 2021 |
|---|---|
| **Costs invested:** | |
| Total cumulative costs for land at the end of the period | 12,914 |
| Total cumulative costs for planning, marketing, development, taxes and fees | 2,404 |
| Total cumulative costs for construction | - |
| Total cumulative costs for financing (discounted) | - |
| **Total cumulative costs** | 15,318 |

d. No data were presented for marketing, revenue recognition, estimated gross profitability and analysis of expected gross profitability in view of the early stages of the project.

e. Specific financing charges and legal restrictions related to the project: the Company has not yet entered into agreement with a bank for financing the construction of the project.

[30] in view of the early stages of the project, only costs that were invested at this stage are presented.

**The information described above in connection with the city building plan and its publication, is forward-looking information, as defined in the Securities Law, which is not fully controlled by the Company and may not materialize or materialize at different times unlike the Company's estimates, inter alia, as a result of approvals required from third parties and regulatory procedures that are not under the Company's control.**

### 1.8.4 Material Agreements

1.8.4.1 For details regarding the public infrastructure development agreement with the City of Dusseldorf, see Section 1.8 above.

1.8.4.2 For details regarding the agreements with the general contractor in the various project stages, see below:

<table>
<tr><th>Project stage</th><th>Contractor name</th><th>Turn-key financial scope of the agreement</th><th>Signing date</th><th>Agreement date of completion of construction</th><th>Actual completion date of construction</th><th>Manner of performance of payment</th><th>Guarantees provided to contractor</th><th>Fines</th></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Stage H</td><td>Nesseler Grünzig Bau GmbH</td><td>All of the construction work (underground parking, shell, environmental development and finishing) of Stage H in a financial scope of about EUR 30 million.</td><td>November 2018</td><td>June 2021</td><td>June 2021</td><td rowspan="3">On a monthly basis in accordance with the pace of the construction's progress and the scope of construction performed in the said month.</td><td rowspan="3">A performance guarantee in the amount of 5% of the scope of the contract to secure the contractor's commitments in accordance with said agreement. The performance guarantee will be replaced with a quality guarantee upon the completion of the construction in a scope of 5% of the total agreement for the warranty periods, as defined in German law (5 years generally, 10 years for the sealing work).</td><td rowspan="3">A fine for delayed completion of construction – 0.1% of the agreement amount per day beyond 14 days of delay but no more than 5% cumulatively.</td></tr>
<tr><td>Stage I</td><td>Nesseler Grünzig Bau GmbH</td><td>All of the construction work (underground parking, shell, environmental development and finishing) of Stage I in a financial scope of about EUR 34 million.</td><td>January 2020</td><td>Q4 2022</td><td>Not yet completed</td></tr>
<tr><td>Aachen</td><td>Nesseler Grünzig Bau GmbH</td><td>All of the construction work (underground parking, shell, environmental development and finishing) of Stage I in a financial scope of about EUR 15 million.</td><td>January 2020</td><td>Q3 2022</td><td>Not yet completed</td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
</table>

# Fourth Part - Matters Relating to the Corporation's Operations in its entirety

## 1.9 Competition

### 1.9.1 General

To the best of the Group's estimation, the real estate field in Germany generally contains significant competition, both on the part of local developers and mainly on the part of non-local developers, active in various investment scopes that consider the economic state of Germany, the potential inherent therein, and on the other hand – the availability of real-estate assets, their relatively low costs and the relatively high yield with respect thereto, as a good business opportunity.

The competition in the field of activities is based on the geographic location of the assets. In most sites in which the Group has assets, areas are also offered for rent by other companies. In the event of assets with similar designation levels, the competition is mainly about the rental fees, performance of adjustments for the tenant and additional costs (management fees, property tax, etc.).

The competitors include real-estate players and developers, category-specializing real estate companies (offices, commercial centers) which operate to better the assets through active management of rentals and asset development, if such an option exists, and "financial players" on the other hand – which mainly focus on the margin between the interest of the loan and the yield of the asset.

The Group deals with competition through being a "local player", as a result of focusing the activities in the Germany market as of 2004, its thorough knowledge and familiarity with the local laws and regulation relating to the real estate market, the business relationships developed with entities involved in the German real estate market allowing it access to a wide variety of transactions before they reach the market, and the quick response of the Group in closing transactions due to a unique methodology, transaction analysis and underwriting ability within the Group and high access to banks and local lenders.

The Group employs a managerial platform in Germany with a local staff including about 150 employees, allowing it to actively manage the assets, reflected in a direct connection with the tenants, supervision capability and fast response to tenants' requests, to physical flaws collection issues and strong familiarity with the market conditions in each subarea in which the Company's assets are located and a strong relationship with local marketing entities. In addition, the management platform developed by the Group in Germany allows it to lower its managerial costs compared to management by a third party.

1.9.2 Area of activity - income generating real estate

The income generating commercial real estate is relatively decentralized compared to other European countries. To the best of the Company's estimate, the entire sector is very competitive from domestic and foreign investors, operating on different levels of investment, who consider Germany's economic situation and its potential, and the availability of real estate, their relatively low cost and the relatively high return, a good business opportunity.

To the best of the Company's knowledge, many parties are operating in the area of activity, including public real estate companies and large real estate groups with considerable resources, some of which are category-focused (commercial centers, offices), which acquire an entire portfolio of properties, and a number of private real estate companies and private investors who usually work to purchase single income generating assets.

To the best of the Company's knowledge, many parties operate in the income generating residential sector, including public real estate companies and large real estate groups with considerable resources, institutional investors (construction funds and German and foreign insurance companies), as well as numerous private real estate companies and private investors who usually work to purchase single income generating assets. **It should be noted that as of the report date, the scope of the Group's activities is not material with respect to the German real estate market.**

1.9.3 Area of activity - residential real estate development

The Company has the largest inventory of construction rights in Dusseldorf and considers it to be a strategic advantage. In addition, the Company enjoys the fact that Düsseldorf suffers from a shortage of quality apartments in the market. Other than less significantly projects the Company has not identified a project as the main competitor

## 1.10 Fixed Assets, Land and Facilities

1.10.1 The Offices of the Group

The Group’s offices are located in Amsterdam. The Company has other offices in Germany from which the assets are operated by the asset operation company (hereinafter jointly: the “**Company’s Offices**”).

The Company rents the Company's offices as a main tenant, in consideration for monthly rental fees of EUR 6 thousand.

1.10.2 Fixed assets.

The Group does not have fixed assets in a material scope. The fixed assets used for the Group’s operations in the area of activity include vehicles, furniture, computer systems, and other equipment.

1.10.3 Investment property

See Sections 1.7 and 1.8 above.

## 1.11 **Human Capital**

1.11.1 Group's Workforce

The workforce and service providers of the Group, as of December 31, 2020 and December 31, 2021[31], are as follows:

| **Employing Company** | **Position in Employing Company** | **Number of Employees** | |
|---|---|---|---|
| | | **As of December 31, 2021** | **As of December 31, 2020** |
| The Company | CEO[32] | 1 | 1 |
| | Administration | 2 | 2 |
| | CFO | 1 | 1 |
| | Controller | 1 | 1 |
| SIB Capital | IT person and administration | 2 | 2 |
| | Financial Department (analyst) | 1 | 1 |
| The Property Management Company | Accounting staff | 17 | 18 |
| | Administration | 16 | 23 |
| | Asset/marketing/technical management | 61 | 78 |
| Grafental project management company | | | |
| | Accounting staff | 1 | 1 |
| | Administration | 3 | 5 |
| | Project management | 7 | 7 |
| **Total** | | **112** | **140** |

Most of the Group's employees are employed under personal agreements which are not limited in time, while both parties can terminate the agreement by prior notice which ranges between two weeks and a number of months (in accordance with the number of years of employment). It shall be noted that regarding the German employees of the Group, the termination of employment is subject to the labor laws in Germany which do not permit terminations other than for a material reason and after the procedure provided by law.

[31] As of the signing date of the report, no substantial change has occurred to the Group's workforce.
[32] The CEO does not receive wages from the Company.

The employment agreements determine the function of the employee, the scope of employment and work hours, absences due to illness and vacation days, and the termination of the employment relationship. It shall be noted that under the German law, the matter of termination is different than in Israel, and generally, the labor laws favor the employee. The law in Germany does not provide for severance pay; however, it is difficult to dismiss employees and the companies with over 20 employees[33] are subject to even stricter labor laws. Such a company, seeking to dismiss an employee, must prove a reasonable reason for the dismissal thereof, and unless otherwise proven, the employee can sue the company and continue to be employed thereby during the same period until a reasonable reason for the termination is proven. Social insurance is paid in part by the employer.

All of the senior offices of the Company have signed confidentiality agreements including those working in accounting, based on which the employees are required to maintain confidentiality of all matters relating to the activities and the business secrets of the companies in the Group during the employment term and thereafter, which they are made aware of during the term of their employment.

The Group customarily trains its employees from time to time through professional courses and training sessions.

[33]Relevant to the Property Management Company.

1.11.2 The Senior Officers and Administrative Employees in the Group

The senior management of the Group is comprised of a CEO and CFO. For details regarding the changes in the Company's management and board of directors see section 11 of the Company's board report for 2021 which is attached as Chapter B to this report.

For details regarding the senior officers of the Company in accordance with the provision of Regulation 26a of the Securities Regulations (Periodic and Immediate Reports), 5730-1970 (hereinafter: the "**Reporting Regulations**"), see Regulation 26 in Chapter D, "Additional Details regarding the Corporation", attached to this Periodic Report.

For details regarding the terms of office of the five highest paid senior offices in the Company in accordance with the provisions of Regulation 21 of the Reporting Regulations, see Regulation 21 in Chapter D, "Additional Details about the Corporation", attached to this Periodic Report.

For details regarding the remuneration policy of senior officers in the Company see regulation 21 of Chapter D to this report.

1.11.3 Dependence on a key personnel

The Company estimates that the companies of the Company do not depend on the senior offices of the Group.

## 1.12 Financing

1.12.1 Definitions

For the sake of convenience, the following are definitions of the main terms in this section:

| | |
|---|---|
| **"LTV"** | Loan to Value Ratio – the ratio between the loan amount on the inspection data and the fair value of the asset based on the valuation of the same date. |
| **"ICR"** | Interest Coverage Ratio – an interest coverage ratio, calculated by dividing net operating income (NOI)[34] of the borrower before interest and before tax during the measured period by the interest expenses of the borrower in the same period. |
| **"DSCR"** | Debt Service Coverage Ratio – the debt coverage ratio, calculated by dividing the net operating income (NOI) [1] of the borrower during the measured period by the debt service expenses of the borrower during the period measured (namely, interest and principal payments during the measured period). |

[34] In this regard, it shall be noted that the NOI is defined in various manner by different banks, all as determined in the loan agreement as the case may be.

**"CAP"** A call option that allows a purchaser to receive payments from the option seller in the event that the interest rate exceeds a certain predetermined threshold.

**"SWAP"** A contract in which both parties agree to replace periodic interest payments, while the varying interest payment rate is replaced with a fixed interest payment rate and is mainly used for hedging purposes.

1.12.2 General

As of the report date and during the reported period, the Group is financing its operations from its own sources, loans from banks (bank financing) and issuance of bonds.

(a) Bank Financing

The Group customarily obtains bank financing for a group of assets and/or a specific asset when the loan is non-recourse to the Company and is secured, inter alia, in the lien on rights in the asset and/or group of assets, as the case may be. The group's bank financing (according to financial statements) as of December 31, 2021 amounts to EUR 600,654 thousand.

(b) Issuance of bonds

After the date of the report, on March 4, 2022, the Company carried out a private placement of NIS 528,440,367 par value of bonds (Series B) by way of series expansion, in exchange for a total (gross) amount of NIS 576 million. The issuance was completed upon receipt of approval by the Tel Aviv Stock Exchange Ltd. for listing said securities for trading and the aforesaid bonds were allocated on March 10, 2022. The proceeds of the issuance are designated to refinance the Company's short term loans and finance its operating activities. For further details, see the Company's immediate reports from February 28, 2022, March 3, 2022, March 9, 2022. 2022 and 10 March, 2022 (Reference No.: 2022-01-028522, 2022-01-026257, 2022-01-028054 and 2022-01-024238, respectively), which are hereby included by reference.

For details regarding the existing bonds in the Company, see section E of the Board of Directors' report attached as Chapter B to this periodic report.

(c) Loan from controlling shareholder

On May 9, 2019, the Company's audit committee and Board of Directors approved the receipt of a credit facility for two years from ADLER, the Company's controlling shareholder, in the amount of up to EUR 100 million, from which EUR 44.2 million were drawn down as of the report date. In January and March 2020, the Company repaid the full debt to the controlling shareholder so as of the report date, no debt balance remained to the controlling shareholder.

For further details regarding the manner of approving the transaction and its terms, see the Company's immediate reports of July 14, 2019 and May 11, 2019 (Reference No. 2019-01-040008 and 2019-01- 060426, respectively), which are hereby included by way of reference and Regulation 22 of additional details chapter, which is attached as Chapter D to this report.

The credit facility with the controlling shareholder was ended on May 9, 2021 and as of the report date, the Company does not consider its renewal as necessary.

1.12.3 Credit rating by Maalot

For further details see section 19 of the board of directors' report for 2021 which is attached as chapter B to this report.

1.12.4 Limitations Applicable to the Group in Receiving Financing

1.12.4.1 Financial covenants determined within the financing agreements that the Group’s companies are a party to

In some of the financing agreements, the property companies are required to undertake various financial commitments and additional commitments, failure to comply with which constitutes, in some cases, grounds for calling immediate repayment by the lender, under the terms listed in the financing agreements and as customary in such agreements. For details regarding the key financial covenants in most of the loans of the Company from banking corporations, see the table below.

As of December 31, 2021, the Company has met all of the financial covenants determined in the financing agreements that the Company is a party to. For additional details regarding the calculation of the financial covenants in material loan agreements for the Company, see the following table.

1.12.4.2 Change of control clauses determined within the financing agreements that the Group’s companies are party to

As stated above, in some of the financing agreements with banking corporations, the property companies are required to undertake to not change control in the property company level up to the Company's level (BCP).
It is stressed that there is no control change clause which relates to any of the controlling shareholders in the Company (BCP) as described in below. Under the deeds for bonds B and C, it was determined that the transfer of control of the Company (as defined in the Securities Law), directly or indirectly, such that ADLER ceases to be the controller shareholder in the Company constitutes cause for immediate repayment and/or realization of collateral.

1.12.4.3 Liens and guarantees

To secure the loans from banking corporations liens have been recorded on real estate assets, bank accounts in which rental fees are received, the assignment of rights for rental fee receivables, the assignment of rights for insurance policies of the assets and liens on shares of the property companies. It shall be noted that for some of the assets and property companies, there is cross-collateralization to secure financing taken for the purchase of the assets and/or refinancing of the assets.

It is indicated that the remaining bank loans are non-recourse.

### 1.12.5 **Table Summarizing SWAP Agreements**

The following are details regarding the SWAP agreements the Company has entered into before December 31, 2021 and are still in effect as of the report signing date:

| **Source/Bank** | **Completion Date** | **Amount in EUR thousands** | **Company** | **Value as of December 31, 2021 in EUR thousands** |
|---|---|---|---|---|
| Foreign banking corporation | September 30, 2022 | 42,693 | A German corporation wholly controlled by the Company | (249) |

### 1.12.6 **Average Interest Rates**

The following are the average interest rates of loans from banks which were in effect in the reported period which are not designated for specific use by the Company:

| | **Average interest rates for loans designated for specific use as of December 31** | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| Banks | 1.29%[35] | 1.54% | 1.68% |

[35] It is indicated that the average interest rate was calculated excluding the loan to finance the Gerresheim project at an average annual interest rate of 5.15%.

1.12.7 **Variable Interest Credit**

As part of the Company's policy and in accordance with the demands of most financing banks, the Group's companies customarily engage in hedging agreements as part of the financing agreement system, in a manner determining the variable interest rate and making the loans, in effect, fixed interest loans.

As of December 31, 2021, there is one loan in the Group bearing variable interest as follows:

| Mechanism | Date loan was taken | Range of interest for the year ending on December 31, 2021 | Gross credit amount as of December 31, 2021 in EUR thousands | Interest rate near signing date of the Report |
|---|---|---|---|---|
| Magdeburg & Patros - variable base interest, 3 month Euribor plus the bank interest margin at a rate of 1.35% per year. Interest rate was fixed by SWAP transaction. The interest rate close to the report signing date weights the SWAP transaction | November 23, 2017 | 1.54% | 42,690 | 1.54% |

1.12.8 The following is a description of the loans, material liens and the credit from banking corporations of the Group, as of December 31, 2021:

| No. | Borrower Corporation | Lender | Loan Granting Date | Amount of Original Loan Facility (EUR in thousands) | Number of Quarterly Payments (principal + interest) | Principal Balance as of 31.12.2021 (EUR thousands) | Last Repayment Date | Liens/ Securities | Annual Interest | Change of Control Clause | Financial liabilities | Notes |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Portfolio loans[36] | Foreign banking corporation | January 18, 2021 | 100,492 | 2.5% of the original principal amount in the year payable quarterly | 100,490 | June 30, 2023 | First ranking pledge on the assets (6 complexes for residences, 3 buildings used for commercial and office purposes called the "Panther Portfolio"). A pledge of the accounts of the bank, and the insurance proceeds, as well as assignment of rental fees for the benefit of the Lender. | Fixed rate of 1.40% | The borrower must update the lender at the outset of any change in the control of the asset company, when in this regard a change in the control means, a change in 50% or more of the holding of the capital of the asset company. | LTV less than 75%, DSCR greater than 135% | (1) Non-recourse loan; (2) the financial liabilities are at the assets group level |
| 2 | Loan for financing the Gerresheim project | For details regarding the loan for financing the Gerresheim project see section 1.8.3.5 (e) | | | | | | | | | | |

[36] Granted to the following companies: Brack Capital (Hannover) B.V, Brack Capital Gelsenkirchen GMBH&Co. KG, (Ludwigsfelde) B.V, Brack Capital (Neubrandenburg) B.V, Brack Capital Germany (Netherlands ) XIX B.V, Brack Capital (Remschied) B.V, Investpartner GMBH(Wuppertal) , Brack Capital Germany (Netherlands) XXX B.V. (Velbert)

Following the table above, below data shall be presented regarding the Company's compliance with the financial criteria determined in its loans.[37] Calculation of the financial criteria: DSCR, ICR and LTV, is performed based on the definitions in the relevant loan agreement, and not necessarily in accordance with generally accepted accounting principles[38].

| Serial number within the loans table | The date of providing the loan | Original loan framework amount in EUR thousands | Principal balance As of December 31, 2021 EUR thousands | Financial/other liabilities | Actual financial covenant DSCR/ICR as of December 31, 2021 | Actual LTV financial covenant as of December 31, 2021 | *Actual financial covenant DSCR/ICR as of December 31, 2021 and the signing date of the Report | Actual LTV financial covenant as of December 31, 2021 and the signing date of the Report |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | As of December 31 2021 | As of December 31 2021 |
| 1 | January 18, 2021 | 100,492 | 97,889 | LTV less than 75%<br><br>DSCR greater than 135% | DSCR= 268% | LTV = 42% | DSCR=242% | LTV=55% |

[37]Regarding financial criteria in connection with Bonds (Series B and C) of the Company, see Part E, Chapter B "Board of Directors Report", attached to this Periodic Report.
[38]Regarding financial criteria defined are defined in the loan agreements as follows: LTV is the ratio between the debt balance to the bank and the fair value of the asset in the books, less the costs of the transactions and various taxes. ICR: the ratio between the cash flows and the service debt and between the payment of interest expected in the coming year, and DSCR is the ratio between the cash flows and the service debt and between the payment of the principal + the interest expected in the coming year, when the cash flows for the service debt are the revenues derived from the asset financing for the next twelve months according to the signed contracts (excluding contracts that are about to be concluded during the year) less the operating expenses of the asset according to the bank's formula. It shall be noted that the calculation of the financial covenants is not necessarily as of the reporting date or for the signing date of the report (as applicable) but rather for the closest date on which the Company is required to present this calculation to the financing entity.

## 1.13 Working Capital

| Consolidated | Amount included in financial statements (EUR thousands) | Adjustments (for period of twelve months in EUR thousands) | Total (in EUR thousands) |
|---|---|---|---|
| Current assets | 83,367 | - | 83,367 |
| Current liabilities | 286,805 | - | 286,805 |
| Surplus current assets over current liabilities | (203,438) | - | (203,438) |

* It should be indicated that EUR 236,031 thousand is presented as current liability following several loans the repayment date of which is in 2022. The Company in an advanced discussions with the lending banks and expects that these loans will be extended in the coming months. Excluding these loans the Company presents positive working capital.

## 1.14 **Insurance**

1.14.1 Property and Operations Insurance of the Group

Within the ongoing operations in Germany, the Group insures its operations and assets with various insurance policies, through local insurance companies, as follows:

A. Property insurance for risks customary in Germany, for the various assets it owns, including loss of rental fees for an indemnification period of up to 36 months, according to the case.

B. Third party liability insurance with limitations of liability of EUR 10,000,000 per occurrence and for an annual insurance period to cover liability from Group members in connection with the maintenance, operation and management of structures in Germany.

   It shall be noted that the annual insurance premiums amount to EUR 8.1 million.

C. For details regarding the commitment of the group with ADLER Assekuranzmakler GmbH & Co. KG, a subsidiary of ADLER as insurance broker (Insurance broker) for entering into various insurance policies see Regulation 22 of Chapter D attached to this periodic report.

1.14.2 Director and Officer Liability Insurance in the Company

See Regulation 29a of Chapter D, “Additional Details about the Corporation”, attached to this periodic report.

## 1.15 **Taxation**

### 1.15.1 **Main Tax Aspects in Germany**

**Corporate Tax and Corporate Tax Rate**

The revenues of the subsidiaries from real estate assets in Germany (both income from rental fees and from the sale of assets) are taxable with corporate tax in Germany. The corporate tax rate applied in Germany in 15.825% (including solidarity tax[39]).

**Local Business Tax**

In addition to the corporate tax, a local business tax (trade tax) applies in Germany at an effective rate ranging between 10% and 17.2%. Subject to certain terms, the trade tax does not apply to income generated from passive holding of real estate.

**Dividend Withholding Tax Rate**

In accordance with the domestic law in Germany, the dividend tax withholding rate for a foreign citizen is 26.375%, subject to the provisions of the double taxation treaty signed by Germany and the provisions of the Parent-Subsidiary Directive of the European Union, according to which there is an exemption from withholding tax from dividends between two companies which are residents of member states of the European Union[40] subject to a minimal rate and period of holdings.

**Interest Withholding Tax Rate**

In accordance with the domestic law of Germany, there is no obligation to withhold tax from interest for a foreign citizen, excluding interest paid on certain profit sharing bonds and loans – the withholding tax rate in such cases is 26.375%, subject to the provisions of the double taxation treaty signed by Germany and the provisions of the Interest and Royalties Directive of the European Union, according to which there is an exemption from withholding tax from interest between two companies which are residents of members states of the European Union[41] subject to a minimum rate of holdings.

**Capital Gains**

Generally capital gains are included in the calculation of taxable income as ordinary income subject to corporate tax (excluding capital gains from the sale of shares by a tax exempt company under certain conditions).

[39]Tax paid in Germany in order to assist in developing the Eastern part of Germany in an amount of about 5.5%, calculated annually for corporations and individuals.

[40] It shall be noted that The Netherlands and Germany are both member states of the European Union.

[41]shall be noted that The Netherlands and Germany are both member states of the European Union.

**Rules for Recognizing Financing Expenses**

As of 2008, Germany has applied "interest barrier" rules, which replaced the thin capitalization rules. Based on these rules, the ceiling of withholding net interest expenses in a company will be limited to EUR 3 million per year. In the event that the net interest expenses in a company exceed the EUR 3 million ceiling, then the tax deductible interest expenses will not exceed 30% of the EBITDA of the Company. The non-deductible part is transferred to the following years, and will be added to the interest expenses claimed up to a ceiling of EUR 3 million or 30% of the EBITDA of the Company, whichever is higher.

### 1.15.2 Tax treaty between The Netherlands and Germany

**Corporate Tax**

Under the treaty for double taxation between The Netherlands and Germany, the revenues of subsidiaries from real estate in Germany (both from rental fees and the sale of assets) are subject to corporate tax in Germany and are exempt from paying corporate tax in Holland.

**Capital gains**

Capital gains from the sale of shares of a Dutch company (by a Dutch company) whose assets mainly include real estate in Germany will be taxed in The Netherlands and effective from January 1, 2019 will also be taxed in Germany due to a change in German tax laws. However, the change will only apply to accrued capital gains as of December 31, 2018. It is proper noting that 95% of capital gains will be tax-exempt in Germany. Capital gains from the sale of shares of a German company (by a Dutch company) whose assets mainly include real estate in Germany will be taxed in Germany as follows: 95% of the capital gain is tax exempt and the remaining is taxable at corporate tax rate of 15.825 %.

### 1.15.3 Taxation in The Netherlands

**Corporate tax**: Corporate tax in The Netherlands applies to global revenues (from any source) of a Dutch company, at a rate of 16.5% in 2021 of the annual income up to EUR 200,000, and a rate of 25% to taxable income annually exceeding EUR 200,000, subject to certain exemptions provided in the Dutch tax laws.

**Participation Exemption in The Netherlands**

One of the exemptions provided in the Dutch tax laws is the participation exemption. In accordance with the participation exemption, a Dutch company (a "holding company") which meets certain conditions may benefit from a tax exemption of revenues from dividends and capital gains, derived from shares it holds in another company (an "investee company"). The exemption shall apply to any holding in investee company (of 5% and more) if such holding shall not be considered as held for mere passive investment (intention test).

**Real estate companies**: real estate assets are not considered as passive investment. Accordingly, participation exemption shall apply to real estate companies.

**Dividend Withholding Tax Rate**

In accordance with the domestic law of Holland, the dividend withholding tax rate for foreign citizens is 15%, subject to the provisions of treaty for the prevention of double taxation to which The Netherlands has signed to the provisions of the Parent-Subsidiary Directive of the European Union, and Dutch tax laws. For additional details, see Section 1.4.1 above.

**Interest Withholding Tax Rate**

In accordance with Dutch domestic law, there is no withholding tax on interest payments to a foreign citizen, other than interest paid on promissory notes or bonds which have the right to participate in profits. In such cases, the same provisions of withholding tax applicable on dividends (as above) will apply.

**Capital Gains**

Generally, capital gains are included in the calculation of taxable income as ordinary tax subject to corporate tax. The profits from the sale of shares by a Dutch company are exempt from tax in Holland, subject to compliance with the participation exemption terms provided in Dutch law (see above regarding the application of the participation exemption regarding the Company).

1.15.4 **Taxation in Israel**

BCP is a Dutch company, and therefore, in accordance with the provisions of the Income Ordinance [New Version], 5721-1961 (the "**Ordinance**"), and the provisions of the convention between The Netherlands and Israel regarding preventing double taxation and tax evasion regarding income tax (the "**Convention**"), BCP shall be subject to tax in Israel only for income generated or accrued in Israel and for capital gains from the exercise of real estate assets in Israel or rights in a land association in Israel, and similarly, to capital gains from the sale of movable assets constituting part of the assets of a permanent establishment of BCP in Israel.

1.15.5 **Tax Assessments**

For details regarding tax assessments for the Company and/or any of the subsidiaries, including regarding a possible tax liability of subsidiaries, see Note 17 of the financial statements of December 31, 2021, attached in Chapter C of this periodic report.

### 1.15.6 **Effective Tax Rate**

The tax rate in The Netherlands is, as stated above, 25%; however, the vast majority of the Company's income is dividends and capital gains from subsidiaries abroad holding real estate assets in Germany that are exempt under the participation exemption section.

### 1.15.7 **Losses for Tax Purposes**

See Note 17 of the audited consolidated financial statements of the Company as of December 31, 2021, attached in Chapter C of this Periodic Report.

## 1.16 **Environmental risks and the methods of handling them,**

During 1999, a law was enacted in Germany known as the Federal Soil Protection Law, which was designed to arrange the treatment of land and the renovation of contaminated land by imposing liability thereon to the land purchasers.

The law seeks to protect the land in the long term by preventing the harmful effects on soil, remedying existing damage, and provisions against the creation of new defects.

In addition, the local authorities are managing registries (Altlasten) within which plots are registered in the event that the area that the plots are located in are classified as areas containing contaminants. Accordingly, in the event of the purchase of land, the land purchaser is responsible towards the authorities to remove the contamination (regardless of whether the land is registered in the registry). In the event of the development of land or construction on land classified in the registry as dangerous or in the event of a change to the characteristics of use of the asset, the appropriate authorities may perform independent examinations for potential contamination, and in the event that contaminants are located, the asset owner or causes of the contaminants are required to neutralize the contaminants.

The contaminants are divided into two types: soil pollution and groundwater pollution, while the second is more severe due to the higher cost of removal. Throughout Germany, there are areas and entire districts in which the groundwater is contaminated due to war damage, heavy industry and mining, use of pollutants which were buried in the ground and not properly eliminated.

Within the process of purchasing real estate assets, the Group's companies are required to uphold the provisions of the relevant standards, if existing regarding air pollution and environmental protection. Within the due diligence performed by the Group, the Group performs preliminary examinations required regarding environmental protection: both for the registry of contaminants and for various indications and suspicions of contaminants.

Only after the matter is investigated will a decision be made regarding the purchase. The Group has a policy that in the event of a real concern of pollution, an examination will be conducted by an expert on the matter prior to the purchase of the asset.

As of the report date, and excluding the land assets in Dusseldorf, the Group has not purchased assets with registrations or suspicions which are material, and which have not prevented the Group from financing the same assets, and have not disrupted the financing banks in the valuations they have performed themselves.

To the best of the Company's estimation, and excluding the land asset in Dusseldorf, the cost of the examinations performed by the Group's companies, as well as the cost of treating matters related to environmental protection, is unsubstantial to the Group.

To the best of the Group's knowledge, it owns no asset that: (1) current use of which would be prohibited or limited due to land contamination problems; (2) is currently being inspected by the authorities as possibly being limited, or (3) required repair/renovation due to soil or groundwater contamination problems.

## 1.17 **Limitations and Supervisions of the Corporation's Activities**

### **1.17.1 General**

1.17.1.1 Land Sale Laws in Germany – under German law, land transactions are performed through a public notary, who has a dominant role in the asset purchase process. The notary functions as a neutral entity, and constitutes a type of guarantee until the completion of the transaction. Its function is to secure the rights of the seller and purchaser, while usually all of the consideration for the purchased asset is transferred to the notary in trust and secured thereby until the registration in the name of the purchaser without any contrary right whatsoever. Regarding the completion of a land sale transaction, it shall be emphasized that the completion of the transaction is subject to the registration of the rights and the transfer of ownership or lease rights (hereinafter: the "**Proprietary Rights**") in the name of the purchaser, in the land registry offices. In accordance with the German laws, the transfer of Proprietary Rights is completed with the registration in the land registry and in accordance with the notary's consent regarding the transfer of the Proprietary Rights. A condition for the transfer of the consideration to the seller is the existence of the following conditions: (1) the notary has inspected and found that there is no registration of opposing caveats on the asset. The notary ensures to register a caveat in the name of the purchaser to secure the purchaser's right to the transfer of ownership in its name regarding the sold property; (2) the notary has inspected and found that all of the legal and governmental approvals required for the performance of the transaction have been received, including that the City has waived its right of first refusal regarding the asset; (3) the notary has inspected and found that all of the approvals for the release of liens have been received (excluding liens which the purchaser has agreed to remain registered on the asset), as well as limitations on the transfer of rights in the sold property.

In German law, there are a number of types of rights regarding land, inter alia the following:

a. Ownership right, lease right and ownership right in part of a condominium.

b. The lease right is a proprietary right for a long period (up to 99 years), which is inheritable and transferable. The said right is recorded in a separate part of the land registry. Based on the provisions of the German law, this right is similar in substance to the ownership right, but is limited in time to up to 99 years with an extension option. The lessor may lien its rights (mortgage and pledge types), in which case, usually, the consent of the owner of the land is required.

c. The ownership right in a condominium is an ownership right regarding a certain part of the structure, as well as shared and not specific ownership of all of the specific shares of the shared property located in the building.

d. The land in Germany is divided into parcels which are defined in the land registry as blocks and/or plots which are documented separately within the land registry. Information regarding the land, the holders of rights to the land and regarding rights of third parties in connection with the land exist within the documentation as stated.

The registry as stated is divided into three parts as follows:

The first part - arranges the identity of the holders of the land (whether owners or lessees). The second part – arranges the limitations existing on the land which do not secure a guarantee for a financial debt of a third party (for example, an easement right, right of refusal of the local authority, lease right, etc.). The third part – registration of liens and pledges to secure the obligations for the benefit of a third party, such as a mortgage to a financing entity, etc.

1.17.1.2 Protection and Preservation of Sites - in accordance with the provisions of the local law, there is an Authority for the Protection and Preservation of Cultural-Historic Sites in Germany (hereinafter: the "**Preservation Authority**"), which enforces proper use of buildings with a cultural-historic background, and manages, inter alia, a registry of homes designated for protection and preservation. In accordance with the provisions of the German law, structures with a historic-cultural background are subject, inter alia, to the following provisions of the law: (1) Right of refusal – the sale of land on which the asset classified as cultural-historic is located, based on the law, is subject to the right of first refusal granted to the local authority, in the event that the local authority intends to conserve the asset. This right of refusal is exercisable within two months from the delivery of notice to the local authority of the sale of the asset; (2) change in the characterization of use of the asset – the Conservation Authority must be notified regarding any change to the characterizations of the use of the asset;

(3) conservation requirements and reconstruction – the owners of the asset as stated and those making use thereof are subject to an obligation to make proper use of the asset, preserve it as a cultural-historic asset, and protect it from possible risk. In the event that the asset is harmed, the Preservation Authority may order its restitution;

(4) approvals required for the performance of actions in the asset – any actions in the asset classified as a cultural-historic asset, including reconstruction of the cultural-historic asset, changes thereto, painting and overhead covering, signage and advertising, eviction and demolition require the approval of the Preservation Authority.

The Company has a single digit number of small assets (all of which are used for residential leases) that are designated for preservation. The only limitation related to these assets is upon the performance of material renovations to the façade of the structure. In such a case, the owners are required to receive approval from the Preservation Authority in the local authority in the framework of which the owners undertake to conserve the structure and its original façade.

It should be noted that as of the report signing date, the Company does not intend to perform any renovation to the façade of the buildings designated for preservation, and therefore no action is required on the matter on the Company's part, and it is emphasized that the Company has also not initiated any proceeding for a construction permit with regard to any of the assets designated for preservation.

1.17.1.3 Planning and Zoning Laws - in accordance with the provisions of the German law, planning matters and determining city building plans are determined based on the federal legislation of Germany, while the matters of project construction, including construction permits, are decided based on the state laws unique to each area (based on a division within Germany, dividing it into 16 states). The provisions of the law in Germany determine that generally, the conditions for construction of a project are the receipt of a permit from the relevant authority, provided after the submission of a proper request and compliance with the conditions required. The permit will be effective for the amount of time determined therein (in accordance with the state law), and expires after the completion of the said period. Accordingly, a result of construction without a construction permit, while breaching the terms of the permit, failing to comply with the construction safety conditions, etc., are breaches which may lead to the imposition of a fine on the project developer. In addition, in certain cases (for example, in the event that the structure endangers the health of the public and cost-effective repair is not possible, or in the event of construction without a permit while breaching the building instructions or material planning provisions), grants the relevant authority in Germany the authority to order the building owner to demolish it. Generally, the renovation of structures which does not change the appearance of the building and does not require a change in building designation does not require the receipt of a permit from the local authority.

It should be noted that as of the report signing date, the Company meets all of the requirements of German law with respect to planning and construction laws, including the issuance of construction permits for renovation actions to buildings where the scope of the renovation and/or its nature requires receipt of a construction permit, and is performing any action for which a construction permit is given in accordance with the terms set forth in the same permit.

1.17.1.4 Environmental Protection Laws

see Section 1.16 above.

### 1.17.2 Area of activity - income generating real estate

Various legal systems apply to the Income Generating Real Estate Sector in Germany, which delineate the activities in the field, including the legislation of land laws and legislation arranging the relationships between the tenant and landlord. The Group is subject to supervision on behalf of the various authorities with whom the Group's companies come into contact within the sector.

In this regard, it shall be noted that there is a difference between the various systems of law applicable to the sub-segments of the areas of activity, meaning commercial income generating real estate and residential income generating real estate sub-segments. Therefore, the following shall describe the various systems of laws applicable to the activities, based on the sub-segments and with respect thereto.

Inter alia, the Group is subject to the following laws and regulations which impact the activities of the Group in Germany:

1.17.2.1 Rental Laws in Germany regarding Commercial Income Generating Real Estate

a. **Requirement for written lease agreements** – based on German law, there is no formative requirement for a lease agreement. However, when a lease agreement is drawn for a rental period exceeding one year, there is a requirement of writing. If the written requirement is not fulfilled as necessary, then the agreement shall be considered to be effective for an unlimited period of time, and can only be terminated with prior written notice according to the time prescribed by law.

   Currently, commercial rental agreements typically include a flaw curing clause with respect to the written requirement (hereinafter: the "**Curing Clause**") in order to cure any breach of the written requirement and to prevent either party from terminating the agreement before the end of the lease term determined.

Breaches or flaws in connection with the fulfillment of the written requirement can be cured by way of amending the lease agreement meeting with the written requirement in accordance with the German law. However, the parties shall be required to engage in the amendment as stated only if the Curing Clause as stated above was included in the original lease agreement.

There is no registry of leases in Germany, or any other official registry that provides universal validity for rentals.

b. **Update/increase of rental fees** - the provisions of the German law regarding limitations to the increase of rental fees only apply regarding residential lease agreements. Regarding lease agreements which are not for residential purposes, usually, the lease agreement provides a mechanism for updating rental fees in accordance with the changes in the consumer price index. An update to rental fees must be bilateral (meaning, such that the rental fees will increase or decrease, as the case may be). The consent to update rental fees as stated may only occur if the period of the lease under the agreement exceeds 10 years, whether due to the period set forth in the agreement or due to a combination of the period set forth as stated together with contractual option periods.

c. **Term of the lease** - based on German law, the maximal term of a lease set forth in advance in a written lease agreement is 30 years. After 30 years, each party may terminate the agreement with prior notice of three months before the set termination date. This period of time is set forth by law. Usually, the period of the lease in commercial rental agreements ranges between three years and twenty years. Rental agreements typically include an option to extend the lease agreement by five additional years, subject to the provision of prior written notice (typically 6 or 12 months in advance) and/or an automatic option to extend for additional periods of one or two years at the end of the term of the lease, if neither of the parties had terminated the agreement prior thereto.

d. **Early termination of the agreement and tenant eviction** - based on German law, the rental agreement will end at the conclusion of the rental term, with a breach event or based on the mutual consent of the parties. The German law stipulates regarding a lease agreement which is not limited in time, that either party may terminate the agreement in accordance with the completion dates provided by law or agreement.

A party to the lease agreement for a fixed time may terminate the agreement unilaterally only "for just cause" – such as the non-payment of rental fees by the tenant on the one hand, or the denial of a right of the tenant to make contractual use of the asset on the other. For details regarding the eviction of tenants from the leased property, see subsection 1.17.2.2 below.

e. **Commitment of asset owner towards tenants upon sale** - based on German law, in the event that the asset owner announces the sale thereof, the tenant has the right to terminate the rental agreement. In the event that the asset owner does not announce the sale, the owner shall guarantee the fulfillment of the commitments of the new purchaser, replacing it, towards the tenant.

The lease agreement is transferred to the new purchaser automatically and does not need to be re-signed by the parties. In the event that the tenant deposited a security which is not returned by the asset purchaser at the end of the rental agreement term, then the previous owner of the asset shall be responsible to return it to the tenant.

f. **Operating costs** - based on German law, the asset owner shall bear payments and expenses applicable to the asset ("Nebenkosten"), such as taxes, insurance premiums, "building manager" costs, cleaning, heating, etc. This provision may be a condition in the lease agreement. In practice, it is customary that the tenant will also bear some of the operating costs of the asset, while usually the calculation is performed based on the ratio between the area rented to the tenant and between the total asset area.

g. **Repairs and maintenance** - in accordance with the provisions of German law, repairs and maintenance are the responsibility of the asset owner. However, usually, the agreement of the parties in the matter is different. It is customary that the asset owner will be responsible for repairs and maintenance of the roof and the leased property structure ("Dach und Fach") while the tenant shall be responsible for all repairs and maintenance within the rented property.

Usually, it is agreed that the tenant is responsible for interior decorating repairs ("Schönheitsreparaturen"), including plaster repairs, paint, etc., during the term of the lease. It shall be noted that in accordance with the current case law in Germany, the obligation of the tenant to perform internal design repairs may be invalid under certain circumstances (such as a requirement to renovate the leased property at the end of the term of the lease).

1.17.2.2 Rental Laws in Germany regarding Residential Income Generating Real Estate

The following shall describe the effective provisions of the law regarding residential lease agreements; the other provisions of the German law regarding rental agreements (including, without derogating from the above, formative requirements and written requirements, and early termination of the lease agreement in lease agreements with prescribed terms, liability of the asset owner after the sale of the rented asset to another), described in this section are applicable both to commercial rental agreements and residential rental agreements.

**a.** **Costs and payments** - based on the German law, the asset owner shall bear payments and expenses applicable to the asset, "Nebenkosten". The parties may agree amongst themselves that the tenant shall pay the said payments and expenses. Such consent must be clear and unequivocal. There are legal limitations regarding the rate of participation of the tenants in residential rental agreements for said payments and expenses. The expenses that can be applied to the tenant are provided by the law, and include, inter alia, land taxes, structural and third party insurance premiums, trash removal costs, sewage, water, electricity, heat, lighting, cleaning, gardening, "building manager" and elevator operation expenses. It shall be emphasized that the tenant cannot be required to bear the administrative management costs of the asset and maintenance/repair costs of the asset (excluding expenses of ongoing maintenance of certain technical fixtures, such as elevators). The parties may agree regarding a payment mechanism of advances on a monthly basis (or in some cases – quarterly) for said costs. At the end of a year of the lease, and within a year from the same date, the asset owner shall provide the tenant with a description of full costs for the same rental year, which describes the allocation of said expenses among the renters in the assets and based on which settling of accounts between the parties will be made regarding a payment actually performed (whether overpayment or underpayment).

**b.** **Repairs and maintenance** - in accordance with the provisions of the German law, repairs and maintenance are the responsibility of the asset owner. The rental agreement can determine that the tenant will be responsible for repairs and maintenance, however, there are clear limitations in connection with the transfer of such liability (liability for payment only, and not for performance, as well as liability of the amount of expense per event and for a period regarding rental fees and in general). Due to current case law of the courts in Germany, sections of rental agreements as described above may become ineffective and non-binding.

c. **Update of rental fees** - the German law recognizes four basic options for increasing residential rental fees: first, the gradual increase of rental fees with the mutual consent of the parties. Second, it can be agreed to adjust the rental fees and link them to the cost of living index and consumer price index (typical for rental of commercial asset and not residential) . Third, the asset owner may request to increase rental fees paid thereto to the fair market price in accordance with the market rent level report ("Mietspiegel"); however, an increase as stated shall not exceed 10% as set forth below:

In specific areas that are declared through an order of the federal state as meeting the conditions justifying government supervision of rental fees, and for five years only from the date of the order's approval, an apartment can be rented to a new tenant with rental fees that are not higher than 10% of the rental fees in the existing agreement for the asset/apartment and as long as the new rental fees are not higher than the relevant rental fees as set forth in Mietspiegel. In areas in which such order does not apply - rental could be raised for the new tenant above the existing agreement for the asset/apartment as long as the new rental fees are not higher than the relevant rental fees as set forth in Mietspiegel. Such limitation does not apply to apartments in new construction or in structures that have undergone thorough renovation that raises the standard of the apartments to like-new. To date, no such order has been declared in the areas in which the Company operates;

For an existing tenant, lease fees can be increased as long as the lease fees after the increase is in accordance with the specifications regarding the asset/apartment in the Mietspiegel table and an increase as stated will not exceed 20% in a three-year calculation. However, as part of the efforts of the German government to increase supervision of rental fees, any state may declare, with regard to a specific area/city, limitations to rental fees increase of no more than 15% in a three-year calculation ("Kappungsgrenze"). NRW government has declared a limitation as stated in a number of cities within NRW; however, the limitation as stated does not apply to cities in which the Company's residential portfolio for lease is located (NRW).

In addition, the Bremen government and Hannover municipality declared such limitation which is valid for Bremen (but not for Bremerhaven) in which the Company owns 745 units and Hannover in which the Company owns 838 units and Gottingen where the Company has 238 residential units.

In addition, the Federal Government of Saxony announced on 9.1.2018 that such a limitation is valid for the city of Leipzig in which the Company has 3,603 units, but the date of entry into force of said directive has not yet been determined. Such limitation does not apply to other locations in which the Company operates.

Additionally and in addition to said increase, the asset owner may increase the annual rental fees after the performance of betterment or upgrades to the rented property, which also has a limitation of up to 8% of the total cumulative investment in the betterment or upgrade and a maximum increase of EUR 3 per square meter in 6 years (according to new legislation effective from January 1, 2019) . In connection with residential units that are rented with subsidies by the local authority – in the event that the increased rent exceeds the subsidy tables of the local authority, it may instruct the resident to vacate the apartment and find alternative residence in order to meet the terms of the subsidized prices.

It shall be noted that in the large majority of cases, the prevailing market rental fees are similar or higher than the rental fees permitted with subsidy based on the municipality tables, and therefore, upon eviction of the apartment as stated, the Company may rent the vacant apartment, after its renovation, at a price which shall not be less than the rental price allowed by subsidy. It should be noted that in calculating the fair value of the aforesaid assets, said limitations have been taken into account.

It should be noted that in June 2019, the Berlin Senate approved a law that does not allow the increase of rental fees for five years for over 1.5 million apartments in Berlin. The law will take effect during 2020 and its clauses will apply retroactively from June 2018. The law does not apply to new construction. A landlord who fails to comply with the law and will violate the rental fee limit without reducing the rental fee so as to correct such rental is expected to pay a fine of about € 500,000. The Company does not have residential properties in Berlin and therefore this regulation is irrelevant for the Company.

**d.** **Term and period of the lease** – in accordance with the provisions of German law, the term of the lease can be limited provided that a written agreement is made. The maximal term of a lease is 30 years. After 30 years, each party may terminate the written agreement, subject to the delivery of an early termination notice in accordance with the provisions of the law. However, it should be noted that regarding the rental of residential apartments, the authority to define rental agreements in advance with a specific period of time is only provided in certain cases, mainly if the asset owner intends after the term of the lease to: (1) use the asset for himself or his family; (2) renovate, upgrade or develop the asset; or (3) rent the asset to an employee in his business; therefore, usually, residential rental agreements are for an unlimited period of time, and can be terminated in accordance with the provisions of the law regarding early termination as described above.

e. **Early termination of the lease term and eviction of tenants in rental agreements that are not limited in time** - the German law provides that each party may terminate the agreement in accordance with the period of advance notice provided by law. Regarding the asset owner, said period is extended upon the elapse of time from the commencement of the lease period, similarly, notice of termination of the agreement on behalf of the asset owner requires a reason justifying the termination as stated. A just cause as stated may exist if the tenant substantially breaches the lease agreement, if the asset owner needs the asset for personal use or use for his family, or if the lease agreement prevents the asset owner to make proper use of the asset, resulting in sustaining significant damages. It shall be emphasized that the agreement cannot be terminated in order to increase rental fees of the asset.

   In addition, each party may terminate the agreement immediately for just cause. If the just cause is the breach of a contractual obligation (such as non-payment of two monthly rental fee payments), then a written warning must be issued before the agreement can be terminated, unless one of the exceptions provided by law is met. In the event of non-payment as stated, the tenant may remedy the damage by way of paying the late payments until two months after the submission of a legal claim for the eviction thereof. If the asset owner has terminated the agreement in accordance with the above, and received a final order for the court ordering the tenant to evict the asset and return it to the asset owner, but the tenant fails to do so, the asset owner may initiate eviction proceedings.

f. **Sale of the asset, sublease by the tenant** – In accordance with the provisions of German law, the tenant is not permitted to transfer the lease agreement, charge it or sublease it without the consent of the asset owner. The refusal of the asset owner to the transfer as stated shall be on the basis of reasonable reasons. In the event that the asset owner will only consent in consideration for increasing rental fees, the asset owner may agree to the transfer as stated subject to the increase of rental fees in the asset. In the event that the tenant has passed away, then the lease agreement shall remain in effect by the spouse and/or children of the tenant who shared the asset with the deceased.

g. **Limitations regarding rental agreements for public housing** – rental agreements within public housing (in this regard, public housing shall refer to assets which were established and/or renovated using financing of special public financing institutes which provide subsidized loans) are subject to special limitations in accordance with the provisions of the German law, including significant limitations in connection with the increase of rental fees. The limitations as stated are by virtue of the law and by virtue of financing agreements of the public financing institutes as stated above. In this regard, it shall be emphasized that in the event that the borrowing company early repays the loan taken from a public financing institute in connection with the construction and/or renovation of residential assets, then the same limitations continue to apply to the company until the elapse of 10 years from the early repayment date or until the planned repayment date based on the financing agreement, whichever is earlier.

In assets constructed or renovated through financing from a public entity before December 31, 2001, the rental fees are determined in accordance with the financial equation [*Kostenmiete*] taking the following parameters into account:

1) Financing expenses – including repayment of annual interest expenses for the loan taken to construct or purchase the asset, as well as a repayment of 4% of the equity invested, up to 15% of the total asset cost and 6.5% of the equity invested above 15% of the total asset cost;

2) Asset operating costs, including depreciation of 1% of the total construction costs, managerial expenses in the amount of EUR 298 per year per apartment, and EUR 39 per year for parking, maintenance expenses, loss of rental fees in the amount of 2% of the total annual renal fee income, and more) [42]; the formula and variables listed above are specified in financing agreements and vary from time to time in accordance with the update of the index and the rental fees are updated accordingly.

Regarding 373 residential units and 84 residential units in the residential asset in Oberhausen, a rental fee limitation as stated applies, arising from a loan subsidized from the WFA corporation in an amount that shall not exceed EUR 4.35 per sq.m., and EUR 4.15 per sq.m., respectively. Said loan was prematurely repaid in October 2016, however, said rental fee limitations remain valid till October 2026, a ten years term from the loan repayment date.

[42]Amounts linked to the consumer price index on a triennial basis.

As for 93 out of 144 residential units in the residential property of Hanover-Kronesberg, there is a rent restriction as follows: in 47 residential units the rent will not exceed € 7 per square meter for one room apartment and € 6.3 per square meter for the other types of apartments. Regarding 26 residential units, upon the rotation of tenants, rent will not exceed 15% of the rent of the previous tenant.

### 1.17.3 Area of activity - betterment of the land in Dusseldorf

1.17.3.1 Planning and Construction Laws

In accordance with the provisions of the German law, planning matters and determining city building plans are based on the federal legislation of Germany, while the matters of project construction, including construction permits, are decided based on the state laws unique to each area (based on a division within Germany, dividing it into 16 states). The provisions of the law in Germany determine that generally, the conditions for construction of a project are the receipt of a permit from the relevant authority, provided after the submission of a proper application and compliance with the conditions required.

The permit will be effective for the amount of time determined therein (in accordance with the state law), and expires after the completion of said period. Accordingly, a result of construction without a construction permit, while breaching the terms of the permit, failing to comply with the construction safety conditions, etc., are breaches which may lead to the imposition of a fine on the project developer. In addition, in certain cases (for example, in the event that the structure endangers the health of the public and cost-effective repair is not possible, or in the event of construction without a permit while breaching the building instructions or material zoning provisions), the relevant authority in Germany is granted the authority to order the building owner to demolish it. However, generally, the renovation of structures which does not change the appearance of the building and does not require a change in building designation does not require the receipt of a permit from the local authority.

1.17.3.2 Environmental Protection Laws

Regarding the land complex (with a total area of about 150,000 thousand sq.m) [43](which includes land on which the Company's Grafental residential project is constructed), in a central area of Dusseldorf, as a result of the industrial activity carried out over the years in the asset about 50% of the asset's area contains soil contamination of heavy metals and PAH[44]. It shall be emphasized that groundwater contamination was examined with no negative findings.

[43]It should be noted that the Company developed and delivered apartments in said land complex as a result, some land areas for these stages have been delivered to the apartment purchasers and are not under its ownership.

[44]Polycyclic Aromatic Hydrocarbon – considered to be one of the most common organic pollutants in soil contamination.

Regarding soil contamination in the asset, and in accordance with the approvals of the relevant authorities and the inspection report prepared by the Company, it shall not be deemed to prevent and/or limit the current use of the such asset and/or prevent or limit the approval process of the city building plan regarding said land and/or prevent or limit the issuance of construction permits under the said city building plan. Upon the commencement of the future development and construction work in the land, it will be necessary to remove the layer of contaminated soil and send it to designated landfills. The removal of the layers of contaminated soil and their transfer as stated is estimated, in accordance with the expert report initiated by the Company, at about EUR 4.7 million. The Company has already borne a material part of this cost in the framework of the construction costs of stages that were delivered and the performance of public infrastructure work (sewage, water, roads, etc.).

With respect to the land in Gerresheim - the soil was cleared from the industrial pollution it had contained, and about 90% of the upper layer to a depth of about 3 meters was replaced by the seller under the supervision of the relevant authorities, including the environmental department of the municipality of Düsseldorf.

1.17.3.3 Purchase Tax - as of the report date, the purchase tax on the land in Germany is at a rate that ranges between 3.5% and 6.5% of the cost of the asset. It should be noted that in Dusseldorf (as well as NRW generally), purchase tax as of January 1, 2015 is 6.5%.

1.17.4 Area of activity - residential real estate development

1.17.4.1 See section 1.17.1.1 above. The table of proceeds from apartment purchasers in Germany as specified in German law is as follows: 30% upon commencement of the construction work, 28% upon completion of the skeleton, 12.6% upon completion of the roof, 10.5% upon completion of the installation of internal piping (water, electricity, sewage) and the systems in the building (elevators, heating, etc.), 7% upon completion of the finishing construction (internal and external), 8.4% upon delivery of the apartment and 3.5% upon the completion of all work in the project (such as in the event that the environmental development work was not completed before the apartments are occupied).

1.17.4.2 Additionally, upon receipt of the first receivable on account of the sale consideration, in the event that the Company is unable to record a caveat for the benefit of the purchaser in the land authority because the registration process of the condominium has not been concluded (sub division), then the Company shall issue a bank guarantee to the resident for the entire amount paid until the registration of the caveat as stated.

1.17.4.3 Additionally, the German law determines liability for the quality and inspection for a period of five years from the delivery date. The liability is not transferred to the main contractor and applies to the developer; however, on the other hand, the developer receives a quality guarantee from the performing contractor at a rate of 5% of the total construction upon completion thereof in the project, for the purpose of covering the liabilities of the Company for quality and inspection with the apartment purchasers.

## 1.18 **Collaboration Agreements**

On July 1, 2019, the Company completed the acquisition of rights in a number of joint ventures, exercising its right of refusal/ first offer (as the case may be), and alongside the controlling shareholder in the Company such that ADLER's subsidiary acquired 10.1% of the rights and/or holdings in the relevant asset companies. For further details, see the Company's immediate reports of January 29, May 11 and July 1, 2019 (Reference No. 2019-01-010509, 2019-01-040008 and 2019-01-056562, respectively) which are hereby included by way of reference. It should be noted that ADLER has entered into terms of engagement that existed with the former holders of rights, as set forth in the Company's reports under Section 1.18 of Chapter of Description of the Corporation's Affairs in the Company's 2016 Periodic Report, published on March 26, 2017.

## 1.19 **Legal Proceedings**

1.19.1 Regarding legal proceedings conducted against the Group, see Note 18b of the Consolidated Financial Statements as of December 31, 2021, attached in Chapter C to this Periodic Report.

1.19.2 Regarding legal proceedings conducted between the Company and a performing contractor in respect of the development of Stage A of inventory of buildings under construction see Note 18A(5) to the Company's financial statements attached as Chapter C to this report.

1.19.3 A dialogue has been going on for some time between the Company and a number of minority shareholders in the Company's subsidiaries, in which various allegations have been raised against the Company and said subsidiaries regarding the conduct of the subsidiaries.

The Company in recent years has made a provision in an amount that is not material to the Company in its financial statements in connection with the claims of the minority shareholders, some of which were even related to the Company in the past. On June 30, 2021, the parties reached a settlement agreement such that the Company purchased from the same minority shareholders their gull rights in the subsidiaries. For further details see Note 18(5) of the annual financial statements of the Company attached as Chapter C to this report.

## 1.20 **Business Goals and Strategy**

### 1.20.1 Overall Strategy

From 2018, the Company has been focusing on the following two major strategic goals:

- The sale of a substantial share of its commercial real estate portfolio which was mostly comprised of retail parks and shopping centers,

- The material deleveraging of its balance sheet by using the proceeds from the commercial asset sales to repay outstanding debt.

The stationary retail sector was impaired following the commencement of the Corona crisis and by the dynamic growth of online trade. During March, 2020, some 200,000 retail stores went into a lockdown across Germany as a result of the Corona virus. The result has been an unprecedented drop in sales and many companies have found themselves in cash flow distress. Even after the reopening of retail stores during 2020, as of the date of the report, the field is still suffering from a sharp decline in sales and less customer traffic.

Despite these negative market conditions, within the last three years the Company managed to sell 87% of its commercial assets at a low discount of their book values thereby avoiding sizeable write-downs which would have become necessary without having performed these sales.

At the same time with the repayment of large amounts of debt, the Company's leverage dropped considerably as can be shown in the reduction of the loan-to-value ratio (LTV) from 44.3% to 35.1% 2020 – 2021.

As a result of this strategic focus, it was possible to substantially strengthen the financial position of the Company and reduce the risk characteristics of its asset portfolio.

### 1.20.2 General

As stated in section 1.1.3.1 above, the Company will continue to focus its business activities in the field of residential income-generating and residential development real estate. The purpose of the Company is to provide its shareholders with an excess return, relative to the risk level, inter alia, by the following:

(1) Areas of activity - focusing the Company's activity in the field of residential income-generating and residential real estate development and, if economically sensible, continuing its operations to sell additional parts from the remaining commercial real estate portfolio.

(2) The Company's assets - the Company intends to continue promoting and investing resources in completing its residential development projects (with an emphasis on the continued land betterment and project development in the city of Düsseldorf and Aachen) and to examine the operating options for these projects, including marketing them, holding them for long term rentals or selling them subject to market conditions. The Company intends to leverage the knowledge and experience gained in executing complex development transactions that enable value unlocking throughout the life of the assets.

(3) The market – focusing on the German market while taking into account that the German residential market is considered to be a stable, large and liquid market.

(4) Management - retaining a stable and high-quality staff while constantly exploring options for administrative cost savings, including the possibility of entering into a service agreement with the controlling shareholder of the Company subject to applicable law and the necessary organs' approvals.

(5) Financing – retaining the Company's low leverage while maintaining the Company's rating (AA-), among others, as detailed below:

On the Company level – the Company strives to secure an overall leveraging on the Company level of no more than 40% (LTV), an interest coverage ratio that is not less than 3 (the EBITDA ratio from the income-generating assets only to the total interest expenses), all while maintaining the Company’s high credit rating (AA-) and improving the Company's financial flexibility.

On the asset level: improving the financing structure of the asset portfolio (including the loan term, selecting the financial instruments to hedge the interest risks etc.).

It should be noted that the Company is constantly examining the German real estate market and looking for possible ways to optimize the Company's results, including through the sale of additional assets of the Company's retail portfolio, while paying attention, among others, to the possible consideration, the asset carrying value, the potential revenue of the asset and the market situation.

1.20.3 Income generating real estate activity

The Company intends to continue improving the income generating real estate assets and promote operational improvement.

1.20.4 Areas of activity - land improvement and real estate development in Dusseldorf and Aachen.

The Company intends to promote real estate development projects in accordance with its various stages and to promote city building plans in the area of land improvement.

## 1.21 Projected Development during the Coming Year

1.21.1 The Company intends to continue its business strategy of strengthening its financial position and reducing the risk characteristics of its asset portfolio.

1.21.2 In the residential income generating sector the Company intends to continue implementing measures to improve operational performance mainly with a view to raising occupancy rates and rental income.

1.21.3 Residential development in Dusseldorf and Aachen:

1. Continued development, marketing and handing over of apartments to purchasers (or tenants) according to the project zoning in stages in development of the Grafental project in 2022.
2. Obtaining construction permit for Stage J-K and in the Grafental Ost project toward the end of 2022 and commencement of performance and marketing of this stage.
3. Continued promotion of the city building plan regarding the land of 193 thousand square meters in Gerresheim neighborhood Dusseldorf Germany and its approval until the end of 2022.
4. Continued project development in Aachen and handing over the apartments to tenants in 2022.

1.21.4 Improvement of the land in Dusseldorf:

The continued promotion of city building plans for the land complexes in Dusseldorf towards their approval during 2022 (see details in Section 1.7 above).

**It should be noted that the above information is based in connection with the Company's strategy, the forecast of development in the coming year and the Company's estimates regarding specific projects is based on the Company's estimates regarding the trends events and developments in connection with the Company's activity which had or may have an impact on the development of its activity and its business results. The Company's estimates indicated in this section regarding future developments are forward looking information as defined in the securities law. The Company's estimates, as aforesaid, are based on data held by the Company assuming its activity shall continue in the ordinary course of business. There is no assurance that these assumptions and estimates shall materialize in whole or in part since they depend on external factors over which the Company is unable to exercise its influence or that its impact on them is limited including the receipt of regulatory approvals and their dates and the materialization of any of the risk factors detailed in section 1.22.**

## 1.22 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:

### 1.22.1 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) 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.

(E) 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.

### 1.22.2 Sectorial Risk Factors - 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 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.

c) **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.

d) **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.

e) **Purchase and liability risks** - the Company insures the real estate with a property insurance policy, and also purchases policies to insure the customary risks the Group is exposed to. In the event of an insurance event, the Company may be financially exposed in the sum of the difference between the total insurance coverage rate and the financial scope of the action or damage to the asset. It shall be emphasized that according to the management of the Company, it is not underinsured.

### 1.22.3 Sectorial Risk Factors - Real Estate Residential Development in Dusseldorf:

a. **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.

b. **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.

c. **Increase in interest rates in the Eurozone** - increase in interest rates in the Eurozone may negatively impact the Company's project in Dusseldorf in two ways: a) increase of interest rates in the short term will increase the financing expenses of the Company in connection with the following stages of the residential project; b) increase in interest rate in the short term, if it also leads to an increase in interest rates in the long term, will lead to an increase in mortgage interest for apartment purchasers, and as a result will decrease the demand for new residential apartments, negatively impact both the level of demand for apartments in the Company's project, lead to a decrease in the sales prices of new apartments in the city, and as a result increase the performance time and harm the profitability of the development residential project of the Company in Dusseldorf.

### 1.22.4 Risks Unique to the Group

a) **State of the real-estate market in Dusseldorf** - a material decline in sale prices of residential apartments in the city and/or a significant decline in rental fees for offices in the city and/or a significant increase in construction costs and/or significant increase in the returns sought by investors for office assets in the city will lead to a decline in the fair values of the land in Dusseldorf and the profitability of the residential construction project of the Company in the city.

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 | | + | |
| **Sectorial Risks -** income-generating real estate | | | |
| Decline in demand for rental areas | | + | |
| Decline in credit solvency of tenants | | + | |
| Decline in scope of governmental support for low-income strata | | | + |
| Value of Company's asset | | + | |
| Purchasing and liability risks | | | + |
| **Sectorial Risks – residential real estate development** | | | |
| Decrease in demand for the purchase of new residential apartments in Dusseldorf | | + | |
| Increase in supply of lands available and/or residential projects for construction in Dusseldorf | | + | |
| Increase in construction input prices and/or contracting performance costs | | + | |
| Increase in interest rates in the Eurozone | | + | |
| **Risks unique to the Group** | | | |
| State of the real-estate market in Dusseldorf | | + | |

**The Company's assessment of the risk factors above, including the degree of impact of the risk factors on the Group and the spread of the Corona Virus and the Company's strength particularly at this time, is based on information existing in the Company and the world as of the Report date, and includes the estimations and intentions of the Company considering the current situation. It is clarified that the Company may be exposed in the future to additional risk factors and/or the risk factors described above will develop differently than the Company's estimates and the impact of each risk factor, if realized, may be different than the estimates of the Company.**

# 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 twelve months ending December 31, 2021 (hereinafter: "the Reported Period", or, "the Report Period" and "the third quarter", respectively) in accordance with the Securities Regulations (Periodic and Immediate Reports – 1970, the Reports' Regulations).**

**The financial statements attached in Chapter C 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 December 31, 2021.**

**"Report signing date" or "the date of signing the report" refers to March 24, 2022.**

## Preamble

**Below are the Company's principal results for twelve months ending December 31, 2021.**

1. **Profitability** – In 2021, the Company's net income attributed to the Company's shareholders amounted to approximately EUR 72.7 million compared to an income of EUR 92.7 million in 2020. For further details regarding the Company's valuations including regarding the change of the appraiser's identity and the underlying assumptions see section 1.6.5 of chapter A to this report.

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

- **Income-producing real estate -** in 2021, the FFO amounted to EUR 24.7 million compared to EUR 25.3 million in 2020. In addition, in 2021, the Company's NOI amounted to EUR 49.1 million compared to EUR 50.1 million in 2020 and the EBITDA of the Company for 2021 amounted to EUR 37.8 million compared to EUR 36.9 million in 2020. It is indicated that the decline in FFO and NOI levels is due to the continued sale of assets from the Company's commercial real estate portfolio during.2021
- The growth in rent in the field of residential income producing real estate in the fourth quarter of 2021 amounted to about 3.5% in rent from identical assets compared to the corresponding quarter in 2020. As of the report signing date, the average rent is EUR 6.72 per square meter and the rental in new leases in the Company's income producing residential portfolio is about 13.6% higher than the current average.

- **Residential development activity** - In 2021, the contribution of the Grafental project amounted to a profit of EUR 1.0 million (consolidated). In the reported period, the Company completed to recognizing a cumulative sale of all 96 units from Stage H at a weighted performance rate of 100%.

## 2. Operating segments – key operational data[1]

### 2.1 Residential development segment – Grafental project[2]

| Stage | Number of flats | revenues (EUR in millions) | income (EUR in millions) | Developer's profit [3] (in percentage) | Sales (in percentage) | Revenue recognition % as of the report date |
|---|---|---|---|---|---|---|
| H (Grafental) | 96 | 58.0 | 9.9 | %20.5 | 100% | 100% |
| I (Grafental) | 204 | - | - | - | - | - |
| Aachen | 82 | - | - | - | - | - |

### 2.2 Income-producing real estate [4]

| Zoning | Area ('000 square meters) | NRI Return[5] | ERV Return[6] | Actual NOI return[7] | NOI return according to ERV[8] | Occupancy rate |
|---|---|---|---|---|---|---|
| Residential | 714 | 4.3% | 4.9% | 3.7% | 4.3% | 97.6% |
| Commercial | 56 | 6.6% | 6.6% | 4.0% | 4.0% | 65.4% |
| Total | 770 | 4.4% | 5.0% | 3.7% | 4.3% | 96.4% |

* Excluding an asset in associate with an area of 5,000 sqm. Excluding an asset with an area of 6,900 square meters that is not leased for renovation purposes.

## 3 The Company's main financial data -

3.1 **Equity and EPRA NRV**: The equity attributed to the Company's shareholders amounted to approximately EUR 876.3 million and the EPRA NRV[9] amounted to EUR 1,225.3 million, as of the report date.

3.2 **Debt ratios**: The LTV ratio[10] is 35.51% as of the report date. The EBITDA ratio to interest expenses (from only the income producing portfolio, excluding operating income from development activity) was 3.84 in 2021.

3.3 **Liquidity**: Cash balances (consolidated) amounted to approximately EUR 24.9 million as of the report date.

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[1] As of the report date.
[2] Stage I (Grafental) and Aachen are designated for lease and therefore the Company does not expect a profit from their sale.
[3] Total actual revenues from the sale of flats, minus total development cost of flats, including land cost.
[4] Assets consolidated in the Company's financial statements, including assets for which binding sale agreements were signed.
[5] Data from December 2021 on an annual basis, divided by the carrying value.
[6] "ERV" (Estimated rental value) – the expected annual return, provided that all assets are leased in full occupancy in return for the rental fees prevailing in the market.
[7] Data from December 2021 on an annual basis, divided by the carrying value.
[8] Actual NOI plus the difference between actual rental fees and the ERV, divided by the carrying values.
[9] EPRA NRV – for details regarding the index and the calculation manner see section 9.4 of this report.
[10] Net debt to total real estate assets and inventory

**3.4 Financing**: The Company has bank loans with a total balance of EUR 602.1 million, at an average annual interest of 2.39% and duration of 4.33 years. The Company has bonds at a total balance of EUR 72.6 million at an average annual interest of 3.30% and duration of 2.80 years. For additional details regarding the Company's bonds see Part B, "Specific Disclosure for Bond Holders. After the date of the report, the Company performed an expansion of the Company's bonds (Series B). For details regarding the expansion of bonds (Series B), see section 10.5 of this report. For details regarding the loan from the controlling shareholder, see section 11.4 to this report.

## 4 Concise description of the Corporation and its business environment

As of the report date, the Company, its subsidiaries and associates (hereinafter, collectively: ("**the Group"**) have been operating in 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[11] in connection with the Company's strategy in the income producing and residential development sectors, agreement and completion of transactions for selling part of its businesses, the Company is continuing to carry out actions for selling additional assets from its commercial real estate portfolio.

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

In addition, following the aforementioned periodic statements of the Company, the Company and its controlling shareholder, ADLER Real Estate AG (“ADLER”), as well as certain officers in the Company who also serve as officers in ADLER entered into a separation arrangement. For further details, see section 10.2 below.

Changes in Company's management and shareholders

During the reported period, there were changes in the structure of the Company's management and board of directors. It should also be noted that as of the date of the report, the Company is working, through a search committee established among the directors, to locate a suitable candidate for the position on the Company's Board of Directors. For further details, see section 11 below.

On November 30, 2021 and December 1, 2021, LEG Grundstücksverwaltung GmbH ("LEG") entered into two separate transactions for the purchase of the Company's shares, one with certain shareholders in the Company and the other with ADLER (which also includes an ADLER undertaking to participate in a tender offer that LEG may initiate until September 30, 2022), such that as of the date of publication of the report, LEG holds approximately 34.47% of the Company's shares.

[11] In the specifications of the special tender offer published by ADLER, the controlling shareholder of the Company, dated February 19, 2018, as it has 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.

Further to what is stated in section 1.4.6 of the Periodic Report for 2020, the Company's Board of Directors examined the need to update the Company's dividend policy and the possibility of distributing dividends. In view of the provisions of section 11.2 below, the Company's Board of Directors will continue to examine the issue close to the date of approval of the Company's annual statements for 2021.

**For details regarding the spread of the Corona virus and its impact on the Company's operations in the reported period, see section 1c to the Company's annual financial statements attached to this report.**

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:

4.1 **Residential Income-Producing Real-Estate -** As of the report signing date, the Group owns 12,075 apartments with a total leasing area of approximately 714,000 m$^2$**.** For further details regarding the spread of the Corona virus and its impact on the Company's operations in this sector, see section 1.5.6 to Chapter A of this report.

**Commercial Income-Producing Real-Estate -** As of the report signing date, the Group owns 6 commercial income-producing properties in the commercial segment (commercial and offices) with an overall leasing area of approximately 56,000 m$^2$, including assets for which the Company has entered into a binding sale contracts (excluding an asset of associate with an area of 5,000 square meters). For further details regarding the spread of the Corona virus and its impact on the Company's operations in this sector, see section to Chapter A of this report.

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

4.2 **Residential Real Estate Under Development** - For details regarding the marketing, sales, handovers and performance of Stage H (96 units which were sold and fully handed over in 2021) the performance of Stage I (204 units) designated for rental in Grafental project in Dusseldorf and the performance of the project in Aachen (82 units) designated for rental, as well as for details regarding the Company's additional projects in this sector, see Chapter A of the periodic report for 2021. For further details regarding the spread of the Corona virus and its impact on the Company's operations in this segment, see section 11.3 below.

For further details regarding developments in the Gerresheim project, see section 6b1 of the Company's annual financial statements attached as Chapter C to this report.

5 For details regarding the projected revenues costs and developer's profit 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 and the residential project in Aachen see section 1.8 to Chapter A of this report.

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

## 7. Financial Position:

| | | | |
|---|---|---|---|
| **Assets** | **December 31, 2021** | **December 31, 2020** | **Explanation for the change** |
| | **EUR in thousands** | | |
| **Current assets** | | | |
| Cash and cash equivalents | 24,861 | 34,814 | See details in the statement of cash flow as part of the Company's financial statements, attached to this report. |
| Restricted deposits, financial assets, and other receivables | 25,980 | 15,959 | Increase derives from restricted deposits that were required as collaterals for the lending banks that finance the construction of the projects in Dusseldorf and Aachen. |
| Income receivable from the sale of apartments | 554 | 3,405 | Decrease derives from payment of apartment purchasers for sale of apartments in stage H. |
| Tenants and trade receivables, net | 1,641 | 1,399 | |
| Inventory of buildings under construction | - | 2,477 | Decrease derives from revenue recognition following construction completion of stage H. |
| **Total current assets** | **53,036** | **58,054** | |
| **Assets of disposal groups held for sale** | 30,331 | 27,821 | Balance derives from the sale of commercial assets which was not yet completed) see section 1.1.3.1 to Chapter A). |
| **Non-current assets:** | **EUR in thousands** | | |
| Investments and loans in companies measured at equity | 2,069 | 22,949 | Decrease derives from cancelling the Gerresheim transaction and its full consolidation in the Company's balance sheets (see section 6b1 of Chapter C). |
| Investments in financial assets, measured at fair value through profit or loss | 13,344 | 42,588 | Decrease derives from decline in fair value of financial asset) see section 14.1 of Chapter C) |
| Inventory of real estate | 215,527 | 52,550 | Increase derives from cancelling the Gerresheim transaction and its full consolidation in the Company's balance sheets (see section 6b1 of Chapter C). |
| Investment property – real estate rights and investment property under construction | 99,100 | 60,900 | Increase derives from payments made due to construction progress of the Aachen project and Grafental project (stage I). |
| Investment property – income-producing assets | 1,317,230 | 1,225,446 | Increase derives mainly from valuations carried out during the period for all of |

| | | | |
|---|---|---|---|
| | | | the Company's income producing residential real estate assets. |
| Restricted deposits for investments in assets | 7,026 | 6,612 | |
| Other accounts receivable, fixed assets and other financial assets | 11,626 | 259 | The increase is due to loan granted for purchasing non-controlling interests (see section 18 (5) of Chapter C) |
| Deferred taxes | 5,371 | 187 | Increase derives from cancelling the Gerresheim transaction and its full consolidation in the Company's balance sheets (see section 6b1 of Chapter C). |
| **Total non-current assets** | **1,671,293** | **1,411,491** | |
| **Total assets** | **1,754,660** | **1,497,366** | |
| | | | |

| | | | |
|---|---|---|---|
| **Liabilities** | **December 31, 2021** | **December 31, 2020** | **Explanation for the change** |
| | **EUR in thousands** | | |
| **Current liabilities** | | | |
| Current maturities of loans from banking corporations | 244,468 | 130,739 | Increase derives from cancelling the Gerresheim transaction and its full consolidation in the Company's balance sheets (see section 6b1 of Chapter C). |
| Current maturities of debentures | 11,508 | 10,013 | |
| Accounts payable and other financial liabilities | 30,542 | 20,972 | |
| Advances from apartment purchasers | - | 33 | |
| **Total current liabilities** | **286,518** | **161,757** | |
| **Liabilities of disposal groups held for sale** | 287 | 3,961 | |
| **Non-current liabilities:** | **EUR in thousands** | | |
| Loans from banks | 356,186 | 296,285 | Increase derives from refinancing transactions signed during the period. |
| Debentures | 60,841 | 62,967 | |
| Leasing liabilities | - | 2,990 | Decrease derives from selling leasing liabilities as part of selling a subsidiary. See section8 f(4) of Chapter C) |
| Other financial liabilities | - | 254 | |
| Deferred taxes | 139,393 | 123,722 | Increase mainly derives from revaluation of investment property for which the Company makes a tax provision. |
| **Total noncurrent liabilities** | **556,420** | **486,218** | |
| **Total liabilities** | **843,225** | **651,936** | |
| **Equity** | | | |
| Equity attributable to equity holders of the company | 876,290 | 804,729 | |
| Non-controlling interests | 35,145 | 40,701 | Decrease derives from purchasing minority rights in Grafental project. See section (5)18 of Chapter C). |
| **Total equity** | **911,435** | **845,430** | |
| **Total liabilities and equity** | **1,754,660** | **1,497,366** | |

## 8. Activity Results:

| | Year ended December 31 | | | |
|---|---|---|---|---|
| | **2021** | **2020** | **2019** | **Explanation for the change** |
| | EUR in thousands | | | |
| Revenues from rental of properties | 59,243 | 61,888 | 73,771 | The decrease in the scope of revenues and cost of revenues is due to the sale of commercial assets during the years 2019-2021, as part of refocusing the Company's strategy as specified in section 4 above. |
| Revenues from property management and others | 23,706 | 24,678 | 25,904 | |
| Property management expenses | (23,644) | (24,855) | (25,899) | |
| Cost of maintenance of rental properties | (10,228) | (11,606) | (12,296) | |
| **Rental and management revenues, net** | **49,077** | **50,105** | **61,480** | |
| Revenues from sale of apartments | 8,301 | 72,548 | 70,029 | Stage H has been completed and sold in full. As of the date of the report, the stages in construction are for rental. |
| Cost of sale of apartments | (7,304) | (58,172) | (56,999) | |
| **Income from the sale of apartments** | **997** | **14,376** | **13,030** | |
| Other income | - | 500 | - | |
| Equity in earnings (losses) of companies accounted at equity | (2,083) | 262 | (107) | |
| Gain from realization of investment in a company accounted at equity | - | 2,011 | - | |
| General and administrative expenses | (11,547) | (13,325) | (16,138) | |
| General and administrative expenses attributed to inventory of buildings under construction and inventory of real estate | (1,453) | (1,772) | (1,986) | |
| selling and marketing expenses | (49) | (68) | (375) | |
| Increase in value of investment property, net | 111,603 | 83,221 | 13,338 | The profit derives mainly from revaluation of residential income generating real estate. |
| **Operating profit** | **146,545** | **135,310** | **69,242** | |
| Financing expenses excluding the effect of exchange rate differences, CPI, and currency hedging transactions, net | (10,635) | (15,037) | (19,090) | Decrease derives from decline in the Company's leverage |
| Effect of exchange rate differences, CPI, and currency hedging transactions, net | (10,023) | 3,728 | (8,976) | Loss derives mainly from change in the EUR/NIS exchange rate and from the fact that the Company's debentures are linked to Israel CPI which increased over the period. |
| Change in fair value of financial instruments, | (28,949) | 1,286 | (11,291) | |

| | | | | |
|---|---|---|---|---|
| loans and others (including early repayment costs of loans) | | | | Loss mainly derives from decrease in fair value of financial asset (see section 14.1 of Chapter C) |
| **Income before taxes on income** | **96,938** | **125,287** | **29,885** | |
| Taxes on income | (24,362) | (27,594) | (12,258) | |
| **Net comprehensive income for the period** | **72,576** | **97,693** | **17,627** | |
| Net and comprehensive income (loss) attributed to: | | | | |
| Company shareholders | 72,676 | 92,695 | 18,318 | |
| Non-controlling interests | (100) | 4,998 | (691) | |
| | | | | |

## 9. Financing sources, liquidity and Cash flows:

| | Year ended December 31 | | | |
|---|---|---|---|---|
| | **2021** | **2020** | **2019** | **Explanation for the change** |
| | **EUR in thousands** | | | |
| **Cash flows provided by operating activities** | 20,032 | 51,826 | 37,508 | See statement of cash flows |
| **Cash flows provided by (used in) investing activities** | (18,042) | 94,377 | 89,948 | The decrease is largely due to a decrease in sales of commercial properties, as well as from continued investment in projects under construction. |
| **Cash flows provided by (used in) financing activities** | (11,943) | (155,798) | (110,185) | The decrease is largely due to a decrease in the level of repayment of bank loans, due to the decrease in leverage in the Company. |
| | | | | |

### 9.1 Examination of warning signs

In view of the Group's financial structure and on the basis of the financial data specified in the Company's consolidated as reviewed by the Company's management, the considerable decline in the Company's leverage level in the last year and taking into account the fact that if the Company had a cash flow need, the Company could have withdrawn management fees or dividends from its subsidiaries, the Board of Directors has determined that the fact that the Company's solo statements indicate ongoing negative cash flow from operating activities and the fact that the Company's consolidated financial statements as well as the Company's solo reports have working capital deficiency[12] does not indicate a liquidity problem therefore as of the date of this report, no warning signs are present.

The main considerations underlying the Board of Directors' decision were, among other things, per the estimate of the Company's Board of Directors the fact that the Company, if required, has high access to additional sources of financing (among others, as specified in section 9.2 below and considering the possible effects of the spread of the Corona pandemic in this regard) including the ability to increase credit lines and use the unutilized credit lines and borrowings, raise capital (while paying attention to the Company's high access to capital markets) issuance of debentures (including in the Israeli market) , refinancing options under favorable terms, proceeds received during the year in connection with the sale of assets, forecast to receive proceeds from uncompleted transactions for selling assets, the option of selling assets (including as part of the Company's actions to sell a certain portion of the Company's assets and businesses within the refocusing of the Company's strategy in accordance with section 4 above), meeting its financial covenants and obligations, collateral release and debt raising in the amount of NIS 576 million following a private placement by expanding bond series (Series B) existing in the Company, as well as decrease in the Company's leverage level allowing financial flexibility.

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

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

[12] The working capital deficiency in the Company's consolidated financial statements is due to loans to be repaid in the coming year and the Company acts and estimates that it will complete the refinancing of these loans. 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 this report.

## 9.2 Access to financing sources:

9.2.1 As of the report date, the Company finances its current operations mainly from cash flows received from the Company's subsidiaries from their current activities and from bank financing and debentures including the proceeds from bond expansion (Series B) performed by the Company after the report date in return for NIS 576 million as specified in section 10.5 below.

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

9.2.3 For further details regarding the refinancing of the Company's loans, see section 1.12 of Chapter A to this report.

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

It should be noted that following the corona crisis, the Company examined several scenarios and performed Stress Testing in order to assess the Company's ability to cope with the economic consequences of the corona crisis. The Company's board of directors considered the economic consequences of the spread of the Corona pandemic (Covid- 19) on the Company's operations, among others, according to various scenarios presented to the Company's board of directors in connection with the Company's ability to meet its obligations in stress conditions and the estimated effects on the Company's operations if the crisis continues. In the Company's opinion, the continued Corona crisis will not impair its ability to meet its obligations, among other things, in view of focusing the Company's activity in the field of residential real estate transactions in which the Company entered into contracts in recent years. For further details regarding the Company's estimates and the effect of the Corona crisis on the Company's operations see section 1c of the Company's annual financial statements attached to this report.

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

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

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

## 9.3 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 this report), with certain adjustments for non-operating items, affected by the revaluation of the fair value of assets and liabilities. The main adjustments include the fair value of investment properties, miscellaneous capital profits and losses, miscellaneous amortizations, adjustment of management and marketing expenses in connection with the establishment of the residential project in Grafental (as the revenues in respects to this project are not taken into account in the FFO), changes in fair value recognized for financial instruments, deferred taxes, and non-controlling interests for the above items.

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

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

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

| | Three months ending December 31, 2021 | Three months ending December 31, 2020 | Year ending December 31, 2021 | Year ending December 31, 2020 |
|---|---|---|---|---|
| | | | | |
| | | | | |
| **Net profit attributed to the Company's shareholders** | (13) | 16,102 | 72,676 | 92,695 |
| | | | | |
| **Adjustments for net profit (loss)** | | | | |
| **a. Adjustments for revaluations** | | | | |
| | | | | |
| Increase in value of investment property and adjustments of liability value relating to investment property | (22,508) | (14,617) | (111,144) | (82,153) |
| Equity in losses (earnings) of companies accounted at equity | 84 | - | 2,083 | (262) |
| Change in fair value of financial assets and interest swap transactions at fair value | 16,517 | (1,310) | 28,948 | (1,117) |
| **b. Adjustments for non-cash items** | | | | |
| Effects of indexing, and non-cash exchange rate differences and hedging transactions | 4,496 | 1,647 | 10,800 | (1,032) |

| | | | | |
|---|---|---|---|---|
| Deferred tax expenses and taxes for prior years | 6,310 | 4,594 | 21,214 | 27,751 |
| **c. one-off items / new activities / discontinued activities / other** | | | | |
| Professional services, one-off adjustments and others | 955 | 114 | (363) | 548 |
| Expenses relating to project management and marketing, in connection with the establishment of the residential project in Düsseldorf, and adjustments in respect of current leasing activity in the project | 281 | 270 | 1,353 | 1,072 |
| Adjustments for sale of apartments | - | (718) | (897) | (12,217) |
| **Total of adjustments to net profit** | **6,135** | **(10,020)** | **(48,006)** | **(67,410)** |
| **F.F.O** | **6,122** | **6,082** | **24,670** | **25,285** |

As mentioned above, in the three months ended December 31, 2021, FFO totalled EUR 6.1 million. As per the Company's estimate, the FFO's representative annual level, considering the events that occurred this quarter, will amount to approximately EUR 24.4 million.

**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.**

## 9.4 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 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 | - |
| Revaluation of inventories | 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 [13] | - | - | - | (8.7) |
| **total** | **1,115.6** | **1,225.3** | **1,190.0** | **966.2** |

For the purpose of comparative figures, the following is calculation of the Company's EPRA indices as of December 31, 2020:

| | EPRA NAV | EPRA NRV | EPRA NTA | EPRA NDV |
|---|---|---|---|---|
| Equity attributed to the Company's shareholders | 804.7 | 804.7 | 804.7 | 804.7 |
| Plus deferred taxes for EPRA adjustments (net of non-controlling interests) | 109.9 | 109.9 | 109.9 | - |
| Net of the fair value of derivative financial instruments, net | 0.6 | 0.6 | 0.6 | - |
| Plus profits not yet recognized for apartments sold and are under construction | 0.2 | 0.2 | 0.2 | - |
| Plus Real Estate Transfer tax (RETT) and other transaction costs | ---- | 99.7 | 67.5 | - |
| Early repayment costs | - | - | - | (9.3) |
| **total** | **915.4** | **1,051.1** | **982.9** | **795.4** |

[13] 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.

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

### 10.1 Loan from controlling shareholder

On May 9, 2019, the Audit Committee and the Company's Board of Directors approved the receipt of a credit facility in the amount of EUR 100 million from ADLER, the controlling shareholder of the Company from which EUR 44.2 million were drawn down. During January and March 2020, the Company repaid the entire debt to the controlling shareholder, so that as of the date of the report, there is no debt balance to the controlling shareholder. For further details regarding the manner of approving the transaction, see the Company's immediate reports from July 14, 2019 and May 11, 2019 (reference number: 2019-01-060426 and 2019-01-0040008, respectively), and Regulation 22 of additional details chapter, attached as Chapter D to the Periodic Report 2019, which are hereby included by way of reference. It should be indicated that the credit facility was ended on May 9, 2021 and as of the report date the Company does not believe it is necessary to renew such facility.

### 10.2 Separation agreement

On February 12 and April 14, 2021, the Company's Audit Committee and Board of Directors, respectively, approved the Company's separation agreement between the Company and its controlling shareholder and certain officers in the Company who also serve as officers in ADLER (" **Separation agreement**) which confers upon the Company, among others, first right of refusal in relation to business opportunities relevant to the Company in its field and areas of activity. For the avoidance of doubt, the Company clarifies that the separation agreement does not apply any restriction on the Company's activity. For further details, see the Company's immediate report from April 18, 2021 (reference number 2021-01-064047) which is included herein by way of reference.

### 10.3 Purchase of shares by LEG;

On December 1, 2021, LEG Grundstücksverwaltung GmbH ("LEG") and ADLER announced that they had entered into an agreement under which ADLER sold to LEG approximately 6.7% of the Company's share capital and voting rights (a sale completed during December, 2021), and ADLER undertook to participate in any tender offer that may be initiated by LEG, subject to the balance of the Company's ordinary shares held by ADLER, provided that such tender offer is made by September 2022 ,30 at a minimum price per share determined in the agreement between the parties as above amounting to EUR 157 per share.

LEG also informed the Company that on November 30, 2021, it entered into an agreement with certain shareholders in the Company to purchase approximately 24% of the Company's share capital and voting rights. It should be noted that after the date of the report, LEG acquired another 3.77% of the Company's share capital and voting rights in the free market, so that as of the publication date of the report, LEG holds 34.47% of the Company's share capital and voting rights.

For further details, see the Company's immediate report dated December 1, 2021 (reference number: 2021-01-175176) and also reports regarding changes in LEG holdings from January 6, 2022 (reference number: 2022-01-004201) and March 2, 2022 (Reference No.: 2022-01-025459) Included herein by way of reference.

## 10.4 Company rating

After the report date, on February 15, 2022, Maalot S&P announced the inclusion of the Company's ratings in a credit watch with negative consequences following the weakening of ADLER Group's credit quality and the inclusion of the parent company and controlling shareholder's ratings in a credit watch with negative consequences. For further details regarding the Company's rating during the reported year, see section 19 below.

## 10.5 Issuance of bonds

On March 3, 2022, the Company's Board of Directors approved 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 are approximately NIS 576 million. 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 reference

## 10.6 Spread of the Corona virus

For details regarding the spread of the corona virus and its effect on the Company's operations, see Note 1C to the Company's financial statements attached to this report.

10.7 During the reporting period (as of the third quarter of 2021), there was a significant decrease in the value of the Company's investment in securities of a public company incorporated in Germany, whereas as of the report date 3.02% of its shares are held by the company. This investment is classified as a financial instrument presented at fair value through profit or loss of approximately EUR 6.8 million, as of December 31, 2021, grossing up a loss to the Company in the amount of approximately EUR 28.2 million. For further details, see Note 14 (1) to the Company's financial statements attached as Chapter C to this report.

10.8 For additional details regarding events and other material changes during and after the reported period, including regarding transactions in which it has entered into and completed, as well as regarding financing taken by the Company, inter alia, for refinancing loans, see Chapter A of this periodic report, and in particular section 1.1.3.1 A. to this report and Note 25 to the Company's financial statements attached as Chapter C to this report.

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

Further to section 10.3 above 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 a range of EUR 17.5 to EUR 30 million, in light of the tax laws applicable in Germany. 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 25 (1) to the Company's annual financial statements attached to this report.

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

10.10 Cancellation of the Gerresheim transaction

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

## 11. General

The applicable law as a Dutch company

The Company is a Dutch company and the provisions of the Companies Law, 5759-1999 (hereinabove and hereinafter: "**the Companies Law**") do not apply thereto, with the exception of such sections of the Companies Law which apply to a foreign company offering shares to the public in Israel, by virtue of Section 39A of the Securities Law, 5728-1968 (hereinafter: "**the Securities Law**").

On February 17, 2016, the Securities Order came into force (replacing the fourth addendum of the law( - 2016 whereby the fourth amendment to the Securities Law has been replaced with the new fourth addendum which is twofold: Part A, which applies the provisions of corporate law which will apply to companies incorporated outside Israel (below and only in this sub section "foreign companies) which shares are offered to the public in Israel - **including applying the provisions of sections 301-311 of the Companies Law regarding a permitted distribution, dividends, acquisition and prohibited distribution** (hereinafter: "part A of the fourth addendum) and Part B which applies the provisions of corporate law on foreign companies offering liability certificates to the public. It is clarified that the fourth addendum will not apply to foreign companies offering shares or liability certificates to the public **prior to the legislative amendment** (like the Company). Nevertheless, the amendment will apply to every foreign company (including the Company) that will carry out an IPO of securities from the amendment date (February 17, 2016 onwards) including foreign companies (including the Company) which carry out a reissuance. **Accordingly, since the Company performed reissuance of bonds (Series C) on April 4, 2016 starting from that date, the amendment applies to the Company.**

Further to the aforesaid and according to the directive of the Securities Authority (ISA) for foreign companies, which section 39a is applicable to them, to update the incorporation documents such that they reflect the provisions of the fourth addendum, and according to the Company's obligation toward ISA the Company acted so as to formally prescribe the provisions of the Companies Law in the Company's articles to reflect the fourth addendum.

The special general meeting of the Company's shareholders approved on July 3, 2017 (following the approval of the Company's Board of Directors on May 18, 2017) that since the Company's shares were first offered to the public in Israel and listed for trading on the Tel Aviv Stock Exchange Ltd. Under Israeli law, the provisions of section 39a of the Securities Law apply to the Company, and therefore, some of the provisions of the Israeli Companies Law apply to the Company, in addition to the Company's articles of association and Dutch law. In addition, the shareholders approved the revised articles accordingly.

It is further indicated since the sections of the derivative claim and answer (sections 194 – 205a of the companies law) and the sections of imposing monetary sanction (sections 363a(a) and (b)(2) to (12), 363b and 363c of the companies law) cannot be prescribed explicitly in the Company's articles since they are not in line with the absolute law applicable to the Company in Holland, the Company included in the revised articles as approved by the meeting of the Company's shareholders on July 3, 2017 provisions that relate to jurisdiction and application of law including the derivative claim and answer and imposing administrative enforcement measures by ISA.

It should also be noted that on August 16, 2018, the Company's shareholders meeting approved an additional amendment to the Company's articles of association, which is a clearer distinction between "Executive Director" and "Non-Executive Director" (reference no.: 2017-01-069852 and - 2018-01-076657, respectively).

In addition to the aforesaid, on January 29, 2017, the deeds of trust were amended between the Company, on one hand and Reznik Paz Nevo Trusts Ltd. on the other hand as the trustee for the bondholders (Series A – C) such that the deeds of trust contained the obligations of the Company/officers in connection with imposing monetary sanctions and/or administrative enforcement measures on the Company and/or its officers[14] as well as the obligations of the Company and its officers not to raise any allegations against the right of the bondholders to file a derivative claim (**the obligations of the Company and officers**).

Statement regarding the Dutch Corporate Governance Code

The Company has adopted both the directives of the Dutch and Israeli corporate governance regimes, in order to cultivate trust and confidence in honesty and transparency in connection with the way businesses are conducted by public companies. Given the fact that such regimes are based on the same principles they are similar in many ways. However, there are some differences between the rules of the Dutch corporate Governance and Israel. The Company supports the principles and accepted practice (Best Practice) of the Dutch Corporate Governance Code or the Dutch Code. In contrast to Israeli rules that apply to Israeli companies, the Dutch code is based on the principle of "obedience or explanation". Therefore, any deviation from best practice is permissible provided that there is an explanation for that. Any deviation from the directive or practice of the Dutch Corporate Governance Code can be explained by the application of the provisions of the Israeli Corporate Governance.

The Company's management and board of directors

Further to section 11 of the Company's Board of Directors' Report for 2020 in connection with the tenure of Mr. Friedrich Munsberg, an external director of the Company, the following is noted. On November 29, 2020, Mr. Munsberg took over the office of Chairman of the board of directors (Supervisory Board) of a company which entered into a transaction, the end result of which is that the largest shareholder therein became Aggregate Holdings SA, which to the best of the Company's knowledge, is the largest shareholder in ADLER Group SA, which is the largest shareholder in ADLER, the controlling shareholder in the Company (AH transaction). Mr Munsberg has assured the Company that he has not been actively involved in the AH Transaction.

Nevertheless, Mr. Munsberg has taken the personal and independent decision to cease serving as external director of the Company and on May 25, 2021, he decided to resign his position as external director in the Company. For further details, see the Company's immediate report dated May 25, 2021 (reference number: 2021-01-089685) which is included herein by way of reference.

[14] Not to raise allegations against the powers of ISA and/or the administrative enforcement committee in Israel (the committee) in connection with monetary sanctions and/or administrative enforcement measures that will be imposed on the Company and/or its officers (as the case maybe) by ISA and/or the committee pursuant to Chapter H3 and/or Chapter H4 of the securities law and uphold the resolutions of ISA and/or committee including, without derogating from the generality of the foregoing, pay the monetary sanctions and/or payments to injured parties from the violation to be imposed on the Company and/or its officers (as the case may be and if imposed at all) and to take actions to cure the violation and prevent its recurrence.

On May 6, 2021, Mr. Ron Hadassi was appointed as an external director of the Company. For further details, see the Company's immediate report dated May 6, 2021 (reference number: 2021-01-080856), which is included by way of reference.

On May 31, 2021, Mr. Thomas Stielnet concluded his position as CFO of the Company and on June 1, 2021, Mr. Eran Edelman began serving in that position. For further details, see the Company's immediate report dated May 23, 2021 (Reference No.: 2021-01-088014).

On August 20, 2021, Mr. Daniel Moser has informed the Company that due to a transaction he has entered into in the past few weeks that preceded the notice, in view of the provisions of sections 240 and 249C of the Companies Law, he is stepping down from the board effective immediately. For further details, see the Company's immediate report dated August 22, 2021 (reference number 2021-01-135594) which is included by way of reference.

On December 30, 2021, Mr. Thierry Beaudemoulin, who also serves as the Company's CEO, was appointed a director of the Company's Board of Directors by the general meeting. It should be indicated that the extension of Claus Jorgensen's term as director in the Company was not brought to the general meeting and upon conclusion of such meeting, he ceased serving as director in the Company. For further details, see the Company's immediate reports from January 2 and January 19, 2022 (Reference No: 2022-01-000058, 2022-01-008725, 2022-01-008728 and 2022-01-00891, respectively), which are hereby included by way of reference.

On January 18, 2022, Ms. Noa Shaham informed the Company that she wishes to terminate her term on the Company's Board of Directors immediately. For further details, see the Company's immediate report dated January 19, 2022 (reference number: 2022-01-008725), which is included by way of reference.

In addition, after the report date, on January 27, 2022, and following the work of a search committee set up among the directors, Mr. John Rouweler was appointed as an external director to the Company's Board of Directors. For further details, see the Company's immediate report dated January 27, 2022 (reference number: 2022-01-012439).

**It should also be noted that a search committee established among the directors is working to find a suitable candidate for the position on the Company's board of directors.**

For further details in connection with the current officers at the time of the report publication, see Regulations 26 and 26A of Chapter D of this report.

## 12. Exposure to market risks and management methods

Currency rate effect - as of the report date, the Company's currency exposure is 4.11%, net of the total volume of its assets due to the Company's liability in respect of the debentures (Series B and C) that were issued to the public in Israel denominated in NIS. In addition, the Company is not exposed to material changes in currency exchange rates as most of its activities, assets and liabilities are denominated in EUR .The Company periodically examines the possibility and hedges its NIS liabilities, in whole or in part, against future changes in the exchange rate of EUR/NIS.

### 12.1 Fair value of the Company's main financial instruments

As of the report date most of the financial instruments are presented at their fair value

### 12.2 Sensitivity tests

As to sensitivity tests of the Company's financial instruments see Note 16(f) of the Company's financial statements attached to this report.

### 12.3 Linkage basis report

Apart from the payments due to the bonds issued by the Company to the public in Israel that are denominated in NIS, the Company's entire activity as of the report date is performed in EUR, and therefore the Company's assets and liabilities are affected mainly by the EUR currency. The payments of principal and interest due to the bonds issued by the Company will be paid in NIS and linked to the consumers' price index. As at the Report Period, the Company has no material exposure to other currencies except for NIS.

## 13. Directors with accounting and financial expertise and independent directors

For details regarding the qualifications, education and experience of Patrick Burke, Jeroen Dorenbos, Machiel Hoek and Ron Hadassi (external director) serving as directors possessing accounting and financial expertise in the Company, see regulation 26 in chapter D to this periodic report.

## 14. Independent directors

As of the date of the report, the Company has not adopted in its articles a provision regarding the number of independent directors.

For details regarding the skills, education and experience of John Rouweler, Jeroen Dorenbos, and Ron Hadassi who were classified by the Company as independent directors, see Regulation 26 of Chapter D of this report.

## 15. Details regarding the Corporation's internal auditor

| | |
|---|---|
| Name of auditor | Irena Ben Yakar, CPA |
| Term commencement date | May 25, 2011 |
| Meeting the internal audit conditions | The Internal Auditor meets the conditions prescribed in Sections 146 of the Companies Law and sections 3A and 8 of the Internal Audit Law (5752-1992)(the Internal Audit Law) |
| Designation of activities | The Internal Auditor does not hold any other position in the company other than serving as an internal auditor. The internal auditor does not hold any other position out of the company that results or may result in conflict of interests with her position as an Internal Auditor of the company. |
| Personal interest | The internal auditor is not an interested party in the company does not hold a position in the company and is not related to any of the above and does not serve as an auditor or anyone on his behalf and does not provide external services to the company, except for internal auditing services. |
| Holding the company's securities | The internal auditor, as per its notice, does not hold the Company's securities nor it holds securities of an entity related to the Company as defined by this term in the fourth addendum to securities regulations (periodic and immediate reports) – 1970 (the reports' regulations) |
| Business/material relations with the company | The Internal Auditor does not have any material business relations with the company or other material relations with the company nor does it have such relations with an entity related to the Company as defined by this term in the fourth addendum to reports regulations |
| The Corporation's employee or external service provider to the Company | The internal auditor is not an employee of the Group or external service provider to the Group. |
| Appointment of the internal auditor | The internal auditor's appointment was approved by the company's board of directors on May 25, 2011 based on the recommendation of the company's audit committee and based on its professional experience as internal auditor in the area of internal audit. |
| Organizational supervisor | The chairman of the Company's audit committee |
| The auditor's qualifications | The auditor holds CPA license from 2003 and is a partner in the CPA firm of Deloitte, Brightman, Almagor Zohar. She possesses an extensive experience in risk management and internal audit alongside rich experience in preparing internal audit in public companies. |
| The auditor as an external party | The auditor provides internal audit services as an external party, by her team from Brightman *Almagor* Zohar & Co. |
| Scope of transaction | The company's audit committee approved an audit plan in a scope of 720 hours for 2021. Under this plan, the following audits were carried out: Related Parties transactions, IT, Budget and tenant contracts. The audit plan is multi-annual and its cost is based on a rate of NIS 250 per hour (on average) and to the Company's best understanding, the scope of remuneration does not affect the discretion of the auditor. |
| | The audit plan is part of a multi-annual plan. The planning of the audit tasks, setting priorities and audit frequency are affected by the following:<br>The likelihood of managerial and administrative flaws, the exposure to risks of activities, issues requiring an |

| | |
|---|---|
| The audit plan | audit by the managing bodies, issues required by law, pursuant to internal or external procedures, the need to maintain cyclicality in issues that were tested previously. Setting the annual work plan of the internal audit in the corporation was done in collaboration with the chairman of the audit committee the internal auditor and her team. The annual work plan is approved by the Company's audit committee at the beginning of each fiscal year. The plan is determined in accordance with the recommendation of the internal auditor, after consultation with management and the audit committee. The plan is subject to change and encompasses the entire group, including corporations held outside of Israel. |
| | |
| Professional standards | The internal auditor, by her notice, prepares the audit according to International Audit Standards of the International Institute of Auditors (IIA) |
| Scope, nature and continuity of the activity and work plan of the internal auditor | The board of directors believes that the nature and continuity of the activity and work plan of the internal auditor are reasonable in the circumstances and they are serving the purpose of fulfilling the internal audit objectives in the company. |
| Free access for the internal auditor | The internal auditor shall have free access as aforesaid in the above section 9 of the internal audit law, including continuous and direct access to the company's information systems including financial data. |
| The internal auditor report | The internal auditor shall submit her reports in writing to the audit committee and the Company's management. The findings of the audit for 2021 were delivered to the Company's management and the audit committee on various dates during 2021. On such dates discussions were held in the audit committee and the internal auditor shared the findings of the audit. |
| Remuneration | Professional fees for internal audit services were determined to the amount equivalent to NIS 250 per hour on average amounting to NIS 180 thousand in total. In the Company's estimation, such remuneration does not affect the professional discretion of the internal auditor. |

## 16. Information on the external auditor

Name: PKF Amit, Halfon

It should be noted that Amit, Halfon PKF served as the Company's external auditors in 2021. In accordance with the decision of the general meeting dated December 30, 2021, Somekh Chaikin, KPMG, will serve as the Company's external auditors for 2022, from such date until the end of the Company's next annual meeting, when, in accordance with the decision of the general meeting, the Company's annual reports for 2021 will be audited alongside PKF. For further details, see the Company's immediate reports from November 26, 2021 (as amended on December 9, 2021) (Reference No.: 2021-01-102577 and 2021-01-178212, respectively) and January 2, 2022 (No. Reference: 2022-01-000058), which are hereby included by reference.

Professional fees of the auditor (PKF):

| Year | For audit services | For other services |
|---|---|---|
| | Amount (EUR in thousands) | Amount (EUR in thousands) |
| **2020** | 308 | - |
| **2021** | 316 | - |

Professional fees of the auditor (KPMG)[15]:

| Year | For audit services | For other services |
|---|---|---|
| | Amount (EUR in thousands) | Amount (EUR in thousands) |
| **2020** | - | - |
| **2021** | 70 | - |

The principles for determining the fees and the approving parties: The Company's Board of Directors has been authorized by the Company's shareholders to determine the auditors' fees. The auditors' remuneration is determined in negotiations between the company's board of directors and the auditor, and in the opinion of the company's management is reasonable and acceptable in accordance with the nature of the company and the scope of its activity. The remuneration of the auditor was approved by the Company's Board of Directors. The principles for determining the auditor's remuneration are based on the estimated work hours required for the audit of the Company, based on the scope and complexity of the audited activity. It should be indicated that the shareholders appoint the auditor.

[15] It should be indicated that the fees to KPMG reflect their work for the audit of the annual reports only, since they were appointed only during the 4th quarter of 2021.

## Part C - Disclosure on material and very material valuations and material appraisers

The valuation of a very material investment property (Leipzig Residential Portfolio) is attached to this periodic report as a very material valuation. The valuations of "material" investment property[16]are not attached to the quarterly report as they are "material"[17]but not "very material"[18] .Below is the summary of the data regarding these valuations.

[16] as defined in the reports' regulations.

[17] as defined in the reports' regulations.

[18] 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– February 2022 ,18<br><br>Effective date – December 31, 2021 | 292,280 | 295,420 | CBRE<br><br>MRICS, RICS ) Michael Schlatterer (Registered valuer<br><br>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** | 2.94% | 1.50%-2.00% | 375,474 | Comparative transactions, which include a price per square meter, for properties with similar characteristics | CBRE database regarding signed lease agreements for approximately 1,011 apartments in Leipzig |
| Bremen Residential portfolio | Signing – February 18, 2022<br><br>Effective date – December 31, 2021 | 84,950 | 85,260 | CBRE<br><br>MRICS, RICS ) Michael Schlatterer (Registered valuer<br>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** | 3.92% | 1.50%-2.00% | 109,055 | Comparative transactions, which include a price per square meter, for properties with similar characteristics | CBRE database regarding signed lease agreements for approximately 94 apartments in Bremen |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | |
| Kiel Residential portfolio | Signing – February 18, 2022<br><br>Effective date – December 31, 20211 | 89,220 | 91,750 | CBRE<br><br>MRICS, RICS ) Michael Schlatterer (Registered valuer<br>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** | 3.43% | -1.50%<br>2.00% | 119,972 | Comparative transactions, which include a price per square meter, for properties with similar characteristics | CBRE database regarding signed lease agreements for approximately 20 apartments in Kiel |

For further details regarding the Company's valuations including in connection and the appraiser and the underlying assumptions of the valuation model see section 1.6.5 to Chapter A of this report.

It should be indicated that in the 3 years prior to the effective date of the valuation presented, valuations were conducted for the above assets. For further details, see the Company's Periodic Report for 2020 (Reference No.: 2021-01-026034), the Company's Periodic Report for 2019 (Reference No.: 2020-01-026409) and the Company's Periodic Report for 2018 (Reference No.: 2019 -01-021453).

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

| | Bonds (Series B) | Bonds (Series C) |
|---|---|---|
| Is the series material as this term is defined in Regulation 10(B)(13)(a) of the Reports' Regulations? | Yes | Yes |
| Date of issue | May 21, 2013 | July 22, 2014 |
| Date of expanding series | February 4, 2014 | April 4, 2016 |
| Par value on the date of issue (thousands NIS) | 175,000 | 102,165 |
| Par value on the date of expanding series (thousands NIS) | 240,000 | 160,180 |
| Par value as at 31.12.2021 (thousands NIS) | 108,000 | 140,566 |
| Linked par value as at 31.12.2021 (thousands NIS) | 111,896 | 143,648 |
| Sum of cumulative interest plus linkage differentials (thousands NIS) as at 31.12.2021 | - | 2,113 |
| Value in financial statements as at 31.12.2021 including interest payable (thousands NIS) | 111,538 | 145,234 |
| | | |
| Value at the stock exchange as at 31.12.2021 (thousands NIS) | 121,532 | 168,187 |
| Type and rate of interest | 3.29% (annual, linked, fixed rate), subject to adjustments in case of changes in the rating of the bonds (Series B) and/or non-compliance with the financial covenants as specified in Sections 2.8.4.12 and 2.8.4.13 of the shelf prospectus[19] | 3.30% (annual, linked, fixed rate), subject to adjustments in case of changes in the rating of the bonds (Series C) and/or non-compliance with the financial covenants as specified in Sections 2.8.4.12 and 2.8.4.13 of the shelf prospectus |
| Dates of paying principal | Payable in 12 unequal annual instalments on December 31 of each year 2013 to 2024 (inclusive), as such that each of the first seven instalments | Payable in 12 unequal annual instalments on July 20 of each year 2015 to 2026 (inclusive), as such that each |

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

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

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

**18.** **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<br>Fax: 03-6389222<br>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<br>Fax: 03-6389222<br>Email: trust@rpn.co.il |
| (D) | Mailing address for documents: | 14 Yad Harutzim Street, Tel-Aviv |

**19.** **Rating:**

On March 25, 2021, Maalot S&P announced the ratification of the rating (ilAA- / stable). For the updated rating report see the Company's immediate report dated March 25, 2021 (reference no: 046446- 01- 2021) which is included herein by way of reference. It should be indicated that on October 14, 2021, Maalot S&P announced the inclusion of the Company's ratings on credit watch with negative consequences following the weakening of the Group's credit quality and the inclusion of the parent company and controlling shareholder's ratings on credit watch with negative consequences. For further details, see immediate report dated October 14, 2021 (Reference No.: 2021-15-088183) which is included by way of reference. Further to this report, on December 9, 2021, Maalot S&P announced the ratification of the Company's ratings and its removal from credit watch list negative consequences. For further details, see immediate report dated December 9, 2021 (Reference No.: 2021-01-178371), which is hereby included by way of reference. 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.

| 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 |
| Rating of the issuer and bonds as of the date of the report | ilAA | ilAA- 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 |
| Rating of the issuer and bonds as of the date of the report | ilAA | ilAA- negative outlook |

**20.** **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[20], 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%[21]:**

The Company's equity, which is attributed to the majority shareholders at the Report Period, namely, as of December 31, 2021, is EUR 876.3 million.

The financial debt, net, according to solo reports of the Company, as of the same date, is EUR 65.9 million.

Therefore, the ratio of the Company's equity to the financial debt, net, according to solo reports as of the end of the Report Period, namely, as of December 31, 2021, is approximately 1,329.10%.

**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 December 31, 2021: 640,027.

The total issued share capital of BGP as of December 31, 2021 and the signing date of the report: 1,978,261.

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

[21] 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 December 31, 2021: 32.4%.

BGP's equity, attributed to its shareholders, as appears in the Company's financial statements as of December 31, 2021: EUR 935,626 thousand.

The EUR/NIS representative exchange rate known, published by the Bank of Israel, as of the signing date of the report: NIS 3.5403.

The value of the charged shares: NIS 1,071,660 thousand.

Net debt: NIS 111,896 thousand.

Accordingly, the ratio between the charged shares' value to net debt, as of the end of the Report Period, is approximately 958%, 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 December 31, 2021: 394,430.

The total issued share capital of BGP as of December 31, 2021 and the signing date of the report:1,978,261

The rate of charged shares out of the issued capital share of BGP as of December 31, 2021: 19.9%.

BGP's equity, attributed to its shareholders, as appears in the Company's financial statements as of December 31, 2021: EUR 935,626 thousand.

The EUR/NIS representative exchange rate known, published by the Bank of Israel, as of the signing date of the report: NIS 3.5403

The value of the charged shares: NIS 660,433 thousand.

Net debt: NIS 145,761 thousand.

Accordingly, the ratio between the charged shares' value to net debt, as at the end of the Report Period, is approximately 453%, therefore the Company meets this ratio as well.

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

a. **Minimum equity:** Pursuant to the Series B and C deeds of trust - the equity attributed to the majority shareholders shall not fall below EUR 150 million and EUR 190 million, respectively. As of the report date, the equity attributed to the majority shareholders is EUR 876.3 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 876.3 million and the debt ratio to CAP is 41.33% (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 | 72,349 |
| Other liabilities according to solo reports | - |
| Financial liabilities of the subsidiaries | 600,654 |
| Net of cash, cash equivalents and deposits | 30,922 |
| Net of debt for inventory of apartments under construction | - |
| Net financial debt – consolidated | 642,081 |
| CAP[22] | |
| Equity including non-controlling interests | 911,435 |
| Net financial debt, consolidated | 642,081 |
| Deferred loans of the Company | - |
| CAP | 1,553,516 |
| | |

Therefore, **this ratio is 41.33%** whereas according to the deeds of trust such a ratio should be lower than 75% for Series B and C.

[22] 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.

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

For details regarding the charges for securing the Company's undertakings pursuant to the terms of the Company's bonds (Series B and Series C), which are in force pursuant to any law and the Company's incorporation instruments, as of the report date and the report signing date, see section 20 of the board of directors' report for 2020 attached as Chapter B to the periodic report of the Company for 2018 (reference number 021453-01-2018) which included herein by way of reference.

It should be noted that in 2020, and following the early and full repayment of the Company's bonds (Series A), the Company applied to the bonds' trustee (Series A) on April 20, 2020 for release and removal of the registered liens to secure the Company's liabilities in connection with the bonds (Series A), in accordance with the terms of the trust deed. The Company received the approval for the removal of the liens on May 7, 2020.

## 22. 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 December 31, 2021, with respect to the assets and liabilities of the Group which are not included in the consolidated statements of the pledged investee company, compared to the assets and liabilities of the pledged investee and the total consolidated balance sheet:

| **Data as of December 31, 2021 (EUR in thousands)** | **The Company Consolidated** | **Assets/liabilities In the pledged investee company** | **Assets/liabilities In unpledged companies** |
|---|---|---|---|
| **Total assets** | 1,754,660 | 1,741,226 | 13,434 |
| Current assets and held for sale | 83,367 | 76,752 | 6,615 * |
| Noncurrent assets | 1,671,293 | 1,664,474 | 6,819 |
| **Total liabilities** | 843,225 | 770,455 | 72,770 |
| Current liabilities and held for sale | 286,805 | 274,876 | 11,929 ** |
| Noncurrent liabilities | 556,420 | 495,579 | 60,841 *** |
| **Non- controlling interests** | 35,145 | 35,145 | - |
| **Total equity** | 876,290 | 935,626 | (59,336) |
| **Rate of assets out of the total assets in the balance sheet** | 100% | 99% | 1% |
| **Rate of liabilities out of the total liabilities in the balance sheet** | 100% | 91% | 9% |
| **Rate of equity out of the total equity in the balance sheet** | 100% | 107% | (7%) |

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

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

March 24, 2022

**BRACK CAPITAL PROPERTIES NV**

**CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF DECEMBER 31, 2021**

## INDEX



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עמית, חלפון

Somekh Chaikin
KPMG Millennium Tower
17 Haarbaa Street, P.O. Box 609
Tel Aviv 6100601
03-684-8000

## Auditors' Report to the Shareholders of Brack Capital Properties NV
## Regarding the Audit of Internal Control Components over Financial Reporting in accordance with paragraph 9b(c) of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970

We have audited internal control components over financial reporting of Brack Capital Properties NV and its subsidiaries (hereinafter - "the Company") as of December 31, 2021. These control components were determined as explained in the following paragraph. The Company's Board of Directors and Management are responsible for maintaining effective internal control over financial reporting and for their assessment of the effectiveness of the Company's internal control components over financial reporting accompanying the periodic report as of the above date. Our responsibility is to express an opinion on the Company's internal control components over financial reporting based on our audit.

Audited Internal control components over financial reporting were determined in accordance with Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel "Audit of Internal Control Components over Financial Reporting" including its amendments (hereinafter "Auditing Standard (Israel) 911"). These components are: (1) entity level controls, including financial reporting preparation and close process controls and information technology general controls; (2) controls over the investment property process; (3) controls over the loans process; (4) controls over the process of inventory of buildings under construction (5) Controls over the revenue process. (Collectively, "the audited control components").

We conducted our audit in accordance with Auditing Standard (Israel) 911. This standard requires us to plan and perform the audit to identify the audited control components and to obtain reasonable assurance about whether these control components were effective in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, identifying the audited control components, assessing the risk that a material weakness exists in the audited control components, and testing and evaluating the design and operating effectiveness of those control components based on the assessed risk. Our audit, regarding those control components, also included performing such other procedures as we considered necessary in the circumstances. Our audit referred only to the audited control components, as opposed to internal control over all significant processes related to financial reporting, therefore our opinion refers to the audited control components only. Our audit also did not refer to mutual effects between audited control components and non-audited control components, therefore our opinion does not take into account these possible effects. We believe that our audit provides a reasonable basis for our opinion in the context described above.

Because of its inherent limitations, internal control over financial reporting as a whole and internal control component in particular, may not prevent or detect misstatements. Also, projections of any current evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, based on our audit, the Company maintained, in all material respects, effective audited control components as of December 31, 2021.

We have also audited, in accordance with generally accepted auditing standards in Israel, the Company's consolidated financial statements as of December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 and our report dated March 24, 2022 expressed an unqualified opinion on those financial statements.

Somekh Chaikin
Certified Public Accountants (Isr.)
March 24, 2022

Amit Halfon
Certified Public Accountants (Isr)

עמית, חלפון: אריאל שרון 4, מגדל השחר, גבעתיים 5320047 טל: 03-6123939 פקס: 03-6125030 e-mail: office@ahcpa.co.il www.ahcpa.co.il

סומך חייקין: מגדל המילניום KPMG, רחוב הארבעה 17, תא דואר 609, תל אביב 6100601 טל": 03-6848000

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KPMG Millennium Tower
17 Haarbaa Street, P.O. Box 609
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03-684-8000

## Auditors' Report to the Shareholders of Brack Capital Properties NV.

We have audited the accompanying consolidated statements of financial position of Brack Capital Properties NV ("the Company") as of December 31, 2021 and the consolidated statements of profit or loss and other comprehensive income or loss, changes in equity and cash flows for the year ended December 31, 2021. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

The Company's financial statements as of December 31, 2020 and for the years 2020 and 2019 were audited by Amit Halfon, certified public accountants, whose report on March 3, 2021 included an unqualified opinion.

We conducted our audit in accordance with generally accepted auditing standards in Israel, including standards prescribed by the Auditors Regulations (Auditor's Mode of Performance) - 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Directors and Management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of the Company and its consolidated companies as of December 31, 2021 and the results of their operations, changes in equity and their cash flows for the year ended December 31, 2021 in conformity with International Financial Reporting Standards (IFRS) and with the provisions of the Securities Regulations (Annual Financial Statements), 2010.

We have also audited, in accordance with Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel "An Audit of Components of Internal Control over Financial Reporting", the Company's components of internal control over financial reporting as of December 31, 2021, and our report dated March 24, 2022 included an unqualified opinion on the effective maintenance of those components.

| | |
|---|---|
| Somekh Chaikin | Amit Halfon |
| Certified Public Accountants (Isr.) | Certified Public Accountants (Isr) |
| March 24, 2022 | |

עמית, חלפון: אריאל שרון 4, מגדל השחר, גבעתיים 5320047 טל: 03-6123939 פקס: 03-6125030 e-mail: office@ahcpa.co.il www.ahcpa.co.il

סומך חייקין: מגדל המילניום KPMG, רחוב הארבעה 17, תא דואר 609, תל אביב 6100601 טל": 03-6848000

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | Note | December 31, 2021 | December 31, 2020 |
|---|---|---|---|
| | | Euros in thousands | |
| ASSETS | | | |
| CURRENT ASSETS: | | | |
| Cash and cash equivalents | 3 | 24,861 | 34,814 |
| Restricted deposits, financial assets and other receivables | 4 | 25,980 | 15,959 |
| Income receivable in respect of sale of apartments | | 554 | 3,405 |
| Tenants and trade receivables, net | 5 | 1,641 | 1,399 |
| Inventory of buildings under construction | 6 | - | 2,477 |
| | | 53,036 | 58,054 |
| Assets of disposal groups held for sale | 8(f) | 30,331 | 27,821 |
| NON-CURRENT ASSETS: | | | |
| Investments and loans in companies accounted at equity | 7 | 2,069 | 22,949 |
| Investment in financial assets measured at fair value through profit or loss | 14a | 13,344 | 42,588 |
| Inventory of real estate and inventory of real estate under construction | 6 | 215,527 | 52,550 |
| Investment property – real estate rights and investment property under construction | 8 | 99,100 | 60,900 |
| Investment property – income generating assets | 8 | 1,317,230 | 1,225,446 |
| Restricted deposits for investments in assets | | 7,026 | 6,612 |
| Other accounts receivable and other financial assets | 9 | 11,626 | 259 |
| Deferred taxes | 17 | 5,371 | 187 |
| | | 1,671,293 | 1,411,491 |
| | | 1,754,660 | 1,497,366 |

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

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | Note | December 31, 2021 | December 31, 2020 |
|---|---|---|---|
| | | Euros in thousands | |
| LIABILITIES AND EQUITY | | | |
| CURRENT LIABILITIES: | | | |
| Current maturities of loans from banks | 11 | 244,468 | 130,739 |
| Current maturities of debentures | 11 | 11,508 | 10,013 |
| Accounts payable and other financial liabilities | 10,15 | 30,542 | 20,972 |
| Advances from apartment purchasers | 6 | - | 33 |
| | | 286,518 | 161,757 |
| Liabilities of disposal groups held for sale | 8(f) | 287 | 3,961 |
| NON-CURRENT LIABILITIES: | | | |
| Loans from banks | 11 | 356,186 | 296,285 |
| Debentures | 11 | 60,841 | 62,967 |
| Leasing liabilities | 13 | - | 2,990 |
| Other financial liabilities | 15 | - | 254 |
| Deferred taxes | 17 | 139,393 | 123,722 |
| | | 556,420 | 486,218 |
| Total liabilities | | 843,225 | 651,936 |
| Contingent liabilities commitments liens and collaterals | 18 | | |
| EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY: | 19 | | |
| Share capital | | 77 | 77 |
| Share premium | | 144,237 | 144,237 |
| Treasury shares | | (746) | (746) |
| Other capital reserves | | (531) | 584 |
| Statutory capital reserve | | 530,385 | 438,591 |
| Retained earnings | | 202,868 | 221,986 |
| Total equity attributable to equity holders of the company | | 876,290 | 804,729 |
| Non-controlling interests | | 35,145 | 40,701 |
| Total equity | | 911,435 | 845,430 |
| | | 1,754,660 | 1,497,366 |

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

| March 24, 2022 | | | |
|---|---|---|---|
| Date of approval of the financial statements | Patrick Burke<br>Chairman of the Board of Directors | Thierry Beaudemoulin<br>CEO | Eran Edelman<br>CFO |

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OT LOSS**

| | Note | Year ended December 31, 2021 | 2020 | 2019 |
|---|---|---|---|---|
| | | Euros in thousands (except net earnings per share data) | | |
| Revenues from rental of properties | | 59,243 | 61,888 | 73,771 |
| Revenues from property management and others | | 23,706 | 24,678 | 25,904 |
| Property management expenses | | (23,644) | (24,855) | (25,899) |
| Cost of maintenance of rental properties | 20a | (10,228) | (11,606) | (12,296) |
| Rental and management revenues, net | | 49,077 | 50,105 | 61,480 |
| Revenues from sale of apartments | | 8,301 | 72,548 | 70,029 |
| Cost of sale of apartments | | (7,304) | (58,172) | (56,999) |
| Gain from sale of apartments | | 997 | 14,376 | 13,030 |
| Other income | | - | 500 | - |
| Equity in earnings (losses) of companies accounted at equity | | (2,083) | 262 | (107) |
| Gain from realization of investment of a company accounted at equity | | - | 2,011 | - |
| General and administrative expenses | 20b | (11,547) | (13,325) | (16,138) |
| General and administrative expenses relating to inventory of buildings under construction and real estate inventory | | (1,453) | (1,772) | (1,986) |
| Selling and marketing expenses | | (49) | (68) | (375) |
| Operating profit before change in value of investment property, net | | 34,942 | 52,089 | 55,904 |
| Appreciation of investment property, net | 8 | 111,603 | 83,221 | 13,338 |
| Operating income | | 146,545 | 135,310 | 69,242 |
| Finance expenses net of exchange rate effect and currency hedging transactions | 20c | (10,635) | (15,037) | (19,090) |
| Exchange rate effect, CPI and currency hedging transactions, net | 20d | (10,023) | 3,728 | (8,976) |
| Change in value of financial instruments, loans and others (including loan early repayment costs) | 20e | (28,949) | 1,286 | (11,291) |
| Income before taxes on income | | 96,938 | 125,287 | 29,885 |
| Taxes on income | 17e | (24,362) | (27,594) | (12,258) |
| Net and comprehensive income for the year | | 72,576 | 97,693 | 17,627 |
| Net and comprehensive income (loss) attributable to: | | | | |
| Equity holders of the Company | | 72,676 | 92,695 | 18,318 |
| Non-controlling interests | | (100) | 4,998 | (691) |
| | | 72,576 | 97,693 | 17,627 |
| Net earnings per share attributable to equity holders of the Company (in Euro) - basic and diluted | 21 | 9.40 | 11.99 | 2.37 |

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

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Treasury shares | Other capital reserves | Statutory capital reserve | Retained earnings | Total | Non-controlling interests | Total equity |
| | Euros in thousands | | | | | | | | |
| Balance as of January 1, 2019 | 77 | 144,237 | (746) | 1,512 | 378,756 | 170,808 | 694,644 | 105,816 | 800,460 |
| Total net income and comprehensive income | - | - | - | - | - | 18,318 | 18,318 | (691) | 17,627 |
| Classification in accordance with Dutch law | - | - | - | - | (18,812) | 18,812 | - | - | - |
| Purchase of rights from non-controlling interests (**) | - | - | - | (928) | - | - | (928) | (63,722) | (64,650) |
| Balance as of December 31, 2019 | 77 | 144,237 | (746) | 584 | 359,944 | 207,938 | 712,034 | 41,403 | 753,437 |
| Total net income and comprehensive income | - | - | - | - | - | 92,695 | 92,695 | 4,998 | 97,693 |
| Classification in accordance with Dutch law | - | - | - | - | 78,647 | (78,647) | - | - | - |
| Distribution and payment to non-controlling interests (**) | - | - | - | - | - | - | - | (5,700) | (5,700) |
| Balance as of December 31, 2020 | 77 | 144,237 | (746) | 584 | 438,591 | 221,986 | 804,729 | 40,701 | 845,430 |

(*) See Note 18c(1)

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

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Treasury shares | Other capital reserves | Statutory capital reserve (**) | Retained earnings | Total | Non-controlling interests | Total equity |
| | Euros in thousands | | | | | | | | |
| Balance as of January 1, 2021 | 77 | 144,237 | (746) | 584 | 438,591 | 221,986 | 804,729 | 40,701 | 845,430 |
| Total net income and comprehensive income (loss) | - | - | - | - | - | 72,676 | 72,676 | (100) | 72,576 |
| Classification in accordance with 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 | 77 | 144,237 | (746) | (531) | 530,385 | 202,868 | 876,290 | 35,145 | 911,435 |

(*) Regarding the purchase of rights from non-controlling interests see Note 18(5) below.
(**) see Note 19d.

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Year ended December 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| | Euros in thousands | | |
| Cash flows from operating activities: | | | |
| Net income | 72,576 | 97,693 | 17,627 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Adjustments to profit and loss: | | | |
| Depreciation | 112 | 103 | 100 |
| Finance expenses, net | 22,193 | 12,120 | 38,062 |
| Decrease (increase) in fair value of financial instruments | 28,926 | (2,019) | (832) |
| Appreciation of investment property, net | (111,603) | (83,221) | (13,338) |
| Deferred taxes, net | 12,142 | 13,923 | 7,685 |
| Gain from sale of investment in a company accounted at equity | - | (2,011) | - |
| Equity in losses (earnings) of companies accounted at equity | 2,083 | (262) | 107 |
| | (46,147) | (61,357) | 31,784 |
| Cash flows from operating activities before changes in asset and liability items | 26,429 | 36,326 | 49,411 |
| Changes in operating asset and liability items: | | | |
| Increase in tenants and trade receivables, restricted deposits and other receivables | (4,620) | (1,930) | (1,055) |
| Increase (decrease) in accounts payable | 2,084 | (469) | (2,673) |
| | (2,536) | (2,399) | (3,728) |
| Net cash provided by operating activities before activity in real estate assets and liabilities | 23,893 | 33,927 | 45,683 |
| Change in advances from apartment purchasers, income receivable and other receivables in respect of sale of apartments | 2,819 | 2,949 | (2,688) |
| Decrease (increase) in inventory of buildings under construction and real estate inventory | (6,680) | 14,950 | (5,487) |
| Net cash provided by operating activities | 20,032 | 51,826 | 37,508 |

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Year ended December 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| | Euros in thousands | | |
| Cash flows from investing activities: | | | |
| Investment in investment property – income generating assets | (17,180) | (16,504) | (15,931) |
| Investment in investment property – real estate rights and investment property under construction | (29,901) | (3,237) | (2,184) |
| Return on investment (investment) in companies measured at equity | (6,559) | 4,836 | (109) |
| Proceeds from sale of investment property, net | 27,728 | 55,501 | 89,714 |
| Proceeds from sale of subsidiaries, net (a) | 9,261 | - | 64,094 |
| Cash and cash equivalents of a newly consolidated subsidiary (b) | 1,114 | - | - |
| Withdrawal (placement) of restricted deposits, net | (2,505) | 50,650 | (46,576) |
| Sale of derivatives | - | 3,131 | 940 |
| Net cash provided by (used in) investing activities | (18,042) | 94,377 | 89,948 |
| Cash flows from financing activities: | | | |
| Interest paid | (9,488) | (13,717) | (17,069) |
| Distribution and payment to non-controlling interests | - | (5,700) | - |
| Loan granted to others (*) | (11,429) | - | - |
| Purchase of rights from non-controlling interests | (6,571) | - | (64,650) |
| Receipt of long-term bank loans | 60,059 | 18,959 | 339,279 |
| Receipt (repayment) of long-term loans from controlling shareholder, net | - | (44,200) | 44,200 |
| Repayment of debentures | (11,298) | (25,706) | (18,679) |
| Repayment of long-term bank loans | (33,216) | (85,434) | (393,266) |
| Net cash used in financing activities | (11,943) | (155,798) | (110,185) |
| Change in cash and cash equivalents | (9,953) | (9,595) | 17,271 |
| Balance of cash and cash equivalents at the beginning of the year | 34,814 | 44,409 | 27,138 |
| Balance of cash and cash equivalents at the end of the year | 24,861 | 34,814 | 44,409 |

(*) See Note 18(5) below.

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | | Year ended December 31, | | |
|---|---|---|---|---|
| | | 2021 | 2020 | 2019 |
| | | Euros in thousands | | |
| (a) | Proceeds from sale of subsidiaries, net | | | |
| | Assets and liabilities of consolidated subsidiaries as of date of sale (date of loss of control): | | | |
| | Investment property | 12,369 | - | 180,603 |
| | Leasing liabilities | (3,126) | - | - |
| | Inventory of real estate | - | 143,004 | - |
| | Working capital, net | 14 | 284 | 663 |
| | Loans from banks, net | - | (127,512) | (97,754) |
| | Deferred taxes, net | 4 | 2,037 | (12,924) |
| | Assets, net | 9,261 | 17,813 | 70,588 |
| | Less investment balance in companies presented as financial asset | - | - | (6,494) |
| | Less investment balance in a company accounted at equity | - | (17,813) | - |
| | | 9,261 | - | 64,094 |
| (b) | Cash and cash equivalents of a newly consolidated subsidiary | | | |
| | Assets and liabilities of the consolidated subsidiary as of date of purchase (date of consolidation): | | | |
| | Inventory of real estate | (164,638) | - | - |
| | Restricted cash | (3,317) | - | - |
| | Deferred tax asset | (2,037) | - | - |
| | Loans from banks, net | 145,185 | - | - |
| | Interest payable | 595 | - | - |
| | Assets, net | (24,212) | - | - |
| | Less investment balance in a company accounted at equity | 25,326 | - | - |
| | | 1,114 | - | - |
| (b) | Additional information | | | |
| | Taxes paid | 5,526 | 10,197 | 9,010 |
| (c) | Noncash significant activities | | | |
| | Classification of real estate inventory to investment property | - | 29,638 | - |

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

**NOTE 1: - GENERAL**

a. General description of the Company and its activity

Brack Capital Properties NV ("the Company") was incorporated in June 2006 and is a real estate corporation residing in the Netherlands, which is engaged via investees in the acquisition and management of investment properties in Germany, mainly in the area of income-generating commercial and income-generating residential real estate. The Company is also engaged in real estate betterment and development of residential complex in Düsseldorf, Germany. Regarding the Company's operating segments, see Note 22. 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") acquired from ADLER 6.7% of shares 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, after the date of the statement of financial position, LEG acquired an additional 27.77% of the Company's shares which were held by the non-controlling interests in the Company, so that as of the date of signing the report, LEG holds approximately 34.47% of the Company's shares.

As of December 31, 2021, the Company has a working capital deficiency of approximately EUR 203,438 thousand, mainly due to loans in respect of the Gerreheim project (see Note 6b(1) (below) as well as loans in respect of other income-generating assets of the Company that are due in the coming year. The Company estimates, based on the state of the real estate market in Germany, the leverage ratio of these assets, as well as following discussions the Company conducts with the financing banks, which showed willingness to extend these loans, the Company believes that it will be able to refinance the loans in the coming year. It should be indicated that after the date of the statement of financial position, the Company completed a private placement by way of expanding bond series (Series B) and raised NIS 576 million. For further details, see Note 25(2) below.

b. Definitions

In these financial statements -

| | | |
|---|---|---|
| The Company | - | Brack Capital Properties NV. |
| The Group | - | Brack Capital Properties NV and its subsidiaries |
| Subsidiaries | - | Companies controlled by the Company (as defined in the IFRS 10) and the accounts of which are consolidated with those of the Company. |
| Jointly controlled entities | - | Companies owned by various entities that have a contractual arrangement for joint control and the Company's investment therein is included in the consolidated statements of the Company using the equity method. (see Note 2d) |
| Investees | - | Subsidiaries, jointly controlled entities. |

**NOTE 1: - GENERAL (Cont.)**

| | | |
|---|---|---|
| Interested parties and controlling shareholder | - | As defined in the Israeli Securities Regulations (Annual Financial Statements), 2010. |
| Related parties | - | As defined in IAS 24 regarding related parties |

c. The Corona pandemic and its impact on the group

Following the outbreak of the Corona Virus (COVID-19) in China in December 2019, and spreading to many other countries in early 2020, there has been a decline in economic activity in many regions of the world and in Israel and Germany as well. The spread of the virus, among other things, has disrupted the supply chain, a decrease in the volume of global transport, traffic and employment restrictions imposed by the Israeli and German government and many governments worldwide, as well as declines in the value of financial assets and commodities in markets in Israel and around the world. In addition, in accordance with the directives of the governments of Germany, the Netherlands and Israel, the activity of businesses was banned or restricted, presence of manpower in workplaces was significantly restricted, education systems were shut down and restrictions were imposed on leaving homes. In 2021, new variants of the Corona pandemic broke out (including Delta and Omicron) which as of the date of this report, it seems that their spread around the world has been contained, among others, in view of the vaccinations against the virus. Nevertheless, at this stage it is impossible to estimate the continued spread of the virus, among others, the efficiency of the vaccinations against variants against the virus which spread throughout the world and Israel and whether the crisis nears its end in the upcoming quarters or that it may take longer. The spread of the Corona virus is an event that by its nature, its volume and its effects are estimates and change frequently and are not under the Company's control and accordingly the estimates and information specified in this note are based on the information available as of the report publication date and may change. In view of the foregoing, at this stage it is impossible to estimate all possible effects on the Company's operations and results (in the short or long term) and there is no assurance regarding its volume or length.

The Company's risks and exposures

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

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

**NOTE 1: - GENERAL (Cont.)**

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

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

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

- During 2020, the financial situation of various tenants in the commercial real estate sector was harmed, which led to difficulties in paying rent and management fees, delaying in lease agreements renewal and finding tenants for vacant spaces. As of December 31, 2021, the Company has trade receivables' balance which constitutes approximately 7% of the Company's revenues in the commercial real estate sector which has not yet been received due to deferral of payments and/or cancellation due to the Corona crisis. It should be noted that due to the reduction in the Company's exposure in the income generating commercial real estate sector, this decrease in the collection rate did not have a material effect on the Company's cash flow.

- In accordance with valuations as of December 31, 2021, made by external appraisers and sales agreements signed after the reporting period, the Company recorded a decrease in value of approximately EUR 6.9 million due to a decrease in the value of real estate in the commercial real estate sector.

- The crisis did not have a negative effect on the Company's income generating residential assets. In the occupancy rate of income generating residential real estate assets as of December 31, 2021 and as of the approval date of the financial statements, there was no significant change in relation to the average occupancy rates in 2020 and 2019 and the change in the cancellation and delays rate in collection is negligible. During 2020, there was a decrease in discount rates used to measure the fair value of some of the Company's investment properties in the residential real estate sector and this trend continued in the reporting period. In the reporting period discount rates have decreased by 0.35% due to changes in market conditions during the period, based on valuations as of December 31, 2021 conducted by external appraisers. As a result, there was an increase in the fair value of residential assets and a gain from a change in the fair value of approximately EUR 124.1million was recognized.

- With regard to the development sector, as of December 31, 2021 and as of the approval date of the financial statements, the Company is not aware of any indications of a material change in selling prices of apartments and/or a material change in construction costs for projects under construction.

**NOTE 1: - GENERAL (Cont.)**

- In accordance with the above, until the approval date of the financial statements, the impact of the crisis on the Company's cash flow was insignificant, in part due to the reduced exposure to commercial real estate and proceeds received from property realization and considering changes in tenants' collection rates.

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

**NOTE 2: - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS**

a1. Basis of measurement

The Company's financial statements have been compiled based on cost, with the exception of:

- Investment property measured at fair value
- Financial instruments and derivatives and others - measured at fair value through profit or loss.
- Noncurrent assets and disposal groups held for sale.
- Deferred tax assets and liabilities.
- Provisions
- Investments in associates and joint ventures

The Company has elected to present its statement of comprehensive income or loss according to the operations attribute method.

2. Declaration on compliance with International Financial Reporting Standards

The consolidated financial statements have been compiled by the Group in accordance with International Financial Reporting Standards ("IFRS").

Furthermore, the financial statements have been prepared in accordance with the Israeli Securities Regulations (Annual Financial Statements), 2010.

The consolidated financial statements were approved for publication by the Company's board of directors on March 24, 2022.

3. Consistent accounting policies

The accounting policies applied in the financial statements are consistent with those of all periods presented, unless otherwise indicated. (See also section AE)

b. Significant principles of using estimates and judgments in the preparation of the financial statements:

In preparing the financial statements in accordance with IFRS, the Company's management is required to use judgment, assessments, estimates and assumptions that affect the implementation of the accounting policy and the amounts of assets and liabilities, income and expenses. It is clarified that the actual results may differ from these estimates. Upon the formation of accounting estimates used to prepare the Group's financial statements Company's management is required to make assumptions regarding circumstances and events that involve significant uncertainty. In its judgement to determine the estimates, management is based on past experience, various facts, external factors and reasonable assumptions according to the circumstances of each estimate. The estimates and underlying assumptions are reviewed regularly. Changes in recognized accounting estimates are recognized in the period in which the estimates were revised and in any future affected period. Information regarding assumptions made by the Group concerning the future and other causes for uncertainty in the estimates where a material risk exists that their result will be a material adjustment to the book values of assets and liabilities during the next fiscal year is included in the following notes:

**NOTE 2: - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Cont.)**

b. Significant principles of using estimates and judgments in the preparation of the financial statements (Cont.)

1. Business combinations and goodwill:

Business combinations are accounted for by applying the acquisition method. The cost of the acquisition is measured at the fair value of the consideration transferred on the acquisition date with the addition of non-controlling interests in the acquiree .In each business combination, the Company chooses whether to measure the non-controlling interests in the acquiree based on their fair value on the acquisition date or at their proportionate share in the fair value of the acquiree's net identifiable assets.

Direct acquisition costs are carried to the statement of profit or loss as incurred. In a business combination achieved in stages, equity interests in the acquiree that had been held by the acquirer prior to obtaining control are measured at the acquisition date fair value while recognizing a gain or loss resulting from the revaluation of the prior investment on the date of achieving control.

Contingent consideration is recognized at fair value on the acquisition date and classified as a financial asset or liability in accordance with IFRS 9 .Subsequent changes in the fair value of the contingent consideration are recognized in profit or loss. If the contingent consideration is classified as an equity instrument, it is measured at fair value on the acquisition date without subsequent remeasurement.

2. The timing of fulfilling performance obligations

The Company is examining the date of transfer of control over the asset or service in order to identify the timing of revenue recognition from contracts with customers at a point in time or over time (particularly from revenues from sale of apartments). Among other things, the Company examines whether the customer gains control over an asset at a specific point in time or consumes the economic benefits simultaneously with the Company's performance. In addition, the Company also takes into account the relevant provisions of the law and regulation in order to determine the timing of revenue recognition. For further details, see section u below.

3. Investment property:

Investment property that can be reliably measured is presented at fair value at the end of the reporting period. Changes in their fair value are recognized in profit or loss. Fair value is determined by independent valuation experts using economic valuations that involve valuation techniques and assumptions as to estimates of projected future cash flows from the property and estimate of the suitable discount rate for these cash flows. If applicable, the fair value is determined based on recent real estate transactions with similar characteristics and location of the valued asset.

The fair value measurement of investment property requires valuation experts and the Company's management to use certain assumptions regarding rates of return on the Group's assets, future lease prices, occupancy rates, contract renewal terms, the probability of leasing vacant areas, asset operating expenses, the tenants' financial stability and the implications of any investments made for future development purposes in order to assess the future expected cash flows from the assets. Any change in the assumptions used to measure the investment property is liable to affect fair value. See also Note 8c.

**NOTE 2: - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Cont.)**

4. Inventories of real estate and apartments under construction:

The net realizable value is assessed based on management's evaluation including expectations and estimates as to the amounts expected to be realized from the sale of the project inventory and the construction costs necessary to bring the inventory to a saleable condition. Further details are given in j.

5. Deferred tax assets:

Deferred tax assets are recognized for unused carryforward tax losses and temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are given in s.

6. Investment at equity method

In 2020, upon the entry into force of the sale agreement and the cooperation agreement in the Gerresheim project (see Note 7(3) the Company examined the issue of loss of control in the sub-subsidiary and its deconsolidation also in view of the existence of a cancellation right of the agreement by the Company prior to completion of payments 2 and 3 in the agreement. The Company determined that under the special circumstances of the agreement this right is not real (according to implementation appendix of IFRS 10) since the Company considers this right as protective right used as collateral for the fulfillment of the agreement and said payments where the partner can advance them at any given moment resulting in the cancellation of the Company's cancellation right and particularly cancelling the transaction could harm the Company and the plan realization in economic and other aspects. In addition, the Company determined that under the accounting treatment on loss of control of the sub-subsidiary and the transition to application of the equity method, there is no need to revalue the investment balance in that company (25%) at fair value, given the terms of the transaction and the fact that it is a non-business asset company. In 2020, due to the transaction cancellation as explained in Note 6b1, the control was regained in Gerresheim and the Company reconsolidated Gerresheim accordingly. The accounting for gain of control not as part of business combinations was carried out according to the book value of the assets and liabilities.

7. Purchase of asset company

When purchasing an asset company, the Group exercises discretion in examining whether it is a purchase of a business or an asset, for the purpose of determining the accounting treatment of the transaction. In examining whether the asset company is a business, the Group examines, among other things, whether the process or the existing processes in the asset company, including the scope and nature of management services, security services, cleaning and maintenance provided to tenants. Transactions in which the acquired company is a business, the transaction is treated as a business combination as detailed above. In contrast, transactions in which the acquired company is not a business are treated as an acquisition of group assets and liabilities.

**NOTE 2: - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Cont.)**

In such transactions, the purchase cost, which includes transaction costs, is allocated proportionately to the identified assets and liabilities acquired, based on their relative fair value at the date of acquisition. In the last case, goodwill and deferred taxes due to temporary differences that exist at the time of purchase are not recognized.

c. Consolidated financial statements:

The consolidated financial statements comprise the financial statements of companies that are controlled by the Company (subsidiaries). Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Potential voting rights are considered when assessing whether an entity has control. The consolidation of the financial statements commences on the date on which control is obtained and ends when such control ceases.

The financial statements of the Company and of the subsidiaries are prepared as of the same dates and periods. The consolidated financial statements are prepared using uniform accounting policies by all companies in the Group. Significant intragroup balances and transactions and gains or losses resulting from intragroup transactions are eliminated in full in the consolidated financial statements.

Non-controlling interests, which are instruments that confer a right of ownership in the present and grant their holder share in net assets upon liquidation (for example: ordinary shares) are measured at the date of the business combination at fair value or according to their relative share in the identified assets and liabilities of the acquiree, on the basis of each transaction separately. Selection of this accounting policy is not permitted for other instruments that meet the definition of non-controlling interests (for example: Options for ordinary shares). These instruments will be measured at fair value or according to provisions of other relevant IFRSs.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as a change in equity by adjusting the remaining non-controlling interests against the equity attributable to equity holders of the Company less/with the addition of any consideration paid or received.

Upon the disposal of a subsidiary resulting in loss of control, the Company:

- derecognizes the subsidiary's assets (including goodwill) and liabilities.
- derecognizes the carrying amount of non-controlling interests.
- derecognizes the adjustments arising from translating financial statements carried to equity.
- recognizes the fair value of the consideration received.
- recognizes the fair value of any remaining investment.
- reclassifies the components previously recognized in other comprehensive income (loss) on the same basis as would be required if the subsidiary had directly disposed of the related assets or liabilities.
- recognizes any resulting difference (surplus or deficit) as gain or loss.

Upon initial recognition, the remaining investment is treated according to its classification as a financial instrument or as an investment treated according to the equity method.

## NOTE 2: - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Cont.)

d. Investment in joint arrangements:

Joint arrangements are arrangements in which the Company has joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

e. Joint ventures:

In joint ventures the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint venture is accounted for at equity

f. Investments accounted for using the equity method:

The Group's investments in companies under joint control and associates are accounted for using the equity method.

Under the equity method, the investment in the associate or in the joint venture is presented at cost with the addition of post-acquisition changes in the Group's share of net assets, including other comprehensive income or loss of the associate or the joint venture. Profits and losses resulting from transactions between the Group and the associate or the joint venture are eliminated to the extent of the interest in the associate or in the joint venture.

Gains and losses arising from transactions between the Group and the associate or the joint venture are eliminated in accordance with the holding rate. Losses recognized under the equity method beyond the Group's investment in ordinary shares are attributed to the rest of the Group's rights in reverse order to their seniority. Once the rights have been reduced to zero the Group does not recognize additional losses of the investee company unless the Group has a commitment to support the investee company or has paid amounts for it. If, subsequently, the investee company reports profits, the Group begins to recognize its share in those profits only after its share in the profits equals the share in unrecognized losses. The Group ceases to apply the equity method as of the date on which it lost the material effect in the associate or the joint control of the joint venture and accounts for the remaining investment as a financial asset or subsidiary, as the case may be.

The financial statements of the Company and of the associate or joint venture are prepared as of the same dates and periods. The accounting policies applied in the financial statements of the associate or the joint venture are uniform and consistent with the policies applied in the financial statements of the Group.

**NOTE 2: - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Cont.)**

g. Functional currency and presentation currency:

1. The presentation currency of the financial statements is the Euro.

   The Group determines the functional currency of each Group entity, including companies accounted for at equity. The functional currency of the group companies is Euro.

2. Transactions, assets and liabilities in foreign currency:

   Transactions denominated in currency that is not the functional currency (foreign currency) are recorded upon initial recognition at the exchange rate at the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at each reporting date into the functional currency at the exchange rate at that date. Exchange rate differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currency and measured at cost are translated at the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are translated into the functional currency using the exchange rate prevailing at the date when the fair value was determined.

3. Index-linked monetary items:

   The Group has debentures that are linked to the Israeli Consumer Price Index ("Israeli CPI"). Monetary assets and liabilities linked to the changes in the Israeli Consumer Price Index ("Israeli CPI") are adjusted at the relevant index at the end of each reporting period according to the terms of the agreement.

h. Cash equivalents:

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

i. Short-term deposits:

Short-term bank deposits are deposits with an original maturity of more than three months from the date of acquisition which do not comply with the definition of cash equivalents. The deposits are presented according to their terms of deposit.

j. Inventories of apartments under construction and inventories of real estate:

Cost of inventories of apartments under construction and inventories of real estate comprises identifiable direct costs of land such as taxes, fees and duties and construction costs.
Inventories of apartments under construction and inventories of real estate are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated selling costs.

**NOTE 2: - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Cont.)**

k. The operating cycle:

The Group has two operating cycles. The operating cycle of apartments under construction is three years. The operating cycle of the remaining activities is one year. Accordingly, the assets and liabilities directly attributable to inventory of apartments under construction are classified in the statement of financial position as current assets and liabilities based on the operating cycle.

1. Financial assets

Financial assets are measured at the date of initial recognition at their fair value plus transaction costs that can be directly attributed to the acquisition of the financial asset, except in case of a financial asset measured at fair value through profit or loss in respect of which transaction costs are recognized in profit or loss.

The Company classifies and measures debt instruments in its financial statements on the basis of the following criteria:

(A) The business model of the Company for the management of financial assets, and
(B) The contractual cash flow characteristics of the financial asset.

1a. <u>The Company measures debt instruments at amortized cost when</u>:

The Company's business model is holding the financial assets in order to collect contractual cash flows; and the contractual terms of the financial asset provide entitlement to cash flows on defined dates that are only principal and interest payments in respect of the principal that has not yet been repaid.

After initial recognition, instruments in this group shall be presented at their terms at amortized cost using the effective interest method and net of provision for impairment.

In addition, on the date of initial recognition, a company may designate a debt instrument as measured at fair value through profit or loss, without option to change this designation, if such designation eliminates or significantly reduces inconsistencies in measurement or recognition, for example if the related financial liabilities are also measured at fair value through profit or loss.

**NOTE 2: - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Cont.)**

1b. The Company measures debt instruments at fair value through profit or loss when:

A financial asset that is a debt instrument does not meet the criteria for measuring it at amortized cost or at fair value through other comprehensive income. After initial recognition, the financial asset is measured at fair value when gains or losses from fair value adjustments are recognized in profit or loss.

1c. Equity instruments and other financial assets held for trade

Investments in equity instruments do not meet the above criteria and are therefore measured at fair value through profit or loss.

Other financial assets held for trade such as derivatives will be measured at fair value through profit or loss unless they are designated as instruments for effective hedging.

Dividend income from investments in equity instruments is recognized on the commencement date for the entitlement to a dividend in the statement of profit or loss.

**NOTE 2: - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Cont.)**

2. Impairment of financial assets

The Company examines at each reporting date the provision for loss in respect of financial debt instruments that are not measured at fair value through profit or loss.

The Company distinguishes between two situations of recognition of a provision for loss;

a) Debt instruments for which there has been no significant deterioration in their credit quality since the initial recognition or in cases where the credit risk is low - the provision for loss recognized for this debt instrument will take into account projected credit losses in a period of 12 months after the reporting date; or

b) Debt instruments whose credit quality has deteriorated significantly since their initial recognition and for which the credit risk is not low; the provision for loss to be recognized will take into account projected credit losses - over the remaining life of the instrument.

The company has financial assets with short credit periods such as customers, for which it applies the benefit provided in the model, i.e. the company measures the provision for a loss in the amount equal to the expected credit losses throughout the life of the instrument.

The impairment of debt instruments measured at reduced cost will be carried in profit or loss against the provision.

**NOTE 2: - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Cont.)**

3. Derecognition of financial instruments:

The Company derecognized financial asset only when:

(a) The contractual rights to the cash flows from the financial asset expire; or
(b) The Company transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset
(c) The Company retains the contractual rights to receive the cash flows deriving from the financial asset, but assumes a contractual obligation to pay these cash flows in full to a third party, without material delay.

4. Financial liabilities

4a) Financial liabilities measured at amortized cost:

At initial recognition, the Company measures financial liabilities at fair value net of transaction costs directly attributable to the issue of financial liability.

After initial recognition, the Company measures all financial liabilities at amortized cost using the effective interest method, other than: financial liabilities at fair value through profit or loss such as derivatives.

4b) Financial liabilities at fair value through profit or loss:

At initial recognition, the Company measures financial liabilities (derivatives) that are not measured at amortized cost at fair value, when transaction costs are recognized in profit or loss.

After initial recognition, changes in fair value are carried to profit or loss.

5. Derecognition of financial liabilities and change in the terms of liabilities

The Company derecognises a financial liability only when it is extinguished - that is, when the liability defined in the contract is discharged or canceled or expires.

A financial liability is extinguished when the debtor repays the liability by paying cash, by other financial assets, goods or services, or is legally released from the liability.
In the event of a change in the terms of an existing financial liability, the Company examines whether the terms of the liability are materially different from the existing conditions and takes into account qualitative and quantitative considerations.

When an existing financial liability is exchanged with another liability from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is accounted for as an extinguishment of the original liability and the recognition of a new liability. The difference between the carrying amounts of the above two liabilities is recognized in profit or loss.

**NOTE 2: - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Cont.)**

If the modification in the terms of an existing liability is not substantial or if a liability is exchanged with another liability whose terms are not substantially different between the Company and the same lender, the Company recalculates the carrying amount of the liability by discounting the revised cash flows at the original effective interest rate and any resulting difference is recognized in profit or loss.

6. Offsetting financial instruments:

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position if there is a legally enforceable right to set off the recognized amounts and there is an intention either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The right to set off must be legally enforced not only in the ordinary course of business of the parties to the agreement but also in case of bankruptcy or insolvency. In order for the right to exist, it should not be dependent on a future event or that in certain periods of time it will not apply or that there will be events that will cause its expiration.

m. Derivative financial instruments

The Group enters into contracts for derivative financial instruments such as forward currency contracts (Forward) in respect of foreign currency and interest rate swaps (SWAP) and CAP transactions to hedge risks associated with foreign exchange rates and interest rate fluctuations (accordingly these transactions are not recognized as accounting hedge).

Any gains or losses arising from changes in the fair values of derivatives that do not qualify for hedge accounting are recorded immediately in the item of exchange rate differences, index and hedging transactions net in profit or loss.

**NOTE 2: - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Cont.)**

n. Leases:

The accounting policies applied as of January 1, 2019 in respect of leases are as follows:

The Company treats a contract as a lease when, under the terms of the contract, the right to control an identified asset is transferred for a period of time for consideration.

The Group as lessee:

For transactions in which the Company is a lessee, it recognizes on the lease commencement date the right of use asset against a lease liability other than lease transactions for a period of up to 12 months and leases for which the underlying asset is with a low value, in which the Company recognizes the lease payments as expense in the profit or loss using the straight line method over the lease term. Upon initial recognition, lease liability includes all unpaid lease payments discounted at the interest rate grossed up in the lease when it is easily determinable or at the Company's additional interest rate. After initial recognition, the Company measures the lease liability using the effective interest method.

The right-of-use asset in the commencement date is recognized at the lease liability amount plus lease payments paid on or before the commencement date plus incurred transaction costs.

The right of use asset other than an asset classified as investment property (see p) is measured using the cost model and amortized over its useful life, or the lease term, whichever is shorter. When indicators of impairment are present, the Company tests impairment of right of use asset in accordance with IAS 36. The non-cancellable lease period also includes periods covered by the option to extend the lease when it is reasonably certain that the extension option will be exercised and also periods covered by the option to cancel the lease when it is probable that the option to cancel will not be exercised.

The Group as lessor:

1. Finance lease

   Lease of land under investment property presented at fair value is accounted for as finance where the leased asset at the commencement of the lease term is measured at the lower of the fair value of the leased asset or at the present value of the minimum lease payments. Upon initial recognition, the leased asset is accounted for according to the accounting policy applicable for this type of asset.

2. Operating lease

   Lease agreements are classified as an operating lease if they do not transfer substantially all the risks and benefits incidental to ownership of the leased asset. Lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

**NOTE 2: - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Cont.)**

o. Investment property:

An investment property is property (land or a building or both) held by the Group (including right of use assets – see section o) to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services, for administrative purposes or for sale in the ordinary course of business.

Investment property is measured initially at cost, including costs directly attributable to the acquisition. After initial recognition, investment property is measured at fair value which reflects market conditions at the end of the reporting period. Gains or losses arising from changes in the fair values of investment property are included in profit or loss when incurred. Investment property is not systematically depreciated.

Transfer of a property from investment property to inventories is made at the inception of development with the intention of selling the property. The cost considered for accounting treatment on the transition date is the fair value at the time of change on realization.

Investment property is derecognized on disposal or when the investment property ceases to be used and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of the disposal.

Investment property in development designated for future use as investment property is also measured at fair value provided that fair value can be measured reliably. When fair value cannot be measured reliably due to the nature and scope of the project's risks, it is measured at cost net of impairment losses, if any, until fair value can be measured reliably or construction completion, whichever is earlier. Cost base of investment property in development includes the cost of land plus borrowing costs used to finance construction, direct planning and development costs and brokerage fees in respect of agreements for its rental.

p. Property, plant and equipment:

Property, plant and equipment are measured at cost, including directly attributable costs, less accumulated depreciation, accumulated impairment losses excluding day-to-day servicing expenses.

Depreciation is calculated on a straight-line basis over the useful life of the assets which is usually three years.

q. Borrowing costs in respect of qualifying assets:

The Group capitalizes borrowing costs that are attributable to the construction of qualifying assets.

A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, comprising of tangible and inventories that require a substantial period of time to bring them to a saleable condition.

**NOTE 2: - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Cont.)**

The capitalization of borrowing costs commences when expenditures for the asset are being incurred, borrowing costs are being incurred and the activities to prepare the asset are in progress and ceases when substantially all the activities to prepare the qualifying asset for its intended use or sale are complete. Borrowing costs are capitalized to assets for which transfer of control to the customer is carried out over time until the date the asset is qualified for sale. The amount of borrowing costs capitalized in the reporting period includes specific borrowing costs and general borrowing costs based on a weighted capitalization rate.

r. Asset or group of assets and liabilities held for sale

Asset or group of assets and liabilities are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the assets must be available for immediate sale in their present condition, the Company must be committed to sell, there must be a program to locate a buyer and it is highly probable that a sale will be completed within one year from the date of classification. The Group's policy on investment property is to classify these assets as held for sale only when there is a contract for selling these assets. From the date of such initial classification, these assets are no longer depreciated and are presented separately as current assets at the lower of their carrying amount and fair value less costs to sell other than investment property presented at fair value.

When an entity no longer plans to sell an asset in a sale transaction, it ceases the classification of the asset as held for sale and measures it at the lower of its carrying amount had it not been classified as held for sale or the recoverable amount of the asset on the date of the decision not to sell the asset.

s. Taxes on income:

Current or deferred taxes are recognized in the statement of profit or loss except to the extent that the tax arises from items which are recognized directly in other comprehensive income or in equity.

1. Current taxes:

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period as well as adjustments required in connection with the tax liability in respect of previous years.

**NOTE 2: - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Cont.)**

2. Deferred taxes:

Deferred taxes are computed in respect of temporary differences between the carrying amounts in the financial statements and the amounts attributed for tax purposes.

The Group does not create deferred taxes for temporary differences resulting from initial recognition of an asset or liability as part of a transaction that is not a business combination when on the transaction date initial recognition of an asset or liability does not affect accounting profit and taxable income (loss for tax purposes).

Deferred taxes are measured at the tax rates that are expected to apply when the asset is disposed or the liability is extinguished, based on tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is not probable that they will be utilized. Also, temporary differences for which deferred tax assets have not been recognized are reassessed and deferred tax assets are recognized to the extent that their recoverability has become probable.

Taxes that would apply in the event of the disposal of investments in investees have not been taken into account in computing deferred taxes, as long as the disposal of the investments in investees is not probable in the foreseeable future. Also, deferred taxes that would apply in the event of distribution of earnings by investees as dividends have not been taken into account in computing deferred taxes, since the distribution of dividends does not involve an additional tax liability or since it is the Company's policy not to initiate distribution of dividends that would trigger an additional tax liability.

Deferred taxes are offset in the statement of financial position if there is a legally enforceable right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority.

t. Revenue recognition:

Revenue from contracts with customers is recognized when the control over the goods or services is transferred to the customer. The transaction price is the amount of the consideration that is expected to be received based on the contract terms, excluding amounts collected on behalf of third parties (such as taxes).

**NOTE 2: - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Cont.)**

Revenues from the rendering of services (including asset management fees):

Revenues from the rendering of services are recognized by reference to the stage of completion at the end of the reporting period. Under this method, revenues are recognized in the accounting periods in which the services are rendered. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Revenues from sale of residential apartments

The Company recognizes the residential apartment as performance obligation. The Company estimates that in the framework of the contracts with its customers no asset with alternative use was resulted to the Company, and also has a payment right which is enforceable for the performance completed until that date. Therefore, in accordance with the new standard, the Company recognizes revenue from these contracts over time, according to the contract performance pace.

In addition, the Company applies among others the following issues regarding revenues from the sale of residential apartments:

1. Measurement unit – the Company determined that the measurement unit will be a residential apartment the object of the sale contract with the customer.

2. Determining the transaction price - the company is required to determine the transaction price separately for each contract with a customer. Upon exercising such judgment, the Company estimates the impact of any variable consideration in the contract, taking into account discounts, fines, changes, claims, and the existence of a significant financing component of the contract as well as non-cash consideration.

3. Measurement of performance progress - for the purpose of measuring performance progress, the company implements the input method (Input Method), irrespective of the costs that do not reflect the progress of such performance, such as land surcharges and credit costs. Usually, delivery of a specific residential apartment cannot be made before the construction of the entire building is completed. Therefore, the Company will determine the performance progress rate under which revenue for each specific sale contract is recognized according to the progress rate of the entire building.

   In order to implement the input method, the Company is required to estimate the costs necessary to complete the project in order to determine the amount of revenue recognized. These estimates include the direct and indirect costs attributed directly to performing the contract and are allocated on the basis of a reasonable burden key.

4. The existence of a significant finance component in the contract - in order to examine the existence of a significant finance component in the contract, the Company expects to select a practical relief in the new standard where the consideration amount for the financing component cannot be adjusted when on the contract date it is expected that the period between the date of receipt of the consideration and the date of revenue recognition does not exceed one year. In cases of receiving long term advances (over one year), the Company will accrue interest on the advances over the expected contract period when there is a significant financing component contract as defined in the new standard.

**NOTE 2: - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Cont.)**

With the realization of advances, the Company will recognize accrued interest as income from the sale of apartments.

Warranty – as part of the Company's contracts with its customers, it provides its customers with warranty services, in accordance with the provisions of the law and in accordance with the accepted practice in the sector. Warranty services are provided to ensure the quality of the work performed and not as additional service provided to the customer. Accordingly, the Company recognizes in its financial statements a provision for warranty in accordance with the provisions of IAS 37.

5. Onerous contracts - A provision for onerous contracts is recognized when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received by the Group from the contract. The provision is measured at the lower of the present value of the anticipated cost for cancelling the contract and the present value of the net anticipated cost of fulfilling it. The Company will review frequently the need for making a provision for onerous contract according to the requirements of IAS 37 which are relevant to all contracts in which revenue is recognized according to IFRS 15.

u. Reporting revenues using gross basis or net basis:

In cases where the Group acts as an agent or as a broker without being exposed to the risks and rewards associated with the transaction, its revenues are presented on a net basis. However, in cases where the Group operates as a principal supplier and is exposed to risks and rewards associated with the transaction, its revenues are presented on a gross basis.

According to the Group's activity, it bears the risks stemming from revenues from property management and therefore, the Company recognizes its revenues on a gross basis.

v. Finance income and expenses:

Finance income comprises interest income on amounts invested. Changes in fair value of financial assets at fair value through profit or loss also include revenues from dividends and interest.

Finance expenses comprise interest expenses on loans received, changes in fair value of financial assets and financial liabilities measured at fair value through profit or loss and impairment losses of financial assets and losses on hedges recognized in profit or loss. Borrowing costs that are not capitalized to qualifying assets are recognized in profit or loss using the effective interest method.

Gains and losses on exchange rate differences, indexing and currency hedging transactions are reported on a net basis separately.

x. Operating segments:

An operating segment is a component of the Group that meets the following three criteria:

1. is engaged in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to intragroup transactions;

**NOTE 2: - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Cont.)**

2. whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and

3. for which separate financial information is available.

y. Earnings (loss) per share:

Earnings per share are calculated by dividing the net income attributable to equity holders of the Company by the weighted number of Ordinary shares outstanding during the period. Basic earnings per share only include shares that were actually outstanding during the period (treasury shares are not included).

z. Provisions

A provision in accordance with IAS 37 is recognized when the group has present legal or constructive obligation as a result of a past event, it is expected that the use of economic resources will be required to settle this obligation and a reliable estimate can be made of the amount of the obligation.

Following are the types of provisions included in the financial statements:

Legal claims: A provision for claims is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources embodying economic benefits will be required by the Group to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, a provision is measured at its present value.

aa. Marketing expenses:

Expenditures incurred on advertising, marketing or promotional activities, such as production of catalogues and promotional pamphlets, are recognized as an expense when the Group receives those services.

bb. Treasury shares:

Company shares held by the Company and/or subsidiaries are recognized at cost of purchase and presented as a deduction from equity. Any gain or loss arising from a purchase, sale, issue or cancellation of treasury shares is recognized directly in equity.

**NOTE 2: - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Cont.)**

cc. Impairment of non-financial assets

The Company evaluates the need to record an impairment of the carrying amount of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable. If the carrying amount of non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount is the higher of fair value less costs of sale and value in use. In measuring value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

An impairment loss of an asset is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Reversal of an impairment loss, as above is limited to the lower of the impairment loss previously recognized (net of depreciation or amortization) or its recoverable amount. The reversal of impairment loss of an asset presented at cost is recognized in profit or loss.

In investment in associate or joint venture, after application of the equity method, the Company determines whether it is necessary to recognize any additional impairment loss with respect to the investment in associates or joint ventures. The Company determines at each reporting date whether there is objective evidence that the carrying amount of the investment in the associate or the joint venture is impaired. The test of impairment is carried out with reference to the entire investment, including the goodwill attributed to the associate or the joint venture.

dd. Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement is based on the assumption that the transaction will take place in the asset's or the liability's principal market, or in the absence of a principal market, in the most advantageous market.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

**NOTE 2: - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Cont.)**

All assets and liabilities measured at fair value or for which fair value is disclosed are categorized into levels within the fair value hierarchy based on the lowest level input that is significant to the entire fair value measurement:

| | |
|---|---|
| Level 1 | - quoted prices (unadjusted) in active markets for identical assets or liabilities. |
| Level 2 | - inputs other than quoted prices included within Level 1 that are observable directly or indirectly. |
| Level 3 | - inputs that are not based on observable market data (valuation techniques which use inputs that are not based on observable market data). |

ee. 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 measurement uncertainty."

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 January 1, 2023 and will apply to changes in accounting policies and accounting estimates that occur at the beginning or after that period. Early adoption is permitted.

ff. Initial adoption of new financial reporting 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, 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").

**NOTE 2: - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Cont.)**

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 reliefs, the Company will deal with contractual amendments or amendments to the cash flows required 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.

**NOTE 3: - CASH AND CASH EQUIVALENTS**

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| | Euros in thousands | |
| Cash on hand (1) (2) | 24,640 | 34,814 |
| Short-term deposits (2) | 221 | - |
| | 24,861 | 34,814 |

(1) As of December 31, 2021, the Company's balance is approximately € 821 thousand denominated in NIS (2020- approximately € 769 thousand denominated in NIS).

(2) As of December 31, 2021, short-term deposits do not bear annual interest.

**NOTE 4: - RESTRICTED DEPOSITS FINANCIAL ASSETS AND OTHER RECEIVABLES**

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| | Euros in thousands | |
| Deposits and restricted bank accounts (1) | 18,514 | 12,891 |
| Prepaid expenses | 1,173 | 144 |
| Government authorities | 1,038 | 998 |
| Receivables in respect of sale of investment property | 300 | 245 |
| Receivables in respect of interest on a granted loan (2) | 3,255 | |
| Other receivables and debit balances | 1,700 | 1,681 |
| | 25,980 | 15,959 |

(1) As of December 31, 2021, balances do not bear interest.
(2) Receivables in respect of interest on a loan granted to the purchaser of the Gerresheim project. For additional details see Note 6b (1).

**NOTE 5: - TENANTS AND TRADE RECEIVABLES, NET**

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| | Euros in thousands | |
| Open debts and accrued income | 8,573 | 9,105 |
| Less - allowance for credit losses | (6,932) | (7,706) |
| | 1,641 | 1,399 |

**NOTE 5: - TENANTS AND TRADE RECEIVABLES, NET (Cont.)**

The following is the movement in allowance for credit losses:

| | December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | Euros in thousands | |
| Balance as of January 1 | 7,706 | 8,562 |
| Changes during the year | | |
| Allowance during the year | 686 | 1,217 |
| Recognition of bad debts that were written off | (1,460) | (2,073) |
| Balance as of December 31 | 6,932 | 7,706 |

**NOTE 6: - INVENTORY OF BUILDINGS UNDER CONSTRUCTION AND INVENTORY OF REAL ESTATE**

As of December 31, 2021, inventory of buildings under construction and inventory of real estate refers mainly to Gerresheim project in Düsseldorf, Germany.

a. Composition of inventory of buildings under construction – current assets

| | December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | Euros in thousands | |
| Cost of real estate | - | 14,119 |
| Cost of local business tax | - | - |
| Cost of construction | - | 29,801 |
| Cost of sale in respect of income recognized | - | (41,443) |
| | - | 2,477 |

The balance as of December 31, 2021 derives from stage H of the Grafental project in Dusseldorf, a project for constructing residential neighborhood, the development of which is carried out in several stages. As of December 31, 2021, the inventory of apartments in Stage H was realized so as of the date of the statement of financial position, Company has no balance of buildings under construction which is presented as current asset.

**NOTE 6: - INVENTORY OF BUILDINGS UNDER CONSTRUCTION AND INVENTORY OF REAL ESTATE (Cont.)**

b. Composition of inventory of real estate and inventory of real estate under construction – noncurrent assets

| | December 31, | |
|---|---|---|
| | **2021** | **2020** |
| | **Euros in thousands** | |
| Cost of real estate | 180,462 | 39,472 |
| Construction cost | 11,714 | - |
| Cost of local business tax | 4,582 | 4,682 |
| Cost capitalized to real estate | 18,769 | 8,396 |
| | 215,527 | 52,550 |

As of December 31, 2021 inventories of buildings under construction and inventories of real estate are presented as part of the non-current assets relating mainly to the Gerresheim project in the city of Düsseldorf, Germany.

1) Gerresheim project

On September 22, 2019, the Company entered into an agreement with a third-party buyer who is not related to the Company and is an investor focusing on real estate projects in Germany ("the buyer" or "the buyer in the transaction"), for selling 75% of its holdings in the sub- partnership, which owns the Gerresheim project (a land of 193 thousand square meters in Düsseldorf, Germany) in a consideration reflecting an asset value of EUR 375 million (for this purpose – the transaction).

On December 26, 2019, an amendment to the agreement was signed, according to which the mechanism for paying the consideration was adjusted, as follows: at the time of signing the agreement, the sub- partnership received a sum of EUR 132 million, originating from a new bank taken by the sub-subsidiary (it is indicated that the Company guaranteed this loan) of which EUR 90 million was used to repay the existing bank loan taken in connection with the development of the project and the balance of the consideration (less transaction costs) in the amount of EUR 36 million was paid to the Company in cash as a first payment for the sale as defined in the above amended agreement and was held in a restricted account until obtaining an approval from the competition authorities in Germany. The loan, which was taken at the time of the amendment to the agreement, bore interest at a rate of 4% per annum over the Euribor interest for a period of 3 months and was due on June 27, 2020. This loan was refinanced during June 2020 with two loans totaling approximately EUR 147.5 million.

The new loans bear a weighted average interest rate of 4.54% during the first year of the loans and a weighted average interest rate of 5.15% during the second year of the loans. Such loans are due to be repaid on June 1, 2022. The transaction costs incurred by the property company in respect of the two new loans amount to approximately EUR 4.5 million. On February 28, 2020, said transaction received the approval of the German Antitrust Authority, and accordingly, on March 31, 2020, the transfer of the first part of the consideration in the amount of approximately EUR 36 million (originating, as stated above, in a loan taken by the asset company) was completed.

**NOTE 6: - INVENTORY OF BUILDINGS UNDER CONSTRUCTION AND INVENTORY OF REAL ESTATE (Cont.)**

The balance of the consideration in the amount of between EUR 120 million and EUR 175 million was to be paid to the Company in three installments in accordance with the fulfillment of the terms of the transaction, mainly publishing a zoning plan and obtaining building permits as specified in the agreement.

In light of the fulfillment of the first condition in the above agreement - obtaining approval from the competition authorities in Germany, 75% of the Company's shares were transferred to the purchaser and an agreement came into force for joint control of the parties and therefore the Company ceased to consolidate the asset company's financial statements. The balance of the investment in the asset company was presented in the section of investments and loans in companies treated at the equity method as of December 31, 2020 amounted to approximately EUR 18,797 thousand. Payment of the balance of the consideration to the Company was conditional on the occurrence of events that are not under the full control of the Company (such as obtaining building permits, etc.) and therefore the Company did not recognize a profit in respect of the sale transaction.

In 2021, the Company learned that the delay of the zoning plan approvals in connection with the project is due to objections of the Deutsche Bahn AG. In the view of the Company, such objections are relatively common in the process of building a project in the size and scope of Gerresheim .

The Company has been holding ongoing discussions with the Düsseldorf Municipality which is continuing to be supportive of the project and has expressed its interest in advancing the receipt of the required zoning approvals. Nevertheless, on August 25, 2021, the Company's Board learned that despite the progress in contacts between the Company and the Düsseldorf municipality, due to the prolongation of the negotiation between the Düsseldorf municipality and the German railway company, a further delay would occur in connection with the zoning plan.

To the Board's estimation, and based on the information provided to it by the competent authorities in Germany, the approval is expected to be received during the second half of 2022. In order to prevent further delays due to the DB objections, the Company commenced to conduct discussions with the Düsseldorf municipality on a possibility of dividing the zoning plan.

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

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

**NOTE 6: - INVENTORY OF BUILDINGS UNDER CONSTRUCTION AND INVENTORY OF REAL ESTATE (Cont.)**

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

In accordance with and following the foregoing, the Company entered into an MOU with the Buyer according to which the transaction will be canceled (""MOU" and "the cancellation transaction", respectively), subject to the conditions set forth in the MOU, including obtaining the required consents under the financing agreements, obtaining binding tax ruling in connection with the tax aspects of the cancellation transaction.

During November 2021, the binding ruling was received from the tax authorities and the cancellation transaction came into effect where on January 2, 2022, the Company entered into a binding agreement for the reversal and cancellation of the transaction (the "Cancellation Agreement"). The cancellation agreement stipulates the cancellation of the transaction in a binding manner (subject to the conditions precedent set forth below), in such a way that upon cancellation of the transaction the company will hold full ownership (100%) (indirectly) in the Gerresheim project holding company and the cancellation agreement prescribes the specific mechanism for reversal and cancellation of the transaction based on the conditions set forth in the MOU and that no agreed compensation will be imposed on any of the parties. The conditions precedent to the cancellation agreement include customary conditions precedent, the significant of which is the receipt of all agreements required by virtue of the financing agreements of the Gerresheim project ("Terms of Agreement"), where: (1) the Company has the right to waive the terms of the agreement at any time and as a result, the transaction cancellation will enter into effect immediately upon completion of the cancellation agreement; (2) to the extent that the terms of the agreement (a) have not been completed or waived by June 30, 2022; Or (b) became unnecessary, then the Company has the right to withdraw from the cancellation agreement; And (3) to the extent that the terms of the agreement have not been completed or waived by July 30, 2022, then the buyer in the transaction may withdraw from the cancellation agreement. It is indicated that the Company is entitled to receive from the buyer the cumulative interest amount for the loan granted to the buyer on the date of sale, and accordingly the Company recognized a receivable interest asset in the amount of EUR 3.3 million, which is presented as current assets (see Note 4 above).

In view of the foregoing, the Company commenced to consolidate the financial statements of the project company starting September 1, 2021. Regarding the assets and liabilities included as a result of the consolidation - see Appendix B to the statements of cash flows.

**NOTE 7: - INVESTMENTS AND LOANS IN COMPANIES ACCOUNTED AT EQUITY**

Information on jointly controlled company measured at equity

As of December 31, 2021

| Name of company/partnership | Country of incorporation | Principal place of business | Nature of relationship (1) |
|---|---|---|---|
| Brack capital (Chemnitz) BV | The Netherlands | Germany | Ownership (1) |

As of December 31, 2020

| Name of company/partnership | Country of incorporation | Principal place of business | Nature of relationship (1) |
|---|---|---|---|
| Brack capital (Chemnitz) BV | The Netherlands | Germany | Ownership (1) |
| Glasmacherviertel GmbH & Co. KG | Germany | Germany | Ownership (2) |

(1) The Company has a joint control agreement with the partner. The Company holds 60% of the shares of the jointly controlled company and 50% of the voting rights of the jointly controlled company. The jointly controlled company holds income generating commercial real estate asset in Germany.

(2) As to the cancellation of the sale transaction and returning to consolidation of the financial statements of the project company effective September 1, 2021 see Note 6b (1) above.

## NOTE 8: - INVESTMENT PROPERTY - RIGHTS IN REAL ESTATE AND INCOME GENERATING ASSETS

a. Composition and movement

| | December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | Euros in thousands | |
| Balance as of January 1 | 1,286,346 | 1,185,568 |
| changes during the year (see also section f) | | |
| Purchases and additions during the year | 58,846 | 19,741 |
| Realization of investment property | - | (15,000) |
| Classification of real estate inventory to investment property | - | 29,638 |
| Realization of investment property from deconsolidation of subsidiaries | (12,369) | - |
| Classification of asset as held for sale | (30,100) | (17,338) |
| Fair value adjustment | 113,607 | 83,737 |
| Balance as of December 31 | 1,416,330 | 1,286,346 |

Investment property consists of commercial and residential real estate projects leased to third parties. Residential development designated to rental and lands designated for betterment.

**NOTE 8: - INVESTMENT PROPERTY - RIGHTS IN REAL ESTATE AND INCOME GENERATING ASSETS (Cont.)**

Presentation in the statement of financial position

| | December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | Euros in thousands | |
| Investment property - real estate rights and investment property under construction | 99,100 | 60,900 |
| Investment property - income generating assets | 1,317,230 | 1,225,446 |
| Balance as of December 31 | 1,416,330 | 1,286,346 |

b. Investment property is stated at fair value, as determined in valuations performed by independent outside appraisers who hold recognized and relevant professional qualifications and who have extensive experience in the location and category of the property being valued. The fair value was determined based on estimated future cash flows from the property. In estimating cash flows, their inherent risks and limitations of rental fees are taken into account where they are capitalized at a rate of return that reflects the risks entailed in the cash flows, which is determined taking into account the market rate of return, whilst adapting it to the specific characteristics of the property and the level of risk of the revenues expected from it. Where it is not possible to rely on transactions recently executed with reference to similar real estate in similar locations, in valuing real estate owned by the Company, the value estimates are carried out using a residual approach, as deemed correct by the value appraiser. Determining this value is based on an estimate of future revenues expected from the completed project, using rates of return that are adapted to the relevant significant risks entailed in the construction process, including building and rental risks, which are higher than the current return on similar investment real estate the construction of which has been completed.

**NOTE 8: - INVESTMENT PROPERTY - RIGHTS IN REAL ESTATE AND INCOME GENERATING ASSETS (Cont.)**

c. Significant assumptions (based on weighted averages) that were used in valuation estimated are as follows:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Lands for betterment, Düsseldorf, Germany * | | |
| Expected sale price per sq.m (in Euro) | 9,351 | 10,592 |
| Expected construction costs per sq.m (in Euro) | 5,037 | 4,456 |
| Income-generating residential real estate | | |
| Discount rate (%) ** | 4.72 | 5.03 |
| Cap rate (%) ** | 3.27 | 3.62 |
| Long-term vacancy rate (%) | 1.82 | 2.01 |
| Representative monthly rental fees per sq. m. (in Euros) | 7.51 | 7.41 |

Income-generating commercial real estate

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Discount rate (%) ** | 7.14 | 6.90 |
| Cap rate (%)** | 6.21 | 5.98 |

*) Represents the valuation data of the land, on which the Company plans to build luxury apartments. Land value as of December 31, 2021 amounted to € 46.3 million.

**) It is noted that according to the methodology applied in the valuations, the estimated cash flow for the first 10 years are capitalized based on the Discount Rate basis. Cash flows effective from the eleventh year onwards are capitalized based on the Cap Rate basis.

**NOTE 8: - INVESTMENT PROPERTY - RIGHTS IN REAL ESTATE AND INCOME GENERATING ASSETS (Cont.)**

d. Fair value adjustment of investment property (level 3 in the fair value hierarchy):

All investment properties – rights to real estate and income generating assets are classified in level 3 other than specific assets for which a binding sale agreement is in place which are classified in the fair value hierarchy in level 1. See Note 15.

Sensitivity analysis

Based on NOI of €48.5 million (standardized NOI) any change of 25 points at the capitalization rate (Cap rate) over fair value adjustment is € 89.9 million.

e. Regarding charges see Note 18a.

f. Sales of investment property during the year

1. On June 30, 2021, the sale of the remaining asset, which was presented as of December 31, 2020 as part of the assets held for sale, was completed from a transaction for the sale of assets from the commercial real estate portfolio signed during 2019.

2. On January 29, 2021, the sale of an additional asset from the Company's income generating commercial portfolio was completed, which was presented as of December 31, 2020 as part of the assets held for sale totaling approximately € 11 million.

3. On August 31, 2021, the sale of an additional asset from the Company's income generating commercial portfolio was completed for approximately € 6.4 million.

4. On February 26, 2021, the sale of a subsidiary that holds an asset of the income generating commercial portfolio for € 9 million was completed. The entire consideration from the sale was used to repay shareholders loan granted to the subsidiary.

5. On August 5, 2021, the Company entered into agreement for selling an additional asset from the Company's income generating commercial real estate portfolio for approximately €16.5 million. In addition, the Company may be entitled to an additional consideration of up to €1.5 million in the event that buyer will be successful in improving the development plan in a way that will allow him to utilize more space in the asset. The sale of the asset is expected to be completed in the first half of 2022. Accordingly, the assets and liabilities of the holding company were classified in the statement of financial position as of December 31, 2021 as assets and liabilities of disposal group held for sale. The total assets held for sale, attributed to this property, include investment property in the amount of approximately €16.5 million.

**NOTE 8: - INVESTMENT PROPERTY - RIGHTS IN REAL ESTATE AND INCOME GENERATING ASSETS (Cont.)**

6. On November 3, 2021, the Company entered into agreement for selling an additional asset from the Company's income generating commercial real estate portfolio for approximately €13.6 million. The sale of the asset is expected to be completed in the first half of 2022. Accordingly, the assets and liabilities of the holding company were classified in the statement of financial position as of December 31, 2021 as assets and liabilities of disposal group held for sale. The total assets held for sale, attributed to this property, include investment property in the amount of approximately €13.6 million.

   The Company owns an income generating residential real estate where most of its lease agreements are for an indefinite period. As of December 31, 2021, the Company has residential lease agreements which generated an annual rental income of € 56.1 million. In addition, the Company has an income generating commercial real estate consisting of assets leased to third parties generating € 5.0 million during the year and rental payments expected in 2022 are expected to amount to € 1.9 million.

**NOTE 9: - OTHER ACCOUNTS RECEIVABLE AND OTHER FINANCIAL ASSETS**

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| | Euros in thousands | |
| Long term loan granted (*) | 11,449 | - |
| Others | 177 | 259 |
| | 11,626 | 259 |

(*) see Note 18(5).

**NOTE 10: - OTHER ACCOUNTS PAYABLE AND OTHER FINANCIAL LIABILITIES**

| | December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | Euros in thousands | |
| Expenses payable | 855 | 1,500 |
| Interest payable | 1,611 | 621 |
| Trade payables | 603 | 770 |
| Deposits from tenants | 8,590 | 7,780 |
| Government authorities | - | 95 |
| Tax provision, net | 14,674 | 7,189 |
| Expenses payable for completed projects | 744 | 811 |
| Payables in respect of purchase of real estate | 2,150 | 1,223 |
| Prepaid income | 1,066 | 665 |
| Other payables and other financial liabilities | 249 | 318 |
| | 30,542 | 20,972 |

## NOTE 11: - LOANS FROM BANKS AND DEBENTURES

a. Composition

| | interest rate as of December 31, 2020 | December 31, 2021 | December 31, 2020 |
|---|---|---|---|
| | % | Euros in thousands | |
| Loans at variable interest from banks presented at amortized cost | (*) | 42,693 | 43,624 |
| Loans at fixed interest from banks presented at amortized cost | (**) | 557,961 | 383,400 |
| Debentures linked to CPI (sections d and (f) – amortized cost | (***) | 72,349 | 72,980 |
| | | 673,003 | 500,004 |
| Less - current maturities for bank loans | | (244,468) | (130,739) |
| Less- current maturities for bonds | | (11,508) | (10,013) |
| Less – loans from banks for financing inventory of buildings under construction | | - | - |
| | | 417,027 | 359,252 |

(*) interest rate for the loans at variable interest: Euribor+1.54%.
(**) interest rate for loans at fixed interest: 1.16% - 1.88%. it should be indicated that the average interest of the loan for financing the Gerresheim project is 4.84%.
(***) interest rate on bonds: 3.29%-3.30%. Principal and interest are linked to Israeli CPI. Debentures are traded on TASE.

**NOTE 11: - LOANS FROM BANKS AND DEBENTURES (Cont.)**

b. Movement:

| | December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | Euros in thousands | |
| Balance as of January 1 | 500,004 | 579,345 |
| Receipt of loan, net (see section c below) | 60,059 | 18,958 |
| Repayment of debentures | (11,298) | (25,706) |
| Repayment of loans | (33,216) | (70,545) |
| New consolidation (*) | 145,185 | - |
| Cost of receiving loans amortizations and others | 3,892 | (837) |
| Exchange differences | 8,377 | (1,211) |
| Balance as of December 31 | 673,003 | 500,004 |

(*) For details regarding the new consolidation of the loan financing the construction project in Gerresheim see Note 6b (1) above.

c. In 2021, the Company took loans totaling EUR 37.5 million that were used in the Company's development activity in Dusseldorf and Aachen.

During January 2021, the Company, via its sub-subsidiaries, signed a refinancing agreement with a German banking corporation for a loan of approximately EUR 100.5 million. The loan bears an average annual interest rate of approximately 1.41% with a repayment date in June, 2023. The refinancing was treated as an insignificant change in the terms of the debt. The change had no material effect on the statement of profit or loss

During May 2021, the Company took a loan from a German banking corporation through a sub-subsidiary in the amount of approximately EUR 22.6 million. The loan was taken on or about the completion date of the loan repayment from the same banking corporation. The loan bears an average annual interest rate of 1.25% payable quarterly. The loan principal will be repaid in 19 equal quarterly installments in the amount of EUR 56 thousand and the balance of the principal will be repaid in May 2026.

d. In 2011 and 2012, the Company issued NIS 400 million of debentures (Series A) par value NIS 1 each by 2 IPOs and 1 private issuance. The debentures bear a yearly average interest denominated at 4.8% linked to the Consumer Price Index and paid every six months (effective interest of 5.53%). The debentures are payable in 7 equal annual principal payments on July 14 of each of the years between 2014 and 2020 (inclusive).

On March 31, 2020, the Company's Board of Directors decided on early and full redemption of the Company's bonds (Series A). On April 20, 2020, early and full redemption of the Company's bonds (Series A) was carried out and a consideration of NIS 61,776 thousand including accrued interest (EUR 15,882 thousand) was paid to the Company's bondholders (Series A). The final redemption amount reflected compensation for early redemption in a total amount of approximately NIS 387 thousand (EUR 100 million) which was included in finance expenses for the period.

**NOTE 11: - LOANS FROM BANKS AND DEBENTURES (Cont.)**

e. On May 21, 2013, the Company issued to the public in Israel new series (series B) of debentures in a total amount of NIS 175 million par value by way of uniform offer according to a shelf prospectus report dated May 19, 2013. The debentures bear annual interest of 3.29% (payable in semiannual payments in June and December effective December 2013) and are linked to the CPI as of April 2013. The debentures (series B) will be payable (principal) in unequal annual 12 installments on December 31 in each of the years 2013 through 2024 (inclusive) such that each payment of the first 7 payments will constitute 4% of the principal of the total par value of the debentures (series B) and each payment of the last 5 payments will constitute 14.4% of the principal of the total par value of the debentures (series B). In addition, on January 27, 2014, the Company's Board of Directors approved a private placement of 72 million debentures (Series B) of NIS 1 par value, listed for trade, to 10 institutional investors (the offerees) by expanding the existing debenture series of the Company (Series B) listed for trade ("the offered securities" and "the private placement"). As of December 31, 2021 the par value balance of the debentures (Series B) is NIS 108,000 thousand. The Company has undertaken that so long as the debentures (Series B) are still outstanding:

1. Equity attributable to Company shareholders shall not fall below €150 million.

2. No distribution of dividends, distribution of capital or share buy-back shall take place if as a result the equity attributed to Company shareholders falls below €160 million and/or debt ratio to CAP will exceed 70%.

3. The ratio between the Company’s total net financial liabilities that are:

   a. Company obligations for the repayment of loans with recourse.

   b. The Company’s obligations for the repayment of debentures (Series A and B) and other debentures, if any.

   c. The Company’s obligations to repay other loans the repayment date of which falls during the period of the debentures (Series B).

   d. Any debt of the Company’s subsidiaries towards a third party is pledged by a lien, but no more than the value of the pledged asset.

**NOTE 11: - LOANS FROM BANKS AND DEBENTURES (Cont.)**

All less cash, cash equivalents and short-term investments, and the Company's total equity (including non-controlling rights) plus:

a. The Company's total net financial liabilities (as defined above).

b. Any loan received by the Company from any party that according to its conditions is subordinate in its repayment levels to the debentures (Series B) and which cannot be repaid (principal and/or interest) over the course of the debentures' (Series B) period.

   Reductions in value listed pursuant to the Consolidated Financial Statements (if any) for the assets pledged to guarantee loans of sums exceeding the borrower's recourse right.

c. Shall not exceed 75%

4. The ratio between the value of the shares of subsidiary BGP as defined in the deed of trust pledged to guarantee the repayment of debentures (Series B) calculated on the basis of the subsidiary's equity (attributed to Company shareholders) and the Company's debts to the holders of the debentures (Series B) defined as the balance of the debentures' (Series B) principal plus interest and linkage accumulated and not yet paid, shall not fall below 175%.

As of December 31, 2021, the Company is in compliance with said financial covenants.

f. In July 2014, the Company completed the issuance to the public in Israel new series (series C) of debentures par value NIS 102,165,000 under the shelf prospectus report dated July 20, 2014. The annual interest rate determined in the tender, which was held on July 21, 2014, is 3.3%.

   The interest on the debentures (series C) will be paid in two semiannual installments on January 20 and July 20 of each of the years 2015 – 2026 (inclusive) effective January 20, 2015. In addition, on April 4, 2016, the Company completed an issuance to the public in Israel of 60,058,000 debentures (series C) of NIS 1 listed for trade by expanding existing series of debentures (series C). The debentures (series C) will be linked to the CPI and payable (principal) in unequal annual 12 installments on July 20 in each of the years 2015 through 2026 (inclusive) such that each payment of the first 9 payments will constitute 2% of the principal of the total par value of the debentures (series C), the tenth payment will constitute 17% of the principal of the total par value of the debentures (series C) and each payment of the last 2 payments will constitute 32.5% of the principal of the total par value of the debentures (series C). As of December 31, 2021, the par value balance of the debentures (Series C) is NIS 140,566 thousand. The Company has undertaken that so long as the debentures (Series C) are still outstanding:

1. Equity attributable to Company shareholders shall not fall below €190 million.

2. No distribution of dividends, distribution of capital or share buy-back shall take place if as a result the equity attributed to Company shareholders falls below €200 million.

**NOTE 11: - LOANS FROM BANKS AND DEBENTURES (Cont.)**

3. The ratio between the Company's total net financial liabilities that are:

   a. Company obligations for the repayment of loans with recourse.

   b. The Company's obligations for the repayment of debentures (Series A, B and C) and other debentures, if any.

   c. The Company's obligations to repay other loans the repayment date of which falls during the period of the debentures (Series C).

   d. Any debt of the Company's subsidiaries towards a third party is pledged by a lien, but no more than the value of the pledged asset.

   All less cash, cash equivalents and deposits and the debt in respect of inventory of apartments under construction and the Company's total equity (including non-controlling rights) plus:

   a. The Company's total net financial liabilities (as defined above).

   b. Any loan received by the Company from any party that according to its conditions is subordinate in its repayment levels to the debentures (Series C) and which cannot be repaid (principal and/or interest) over the course of the debentures' (Series C) period.

      Reductions in value listed pursuant to the Consolidated Financial Statements (if any) for the assets pledged to guarantee loans of sums exceeding the borrower's recourse right.

   c. Shall not exceed 75%.

4. The ratio between the value of the shares of subsidiary BGP, pledged to guarantee the repayment of debentures (Series C) calculated on the basis of the subsidiary's equity (attributed to the Company's shareholders) and the Company's debts to the holders of the debentures (Series C) defined as the balance of the debentures' (Series C) principal plus interest and linkage accumulated and not yet paid, shall not fall below 175%.

As of December 31, 2021, the Company is in compliance with said financial covenants.

**NOTE 11: - LOANS FROM BANKS AND DEBENTURES (Cont.)**

g. Financial covenants

In the context of credit framework agreements with banking corporations, subsidiaries undertook to comply with a number of financial covenants, including a loan to value (LTV) ratio between 65% and 80% and debt service coverage ratio (DSCR) (must be higher than the range between 120% to 270%). All loans are non-recourse and therefore failure to comply with the terms of one of the frameworks does not constitute violation of the other frameworks.

As to the financial covenants on debentures (Series B and C), see f and g above.

As of December 31, 2021, the Company complies with all of the financial covenants as set forth.

**NOTE 12: - LOANS FROM CONTROLLING SHAREHOLDER**

On May 9, 2019, the Audit Committee and the Company's Board of Directors approved the receipt of a credit facility in the amount of EUR 100 million from ADLER, the controlling shareholder of the Company. From which facility as of December 31, 2019, EUR 44.2 million were drawn down. The facility was granted for two years at an interest of 2.58% per year and the Company has the right of early repayment of the funds that were drawn down without breaking costs. No financial covenants were determined for the loan and no collaterals were provided by the Company. During January and March 2020, the Company repaid the entire debt to the controlling shareholder, so that as of the date of the report, there is no debt balance to the controlling shareholder. On May 9, 2021 the Company's credit facility was ended under this loan.

**NOTE 13: - LEASE LIABILITIES**

| | December 31, | |
|---|---|---|
| | **2021** | **2020** |
| | **Euros in thousands** | |
| Lease liability (1) | - | 3,021 |
| Less - current maturities | - | (31) |
| | - | 2,990 |

(1) In the reporting period, the Company sold rights to a leased asset as part of selling the subsidiary which held rights to this asset. For further details regarding the sale see Note 8(f)4.

## NOTE 14: - OTHER FINANCIAL ASSETS

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| | Euros in thousands | |
| Presented in noncurrent assets: | | |
| Marketable financial asset measured at fair value through profit or loss (1) | 6,819 | 36,094 |
| Non marketable financial assets measured at fair value through profit or loss (2) | 6,525 | 6,494 |
| | 13,344 | 42,588 |
| | 13,344 | 42,588 |

(1) On July 23, 2018, the Company acquired shares in a public company incorporated in Germany, whose shares are traded on the unofficial supervised Frankfurt Stock Exchange and in the German residential real estate development market, which is unrelated to the Company or its controlling shareholder ("the Target Company"). The purchased shares represented 4.1% of the issued and outstanding share capital of the target company, for a total consideration of € 35 million. Following the acquisition date of the Target Company's shares by the Company, control of the Target Company was acquired by a shareholder in ADLER, whose shares are traded on the unofficial supervised stock exchange of Frankfurt. It should be noted that during the reporting period, the shareholder held (indirectly) control of ADLER. As of the date of signing the report, said shareholder no longer holds control of ADLER. In the fourth quarter of 2021, there was a material decline in the value of the investment in the Target Company, which as of the report date, the Company holds 3.02% of the Target Company's shares. This investment is classified as a financial instrument presented at fair value through profit or loss valued at € 6.8 million as of December 31, 2021 grossing up a loss for the Company of € 28.2 million

(2) On March 22, 2019, the Company entered into agreement with a third party unrelated to the Company or its controlling shareholder, which to the best of the Company's knowledge is a leading global investment fund to sell 89.9% of its holdings in three companies (held indirectly by certain subsidiaries of the Company) which own commercial properties in the cities of Rostock, Celle, and Castrop. The consideration in the transaction represents a gross asset value of approximately EUR 175 million, with certain adjustments as defined in the sale agreement. On May 31, 2019, the Company completed the sale transaction. As a result of the aforesaid agreement, the Company recognized a loss of approximately EUR 2.3 million in 2019 as a result of the difference between the sale consideration, less transaction costs (transaction costs amounted to approximately EUR 6.4 million), the value of the net assets and liabilities presented in the Company's reports; The loss was recognized in the Company's financial statements in 2019 as part of changes in the fair value of investment property, net. In addition, the Company recognized a loss of EUR 7.2 million as part of finance expenses as a result of bank loan early repayment costs that were repaid upon completion of the transaction. The investment balance of approximately EUR 6.5 million (10.1% of the companies' capital), is presented as part of an investment in financial assets measured at fair value through profit or loss.

## NOTE 15: -FAIR VALUE MEASUREMENT

The following table presents the fair value measurement hierarchy for the Group's assets and liabilities.

Quantitative disclosures of the fair value measurement hierarchy of the Group's assets and liabilities as of December 31, 2021:

| | Fair value hierarchy | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | Euros in thousands | | | |
| Assets measured at fair value: | | | | |
| Investment property (Note 8): | | | | |
| Income generating commercial real estate | 30,100 | - | 24,640 | 54,740 |
| Income generating residential real estate | - | - | 1,292,590 | 1,292,590 |
| Land for betterment and real estate right (Note 8) | | | 99,100 | 99,100 |
| Other financial assets: (Note 14a) | | | | |
| Marketable financial asset measured at fair value through profit or loss | 6,819 | - | - | 6,819 |
| Financial assets measured at fair value through profit or loss | - | - | 6,525 | 6,525 |

**NOTE 15: - FAIR VALUE MEASUREMENT (Cont.)**

| | Fair value hierarchy | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | Euros in thousands | | | |
| Liabilities measured at fair value: | | | | |
| Derivative financial liabilities | | | | |
| Interest swap contracts | - | (249) | - | (249) |

The fair value of financial instruments that are not quoted on an active market is determined using valuation techniques. Valuation tools specific to financial instruments include:

- The fair value of interest swap contracts and interest CAP agreements is based on a calculation of the present value of an estimate of future cash flows, using observable return curves.

The following describes unobservable material data that are used in valuation:

| | Valuation technique | unobservable material data | Range (weighted average) | Sensitivity of fair value to change in data |
|---|---|---|---|---|
| Interest swap transactions | DCF | Payment curve | Euribor curve for transaction period | 2% increase/decrease in Euribor curve will result in increase/decrease in fair value up to € 0.4 million |

As to the data of investment property fair value, see note 8.

**NOTE 15: - FAIR VALUE MEASUREMENT (Cont.)**

Derivatives and hedging

| | December 31, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| | Asset | Liability | Asset | Liability |
| | Euros in thousands | | | |
| Fair value of swap agreements | - | (249) | - | (597) |

Cash flow hedges:

As of December 31, 2021, the Group has interest rate swap agreements (SWAP) in the sum of € 42.7 million according to which the Group pays a fixed interest rate of 0.235% and receives variable interest at a rate equal to Euribor for three months.

**NOTE 16: - FINANCIAL INSTRUMENTS**

a. Classification of financial assets and financial liabilities

| | December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | Euros in thousands | |
| Cash and receivables at amortized cost | | |
| Cash and cash equivalents | 24,861 | 34,814 |
| Restricted deposits financial assets and receivables (1) | 24,806 | 15,815 |
| Tenants and trade receivables, net | 575 | 1,399 |
| Other non-current receivables and restricted deposits | 67 | 106 |
| | 50,309 | 52,134 |
| Financial instruments (fair value) | | |
| Investments in financial assets measured at fair value through profit or loss | 13,344 | 42,588 |
| Financial liabilities for hedging purposes | (249) | (597) |
| | 13,095 | 41,991 |

**NOTE 16: - FINANCIAL INSTRUMENTS (Cont.)**

| | December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | Euros in thousands | |
| Financial liabilities at amortized cost | | |
| Debentures | (72,349) | (72,980) |
| Credit from banks | (600,653) | (427,024) |
| Other accounts payable (2) | (20,943) | (12,527) |
| Lease liability | - | (2,990) |
| | (693,945) | (515,521) |

(1) Excluding prepaid expenses.

(2) Excluding deposits from tenants and prepaid income.

b. Market risk

1. Foreign currency risk

The Company has debentures denominated in NIS and fully linked to the changes in Israel CPI. Accordingly, it is exposed to exchange rate risk deriving from exposure to this currency. Exchange rate risk derives from recognized liabilities denominated in foreign currency which is other than the functional currency. As to sensitivity tests see section f above.

2. CPI risk

As aforesaid, the Company has debentures that are fully linked to the changes in the CPI in Israel, subject to floor index. For further details, see Note 11 above. As to sensitivity tests see section f above.

3. Interest rate risk

The Group is exposed to risk resulting from changes in cash flows of loans bearing variable interest rates because of changes in interest rates.

The Company hedges most of its financial liabilities by taking loans at fixed interest rate or by entering into interest SWAP agreements or CAP agreements.

The interest swap contract conditions are suited to the base loans.

**NOTE 16: - FINANCIAL INSTRUMENTS (Cont.)**

c. Credit risk

Credit risk could arise from cash and cash equivalents, derivatives and deposits with banking corporations and financial institutions, as well as from receivables, including tenants' debit balances.

Management has a credit policy and credit exposure is examined on a regular basis. In principle, the Company does not provide credit to tenants. In cases in which tenants request credit, the Company carries out a credit assessment for those customers. The Group holds all or part of the tenants' deposits that are refundable until the tenants will settle their payments or in other cases of breach of contract.

The Company estimates the need for making an allowance for credit losses according to the management's estimate of the balance's nature based on the cumulative experience in managing the asset.

Credit risk could also arise from an engagement by a number of financial instruments with a single entity. The Company holds cash and cash equivalents, short-term investments and other financial instruments in various financial institutions with high credit ratings. The Company's policy is to spread its investments among the various institutions.

The Company estimates that when lease payments from tenants are in arrears of more than 30 days, there is a significant increase in credit risk and the Company recognizes an impairment as follows:

- For payments in arrears of more than 30 days but less than 60 days, the provision for impairment is 20% of the balance.
- For payments that are over 60 days but less than 180 days in arrears, the provision for impairment is 50% of the balance.
- For payments that are more than 180 days in arrears, the Company provides the full balance for impairment.

As of the report date, there were no significant concentrations of credit risk. According to management estimate, the balance in the financial statements of each of the financial assets represents the maximum exposure to credit risk.

d. Liquidity risk

Liquidity risk is the risk that the Group will have difficulty meeting obligations in respect of a financial liability. Financial liabilities to banking corporations regarding interest payments are guaranteed through rental payments regularly deposited in designated accounts/collection accounts.

**NOTE 16: - FINANCIAL INSTRUMENTS (Cont.)**

The Group's goal is to maintain a balance between the receipt of financing and the flexibility in the use of bank loans and debentures.

As of December 31, 2021, 39.93% of the Group's debt will be redeemed within under a year (2020 – 29.64%) (See also Note 11). It should be indicated that the Company is in advanced discussions with the lending banks to refinance all loans, which are expected to be repaid over the coming year.

The following table sets out the maturity dates of the Group's financial liabilities in accordance with the contractual conditions in non-discounted sums (including interest payments):

December 31, 2021

| | Up to one year | From one to two years | From two to three years | From three to four years | From four to five years | Over five years | Total |
|---|---|---|---|---|---|---|---|
| | Euros in thousands | | | | | | |
| Accounts payable | 28,684 | - | - | - | - | - | 28,684 |
| Loans from banking corporations (1) | 254,050 | 105,922 | 21,725 | 9,158 | 30,165 | 213,023 | 634,043 |
| Debentures (1) | 13,927 | 13,548 | 20,264 | 16,432 | 15,971 | - | 80,142 |
| | 296,661 | 119,470 | 41,989 | 25,590 | 46,136 | 213,023 | 742,869 |

December 31, 2020

| | Up to one year | From one to two years | From two to three years | From three to four years | From four to five years | Over five years | Total |
|---|---|---|---|---|---|---|---|
| | Euros in thousands | | | | | | |
| Accounts payable | 20,149 | - | - | - | - | - | 20,149 |
| Loans from banking corporations (1) | 137,031 | 98,534 | 9,113 | 20,879 | 8,316 | 191,083 | 464,956 |
| Debentures (1) | 12,479 | 12,148 | 11,817 | 17,679 | 11,193 | 17,016 | 82,332 |
| Lease liability | 215 | 215 | 215 | 215 | 215 | 4,635 | 5,710 |
| | 169,874 | 110,897 | 21,145 | 38,773 | 19,724 | 212,734 | 573,147 |

(1) The balance of loans from banking corporations and debentures includes interest payments, including the influence of interest swap agreements and interest fixing agreements.

**NOTE 16: - FINANCIAL INSTRUMENTS (Cont.)**

e. Fair value

The following table demonstrates the carrying amount and fair value of the groups of financial instruments that are not presented in the financial statements at fair value:

As of December 31, 2021

| | Carrying amount in the statement of financial position | Fair value |
|---|---|---|
| | Euros in thousands | |
| Financial liabilities | | |
| Debentures and interest payable on debentures | 72,949 | 82,309 |

As of December 31, 2020

| | Carrying amount in the statement of financial position | Fair value |
|---|---|---|
| | Euros in thousands | |
| Financial liabilities | | |
| Debentures and interest payable on debentures | 73,515 | 80,264 |

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

The following are the methods and assumptions used to determine fair value:

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

## NOTE 16: - FINANCIAL INSTRUMENTS (Cont.)

f. Sensitivity tests relating to changes in market factors

| | December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | Euros in thousands | |
| Sensitivity test to changes in interest rates | | |
| Effect on profit and loss and other comprehensive income | | |
| For loans | | |
| Interest increase of 200 base points | (609) | (715) |
| Interest decrease of 200 base points *) | (*) - | - (*) |
| For Swap | | |
| Interest increase of 200 base points | 428 | 1,280 |
| Interest decrease of 200 base points *) | (439) | (1,347) |
| For debentures | | |
| CPI increase of 3% | (2,196) | (2,216) |
| CPI decrease of 3% | 1,842 | 354 |
| EURO/NIS exchange rate increase of 5% | 3,576 | 3,611 |
| EURO/NIS exchange rate decrease of 5% | (3,576) | (3,611) |

*) the Company's financing agreements determine that the Euribor rate for charging interest will not be below 0%.

Sensitivity tests and principal working assumptions

The fluctuations chosen in the relevant risk variables were set in accordance with management assessments regarding possible reasonable changes in these risk variables.

The Company has performed sensitivity tests of principal market risk factors that are liable to affect its reported operating results or financial position.

The sensitivity tests present the profit or loss and/or the comprehensive income or loss with respect to each financial instrument for the relevant risk variable chosen for that instrument as of each reporting date. The test of risk factors was determined based on the materiality of the exposure of the operating results or financial condition of each risk with reference to the functional currency and assuming that all the other variables are constant. The Group is not exposed to changes in profit/loss due to interest risk with respect to long-term loans at fixed interest.
In non-current variable-interest loans measured at amortized cost, the sensitivity test for interest risk was only performed on the variable component of interest.

## NOTE 16 : - FINANCIAL INSTRUMENTS (Cont.)

g. Changes in liabilities deriving from financing activity (excluding liabilities presented under disposal groups held for sale)

| | Loans from banks | Loans from controlling shareholder | Bonds | Lease liability | Total liabilities deriving from financing activity |
|---|---|---|---|---|---|
| | EUR in thousands | | | | |
| Balance as of January 1, 2019 | (763,197) | - | (107,416) | (3,041) | (873,654) |
| Cash flow | 151,743 | (44,200) | 18,679 | 54 | 126,276 |
| Classification to liabilities for disposal group held for sale | 142,398 | - | - | - | 142,398 |
| Effect of exchange rate changes | - | - | (11,683) | - | (11,683) |
| Other changes | (9,870) | (562) | - | (23) | (10,455) |
| Balance as of December 31, 2019 | 478,926 | (44,762) | (100,420) | (3,010) | (627,118) |
| Cash flow | 51,587 | 44,762 | 25,706 | 54 | 122,109 |
| Effect of exchange rate changes | - | - | 1,734 | - | 1,734 |
| Other changes | 315 | - | - | (34) | 281 |
| Balance as of December 31, 2020 | (427,024) | - | (72,980) | (2,990) | (502,994) |
| Cash flow | (26,843) | - | 11,298 | 2,990 | (12,555) |
| Effect of exchange rate changes and CPI linkage | - | - | (10,667) | - | (10,667) |
| New consolidation | (145,185) | - | - | - | (145,185) |
| Other changes | (1,601) | - | - | - | (1,601) |
| Balance as of December 31, 2021 | (600,653) | - | (72,349) | - | (673,002) |

**NOTE 17: - TAXES ON INCOME**

a. Tax laws applicable to the Group companies

1. The Company has revenues from real estate investments in Germany. In accordance with the tax treaty between Germany and the Netherlands and between Germany and Luxemburg, real estate revenues are only taxed at the location of the real estate.

2. The following are tax rates applicable to the Company and its key subsidiaries:

| State | % |
|---|---|
| The Netherlands | 25 |
| Germany (*) | 15.825 – 31.225 |
| Luxemburg | 24.94 |

*) Earnings from the sale of apartments are subject to a local business tax in Germany. The corporate tax and the local business tax rate amount to 31.225%.

3. Earnings from the sale of the shares of a Dutch company, Luxembourgian company or by a Dutch company are tax-exempt in the Netherlands subject to meeting the terms of exemption from participation set forth in Dutch law. Earnings from the sale of a German company, owning real estate assets of 50% of the Company's total assets by a German company are taxable at a 5% corporate tax rate on the taxable income. As of 2019, as a result of changes in the German law, earnings deriving after January 1, 2019 from the sale of shares of a limited company that holds assets in Germany will be taxed at 5% of the taxable income.

   Earnings from the sale of the shares of a Luxembourgian company by a Luxembourgian company are tax-exempt in Luxemburg subject to meeting the terms of exemption from participation set forth in Luxembourgian law which are minimal holding of 10% or investment of at least € 6 million for 12 consecutive months and both companies (seller and sold) are subject to tax in Luxemburg (and pursuant to the prescribed laws).

b. Tax assessments

Final tax assessments

The Company was issued final tax assessments in the Netherlands until and including 2017. Some subsidiaries that are tax assessed were issued final tax assessments until and including 2020 and some were not issued final tax assessment from their establishment date.

Most of the companies that are tax assessed in Germany were issued tax assessments until and including 2020. The assessments that were issued to the Company until and including 2016 are deemed final due to the statute of limitations.

**NOTE 17: - TAXES ON INCOME (Cont.)**

c. Losses carried forward for tax purposes and other temporary differences

The Group has business losses and capital losses for tax purposes carried forward for tax purposes on the coming years, totaling as of December 31, 2021 approximately € 62,798 thousand. In respect of some of these losses, deferred tax assets have been recognized in the financial statements in the amount of approximately € 15,639 thousand.

d. Deferred taxes

| | December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | Euros in thousands | |
| Deferred tax liabilities | | |
| Inventory of buildings under construction, inventory of real estate and investment property | (149,414) | (127,641) |
| Debentures | (63) | (88) |
| Others | (223) | (311) |
| | (149,700) | (128,040) |
| Deferred tax assets | | |
| Losses carried forward for tax purposes | 15,639 | 4,410 |
| Revaluation of financial derivatives | 39 | 95 |
| | 15,678 | 4,505 |
| Deferred tax liabilities, net | (134,022) | (123,535) |
| Deferred taxes are presented in the statement of financial position as follows: | | |
| Non-current assets | 5,371 | 187 |
| Non-current liabilities | (139,393) | (123,722) |
| | (134,022) | (123,535) |

**NOTE 17: - TAXES ON INCOME (Cont.)**

The change in deferred taxes in the reported periods is composed as follows:

| | Year ended December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | Euros in thousands | |
| Deferred tax liabilities | | |
| Inventory of buildings under construction, inventory of real estate and investment property | 31,363 | 12,715 |
| Revaluation of financial derivatives | 55 | (395) |
| Others | (83) | (847) |
| | 31,335 | 11,473 |
| Deferred tax assets | | |
| Losses carried forward for tax purposes | (11,230) | 3,466 |
| Debentures | (26) | (280) |
| | (11,256) | 3,186 |
| Deconsolidation and others | - | (736) |
| Deferred tax expenses (income), net | 20,079 | 13,923 |

The deferred taxes are computed at an average tax rate of 15.825% based on the tax rates expected to apply on realization. Deferred taxes in respect of inventory of apartments under construction and inventory of real estate are calculated at a tax rate of 31.225%. Deferred taxes in respect of carryforward tax losses in the Netherlands are calculated at a tax rate the Company expects that these losses will be utilized.

**NOTE 17: - TAXES ON INCOME (Cont.)**

e. Taxes on income included in the statements of profit or loss

| | Statement of profit or loss | | |
|---|---|---|---|
| | Year ended December 31, | | |
| | 2021 | 2020 | 2019 |
| | Euros in thousands | | |
| Deferred taxes, see also d. above | 20,079 | 13,923 | (7,565) |
| Current taxes and taxes in respect of previous years and others | 4,283 | 13,671 | 19,823 |
| Tax expenses | 24,362 | 27,594 | 12,258 |

f. Theoretical tax

The following is the reconciliation between the tax expense, assuming that all revenues and expenses, gains and losses in the statement of profit or loss had been taxed at the statutory tax rate in the Netherlands and the amount of taxes on income charged in the statement of profit or loss:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| | Euros in thousands | | |
| Income before taxes on income | 96,938 | 125,287 | 29,885 |
| Statutory tax rate in the Netherlands | 25% | 25% | 25% |
| Tax calculated using statutory tax rate | 24,235 | 31,322 | 7,471 |
| Deferred tax assets created in other tax rate and others, net | (1,822) | (5,824) | 5,111 |
| Taxes for previous periods | 1,949 | 2,096 | (324) |
| Taxes on income | 24,362 | 27,594 | 12,258 |

**NOTE 18: - CONTINGENT LIABILITIES, COMMITMENTS, LIENS AND COLLATERALS**

a. contingent liabilities, liens and collaterals

1. As collateral for non-recourse loans from banking corporations, liens have been registered on investment properties and real estate inventory and also on the bank accounts into which rental fees are received, rights in respect of insurance policies, a lien on the shares of the company holding the asset etc. (see Note 11). Each property is owned by a consolidated SPV company. In respect of some of the properties, a cross-guarantee secures credit facilities taken for acquisition of the properties.

   Some of the loan agreements contain "negative lien" provisions, whereby the borrowers are prohibited from creating additional liens on the encumbered assets and revenues, without receiving the prior explicit consent of the lender.

2. As part of a loan agreement signed during September 2021 with a banking corporation to receive € 28.0 million to finance Stage I of the Düsseldorf project, the Company paid € 2.6 million which is held in the lending bank as a guarantee in favor of the local authority for securing the liabilities of the project company according to the agreement with the local authority. The annual interest rate on the guarantee is 2.0 % and is calculated only for the amount that was actually granted as a guarantee.

3. Regarding the pledge provided in respect of debentures, see Note 11d - f.

4. The balance of secured liabilities is EUR 674.9 million (2020 - EUR 504.2 million).

5. As part of developing the inventory of buildings under construction for Stage A (see Note 6), the Company entered into agreement with a performing contractor for constructing the project. As of December 31, 2017, the construction work was finalized by the contractor. In the final settlement of accounts, the contractor requested additional payment from the Company in the amount of € 12.5 million. The Company rejected the arguments of the contractor and demanded that the contractor will compensate the Company for an amount (which is still not final) of € 4 million due to various breaches of the contract by the contractor. In June 2019, the Company reached with the contractor an interim agreement and on July 1, 2019 paid the contractor € 2 million. On February 11, 2022, the Company paid the contractor an additional EUR 0.5 million and after this payment the parties agreed to conclude the claim.

b. Claims

Lawsuits have been filed against the Group totaling some € 2,941 thousand. In the estimation of Group management, relying *inter alia* on the opinions of its legal counsel, the provisions contained in the financial statements are sufficient to cover the possible exposure, as a result of these lawsuits.

**NOTE 18: - CONTINGENT LIABILITIES, COMMITMENTS, LIENS AND COLLATERALS (Cont.)**

c. Commitments

1. In January and February 2019, as part of the exercise of the refusal right/offer to acquire the rights of the investors who invested in some of the Company's assets at rates between 23% - 42%, the Company notified the investors of the exercise of the refusal right and consequently the Company and the holders of rights began negotiations for the acquisition of the investors' rights in order to carry out the transaction and to improve the transaction structure, the Company entered into agreement with ADLER such that a subsidiary of ADLER will purchase 10.1% of the rights in the relevant asset companies. Accordingly, on July 1, 2019, the Company completed the above purchase of rights (except for the rights at a rate of 10.1% that were purchased by ADLER) in a total consideration of € 64.7 million.

2. Commitment for regulatory purposes - On December 16, 2020, the Company's Board of Directors approved the sale of 0.1% of the asset companies held by the Company, as part of the Company's preparations for regulatory changes which may take place in Germany in the coming years. On December 18, 2020, and as a precaution, the transaction was classified by the Company's Audit Committee as a non-exceptional transaction in which the controlling shareholder has a personal interest, taking into account the fact that the company entered into similar transactions with several subsidiaries of ADLER, the controlling shareholder of the Company, holding a negligible rate in such companies and in the past the ultimate controlling shareholder of the acquiring company indirectly held shares of ADLER Group SA. It should be clarified that as of the transaction approval date and to the best of the company's knowledge, the shares of ADLER Group SA were no longer held by the ultimate controlling shareholder (and in any case did not hold more than 5% of the shares of ADLER Group SA).

   The transaction was made in the ordinary course of the Company's business, on market terms and in immaterial amount to the Company.

**NOTE 18: - CONTINGENT LIABILITIES, COMMITMENTS, LIENS AND COLLATERALS (Cont.)**

3. On August 12, 2020, the Company announced that following the recommendation and approval of the Company's Remuneration Committee, the Company's Board of Directors decided to approve the Company's new Remuneration Policy, stating that despite the opposition of the general meeting held on July 29, 2020, the approval of the new Remuneration Policy is in the best interest of the Company and in accordance with section 267A (c) of the Companies Law, 5769-1999. The approved remuneration policy also settles remuneration for directors and officers including setting fixed and variable components of remuneration to directors and officers, reimbursement of expenses, retirement conditions and issues of indemnification and insurance. The approved remuneration policy also settles situations in which the officers provide services to both the Company's parent company and the Company and will be valid for a period of three years beginning on July 29, 2020.

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

5. On June 30, 2021, the Company and another company that holds a negligible rate for regulatory purposes in the asset companies of the controlling shareholder of the Company (the "Additional Buyer") signed an agreement to acquire investor rights in a subsidiary holding the various stages of the Grafental project for a total of about 18 EUR million, when the Company acquired 5.8% of the rights for EUR 6.6 million and the additional buyer, who received a loan of about EUR 11.4 million from the Company (at an annual interest of 0.35%) purchased the remaining 10.1% of the rights for EUR 11.4 million which is presented in the statement of financial position as of December 31, 2021 under receivables in non-current assets. The total consideration was paid to the investors on July 1, 2021 and was reflected as transaction with non-controlling interests in the statement of changes in equity.

## NOTE 19: - EQUITY

a. Composition of share capital

| | December 31, 2021 and 2020 | |
|---|---|---|
| | Authorized | Issued and paid-up |
| Ordinary shares of € 0.01par value each | 22,500,000 | 7,730,875 |

(*) excluding treasury shares – see Note 19c below.

b. Capital management in the Company

The Company acts in order to guarantee a capital structure allowing the Company to support its channels and maximize value to its shareholders. The Company manages the structure of its capital and makes changes in accordance with changes in the environment in which the Company operates.

c. Treasury shares - shares of the Company held by the Company

The holding of the Company in the Company's shares includes 31,688 treasury shares constituting 0.4% of the Company's issued and outstanding share capital.

d. Classifications according to Dutch law - statutory capital reserve

In accordance with Dutch law provisions applicable to the Company, gains from fair value adjustments, which have not been realized, cannot be distributed as dividends. In addition, earnings of investees cannot be distributed as dividends, unless distributed by the subsidiaries themselves. At the same time, according to Dutch law, these earnings can be distributed only after their conversion into share capital and a reduction in equity as a result of the dividend distribution.

In the reported period, the Company classified the distributable earnings out of the statutory capital reserve. Accordingly, the balance of distributable earnings under Dutch law as of December 31, 2021 is EUR 202.9 thousand.

e. The Company's rating

On October 14, 2021, S&P Maalot announced that the Company's ratings are included in the credit watch with negative consequences due to the weakening of the Group's credit quality and including the ratings of the parent company and the controlling shareholder in the credit watch with negative consequences. Further to this reporting, on December 9, 2021, S&P Maalot announced the ratification of Company's ratings and removing it from the watch list with negative consequences. After the report date, on February 15, 2022, Maalot S&P announced the inclusion of the Company's ratings in the credit watch with negative consequences following the weakening of the ADLER Group's credit quality and the inclusion of its ratings in the credit watch with negative consequences.

**NOTE 20: - SUPPLEMENTARY INFORMATION TO ITEMS OF STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

| | Year ended December 31, | | |
|---|---|---|---|
| | **2021** | **2020** | **2019** |
| | **Euros in thousands** | | |
| a. Cost of maintenance of rental properties: | | | |
| Salaries, electricity, water and gas | 1,675 | 1,646 | 1,737 |
| Maintenance and repairs | 6,382 | 6,493 | 6,054 |
| Land taxes | 592 | 569 | 661 |
| Insurance | 27 | 43 | 125 |
| Doubtful accounts and bad debts | 686 | 1,217 | 2,672 |
| Marketing | 437 | 462 | 685 |
| Others | 429 | 1,176 | 362 |
| | 10,228 | 11,606 | 12,296 |
| b. General and administrative expenses | | | |
| Property management, salary expenses and others | 5,223 | 5,642 | 6,091 |
| Expenses for sale transactions of assets not yet realized | 426 | 1,698 | 3,992 |
| Legal and other professional services | 3,424 | 3,617 | 3,560 |
| Travel expenses, rent and office maintenance and others | 2,474 | 2,368 | 2,495 |
| | 11,547 | 13,325 | 16,138 |

**NOTE 20: - SUPPLEMENTARY INFORMATION TO ITEMS OF STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Cont.)**

| | Year ended December 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| | Euros in thousands | | |
| c. Financial expenses excluding the effect of exchange rate differences and currency hedging transactions | | | |
| (1) Interest, bank charges and others | | | |
| Interest expenses on loans and debentures | (9,442) | (13,201) | (16,859) |
| Bank charges, guarantee commission and others | (380) | (164) | (166) |
| Leasing finance expenses | (36) | (215) | (215) |
| | (9,858) | (13,580) | (17,240) |
| (2) Amortization of finance costs and others | | | |
| Amortization of financial costs on loans and debentures | (777) | (1,457) | (1,850) |
| | (10,635) | (15,037) | (19,090) |
| d Effect of exchange rate differences indexing and currency hedging transactions, net | | | |
| Gain (Loss) from exchange rate differences in respect of debentures and cash, net | (8,275) | 1,679 | (10,821) |
| Linkage differences in respect of debentures | (1,748) | 553 | (574) |
| Gain from currency hedging transactions | - | 1,496 | 2,419 |
| | (10,023) | 3,728 | (8,976) |
| e. Change in fair value of financial instruments, loans and others (including early repayment of loans) | | | |
| Gain (loss) from revaluation of interest rate swap, net | 325 | 23 | (284) |
| Gain (loss) from revaluation of marketable financial asset measured at fair value through profit or loss (*) | (29,274) | 438 | (1,364) |
| Loan early repayment costs | - | | (9,643) |
| Others | - | 825 | - |
| | (28,949) | 1,286 | (11,291) |

(*) Regarding a loss from revaluation of marketable financial asset measured at fair value through profit or loss see Note 14(1).

## NOTE 21: - NET EARNINGS PER SHARE

a. Details of number of shares used in calculating net earnings per share

| | Year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | 2020 | | 2019 | |
| | Weighted number of shares | Net income attributable to equity holders of the Company | Weighted number of shares | Net income attributable to equity holders of the Company | Weighted number of shares | Net income attributable to equity holders of the Company |
| | In thousands | Euros in thousands | In thousands | Euros in thousands | In thousands | Euros in thousands |
| For the purpose of calculating basic and diluted net earnings | 7,731 | 72,676 | 7,731 | 92,695 | 7,731 | 18,318 |

## NOTE 22: - OPERATING SEGMENTS

General

Operating segments have been determined based on information reviewed by the Chief Operational Decision Maker (CODM) for the purpose of making decisions with regard to resource allocation and performance assessment (Company Board of Directors). Accordingly, for management purposes, the Group consists of operating segments of business units and has four operating segments, as follows:

| | | |
|---|---|---|
| Income generating commercial real estate | - | Leasing property for commercial purposes. |
| Income generating residential real estate | - | Leasing residential real estate. |
| Land for betterment and value of construction rights | - | Land undergoing betterment. |
| Residential development | - | Inventory of apartments under construction and inventory of real estate |

The operating segments data are based on the accounting policy of the Company.

Segment revenues include rental revenues and revenues from property management.

The segment results reported to the operational decision maker include items that relate directly to segment. Items not allocated include mainly general and administrative expenses, financing costs, financing income, adjustment to fair value of financial instruments and taxes on income, which are managed on a Group basis. See also Note 2z.

Assets allocated directly to the segment represent the balance of investment property and inventory of real estate and apartments under construction and financial derivatives relating directly to the asset company, whilst liabilities allocated directly to the segment are loans and derivatives relating directly to the asset company and also long-term liabilities that are capable of being attributed specifically. The balance of assets and liabilities is not allocated directly to segments.

## NOTE 22: - OPERATING SEGMENTS (Cont.)

a. Operating segment report

| | 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** | | | | | |
| 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 | (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 |

(*) With respect to assets designated for sale and assets realized in the report period, see note 8f.

## NOTE 22: - 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, 2020** | | | | | |
| Revenues from property rental | 9,361 | 52,355 | 172 | - | 61,888 |
| Revenues from property management and others | 2,615 | 21,970 | 93 | - | 24,678 |
| Property management expenses | (2,916) | (21,803) | (136) | - | (24,855) |
| Rental property maintenance expenses | (4,777) | (6,534) | (295) | - | (11,606) |
| Total rental and management revenues (expenses), net | 4,283 | 45,988 | (166) | - | 50,105 |
| Revenues from sale of apartments | - | - | - | 72,548 | 72,548 |
| Cost of sale of apartments | - | - | - | (58,172) | (58,172) |
| Gain from sale of apartments | - | - | - | 14,376 | 14,376 |
| Other income | 500 | - | - | - | 500 |
| Group's share in earnings of companies accounted at equity | 262 | - | - | - | 262 |
| Gain from realization of investment in a company accounted at equity | - | 2,011 | - | - | 2,011 |
| General and administrative expenses | | | | | (13,325) |
| Selling and marketing and general and administrative expenses attributed to inventory of buildings under construction and inventory of real estate | - | - | - | (1,840) | (1,840) |
| Appreciation (impairment) of investment property, net | (28,224) | 115,900 | (4,455) | - | 83,221 |
| Financial expenses, net | | | | | (10,023) |
| Income before taxes on income | | | | | 125,287 |

## NOTE 22: - 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, 2019** | | | | | |
| Revenues from property rental | 23,414 | 50,083 | 274 | - | 73,771 |
| Revenues from property management and others | 4,866 | 20,985 | 53 | - | 25,904 |
| Property management expenses | (4,897) | (20,963) | (39) | - | (25,899) |
| Rental property maintenance expenses | (4,102) | (8,080) | (114) | - | (12,296) |
| Total rental and management revenues, net | 19,281 | 42,025 | 174 | - | 61,480 |
| Revenues from sale of apartments | - | - | - | 70,029 | 70,029 |
| Cost of sale of apartments | - | - | - | (56,999) | (56,999) |
| Gain from sale of apartments | - | - | - | 13,030 | 13,030 |
| Group's share in losses of companies accounted at equity | (107) | - | - | - | (107) |
| General and administrative expenses | | | | | (16,138) |
| Selling and marketing and general and administrative expenses attributed to inventory of buildings under construction and inventory of real estate | - | - | - | (2,361) | (2,361) |
| Appreciation (impairment) of investment property, net | (37,293) | 54,810 | (4,179) | - | 13,338 |
| Financial expenses, net | | | | | (39,357) |
| Income before taxes on income | | | | | 29,885 |

## NOTE 22: - OPERATING SEGMENTS (Cont.)

b. Additional information

| | 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 | | | | | |
| Capital investments | 1,147 | 16,033 | 41,666 | - | 58,846 |
| For the year ended December 31, 2020 | | | | | |
| Capital investments | 1,725 | 14,700 | 3,316 | - | 19,741 |
| For the year ended December 31, 2019 | | | | | |
| Capital investments | 2,525 | 13,422 | 2,164 | - | 18,111 |
| As of December 31, 2021 | | | | | |
| Segment assets (*) | 25,313 | 1,346,155 | 342,502 | - | 1,713,970 |
| Unallocated assets | | | | | 10,360 |
| Segment liabilities (*) | 16,463 | 536,426 | 217,546 | - | 770,435 |
| Unallocated liabilities | | | | | 72,560 |
| As of December 31, 2020 | | | | | |
| Segment assets (*) | 81,723 | 1,177,009 | 66,374 | 94,442 | 1,419,548 |
| Unallocated assets | | | | | 49,997 |
| Segment liabilities (*) | 24,407 | 515,301 | 13,077 | 21,268 | 574,053 |
| Unallocated liabilities | | | | | 73,922 |

(*) excluding assets and liabilities presented as a disposal group held for sale
With respect to assets designated for sale and assets realized in the report period, see note 8f.

## NOTE 23: - TRANSACTIONS WITH INTERESTED AND RELATED PARTIES

a. Transactions with interested and related parties

| | Year ended December 31, 2021 | 2020 | 2019 |
|---|---|---|---|
| | Euros in thousands | | |
| Interest expenses for loan to controlling shareholder | - | - | 562 |

b. Benefits for key management personnel (including directors):

| | Year ended December 31, 2021 | | 2020 | | 2019 | |
|---|---|---|---|---|---|---|
| | No. of people | Amount - Euros in thousands | No. of people | Amount - Euros in thousands | No. of people | Amount - Euros in thousands |
| Short-term employee benefits (excluding directors) | 2 | 245 | 2 | 305 | 4 | 228 |
| | | | | | - | - |
| Total benefits for directors | 8 | 492 | 9 | 557 | 8 | 482 |

c. For information regarding the agreement with the controlling shareholder for the acquisition of non-controlling interests, see Note 18c.

d. On June 1, 2021, Mr. Eran Edelman was appointed as the Company's CFO.

e. With respect to distribution to the controller shareholder as a holder of non- controlling interests in the Company's subsidiaries, see Note 18c.

## NOTE 24: - DISCLOSURE ACCORDING TO IAS 1 FOR AMOUNTS EXPECTED TO BE SETTLED OR EXTINGUISHED 12 MONTHS AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

As stated in note 2k, the Group has two operating cycles. The operating cycle of apartments under construction is three years. The operating cycle of the remaining activities is one year. Accordingly, current assets and liabilities include items designated and expected to be materialized during the Company's operating cycle.

The following is a disclosure regarding assets and liabilities that are expected to be settled or extinguished, at the most, before 12 months after the date of statement of financial position and assets and liabilities that are expected to be settled or extinguished, after 12 months after the date of statement of financial position.

| | December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | EUR in thousands | |
| Assets that are expected to be settled, at the most, before12 months after the date of statement of financial position | 89,678 | 85,875 |
| Assets that are expected to be settled, after12 months after the date of statement of financial position | 1,664,982 | 1,411,491 |
| Total assets | 1,754,660 | 1,497,366 |
| Liabilities that are expected to be extinguished, at the most, before 12 months after the date of statement of financial position | 286,805 | 165,718 |
| Liabilities that are expected to be extinguished, after12 months after the date of statement of financial position | 556,420 | 486,218 |
| Total liabilities | 842,225 | 651,936 |

## NOTE 25: - MATERIAL EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

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 such transaction, the Company's subsidiaries may incur tax liability which as of this date is estimated in a range between EUR 17.5 million to EUR 30 million ,in view of the tax laws applicable in Germany.

2. On March 3, 2022, the Company's Board of Directors approved a private placement of NIS 528,440,367 par value of bonds (Series B) of the Company by way of expansion of the registered series. Additional bonds will be allocated to offerees by a 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 (if and to the extent completed) will be approximately NIS 576 million.

3. After the report date, at the end of February 2022, the Russian military invasion of Ukraine commenced as part of attempts by the Russian government to occupy Ukraine, due to geopolitical tensions between the countries. The escalation of tensions between the countries has led various Western entities, including the United States and the European Union, to impose various economic sanctions on Russia and personal and economic sanctions on the Russian business and political sector, in particular. Such sanctions, the fighting between the countries and the developing geopolitical crisis may have far-reaching effects (some of which are already evident at the time of publication of this report), both regarding prices and transportation of common raw materials in the world, including iron and oil, which may affect availability and cost of such materials also in connection with projects the Company is establishing, both on world economy, and among other things, on high volatility in the capital markets in Israel and around the world and in exchange rates and regarding demographic changes related to immigration and refugees. In the Company's opinion, as of the approval date of the report, the aforesaid events have no material effect on its activities, however, in light of the relatively short time from the invasion of Ukraine to the publication date of this report, as well as the uncertainty surrounding the continued fighting and its expansion, the joining of additional parties and/or the imposition of sanctions as well as its implications as set forth above, the Company is unable to assess at this stage the possible effect, if any, that this situation may have on its future operations.

## Appendix of holdings

Material subsidiaries and partnerships

| Name of entity | Country of incorporation | December 31, 2021 | December 31, 2020 |
|---|---|---|---|
| | | % in equity | % in equity |
| Brack German Properties BV | The Netherlands | 100 | 100 |
| Brack European Ingatlankezelö KFT | Hungary | - | 100 |
| Brack Capital (Remscheid) BV | The Netherlands | 99.9 | 99.9 |
| Brack Capital (Neubrandenburg) BV | The Netherlands | 99.9 | 99.9 |
| Brack Capital (Chemnitz) BV (1) | The Netherlands | 60 | 60 |
| Brack Capital (Hamburg) BV | The Netherlands | 100 | 100 |
| Brack Capital (D-Rosssatrasse) BV | The Netherlands | 99.9 | 99.9 |
| Brack Capital (D-Schanzenstrasse) BV | The Netherlands | 100 | 100 |
| Brack Capital (Gelsenkirchen) BV | The Netherlands | 99.9 | 99.9 |
| Brack Capital (Ludiwgsfelde) BV | The Netherlands | 99.9 | 99.9 |
| Brack Capital (Bad Kreuznach) BV | The Netherlands | 99.9 | 99.9 |
| Brack Capital Germany (Netherlands) XIX BV | The Netherlands | 99.9 | 99.9 |
| Brack Capital Beta BV | The Netherlands | 89.9 | 84.98 |
| Brack Capital Germany XXVI BV (Netherlands) | The Netherlands | 89.9 | 84.98 |
| Grafental Mitte B.V | The Netherlands | 89.9 | 84.98 |
| Brack Capital Germany XXX BV (Netherlands) | The Netherlands | 99.9 | 99.9 |
| Brack Capital Germany XXI BV (Netherlands) | The Netherlands | 99.9 | 99.9 |
| Brack Capital Germany (Netherlands) XII B.V. | The Netherlands | 100 | 100 |
| Brack Capital Germany (Netherlands) XLIX B.V. | The Netherlands | 99.9 | 99.9 |
| Brack Capital Alfa B.V. | The Netherlands | 89.9 | 89.9 |
| Brack Capital Delta B.V. | The Netherlands | 89.9 | 89.9 |
| Brack Capital Epsilon B.V. | The Netherlands | 100 | 100 |
| Brack Capital Kaufland S.a.r.l. | Luxemburg | 89.9 | 89.9 |
| TPL Augsburg S.a.r.l. | Luxemburg | 82.6 | 82.6 |
| TPL Bad Aibling S.a.r.l. | Luxemburg | 82.6 | 82.6 |
| TPL Borken S.a.r.l. | Luxemburg | 82.6 | 82.6 |
| TPL Erlangen S.a.r.l. | Luxemburg | - | 82.6 |
| TPL Geislingen S.a.r.l. | Luxemburg | 82.6 | 82.6 |
| TPL Vilshofen S.a.r.l. | Luxemburg | 82.6 | 82.6 |
| TPL Biberach S.a.r.l. | Luxemburg | 82.6 | 82.6 |
| TPL Ludwigsburg S.a.r.l. | Luxemburg | 82.6 | 82.6 |
| TPL Neckarsulm S.a.r.l. | Luxemburg | 82.6 | 82.6 |
| BCP Leipzig B.V. | The Netherlands | 89.8 | 89.8 |
| BCRE Leipzig Wohnen Nord B.V. | The Netherlands | 89.8 | 89.8 |
| BCRE Leipzig Wohnen Ost B.V. | The Netherlands | 89.8 | 89.8 |

(1) jointly controlled

## Appendix of holdings (Cont.)

| | Country of incorporation | December 31, 2021 | December 31, 2020 |
|---|---|---|---|
| | | % in equity | |
| BCRE Leipzig Wohnen West B.V. | The Netherlands | 89.8 | 89.8 |
| Investpartner Gmbh | Germany | 94.8 | 94.8 |
| BRACK CAPITAL (WUPPERTAL) GMBH | Germany | 100 | 100 |
| BCRE Kassel I B.V (former BCRE UK B.V) | The Netherlands | 100 | 100 |
| Brack Capital Germany (Netherlands) XXII B.V. | The Netherlands | 100 | 100 |
| BCRE Dortmund Wohnen B.V. | The Netherlands | 99.9 | 99.9 |
| BCRE Duisburg Wohnen B.V. | The Netherlands | 99.9 | 99.9 |
| BCRE Essen Wohnen B.V. | The Netherlands | 99.9 | 99.9 |
| Brack Capital Germany (Netherlands) XXXVI B.V. | The Netherlands | 99.9 | 99.9 |
| Brack Capital Germany (Netherlands) XVII B.V. | The Netherlands | 100 | 100 |
| Brack Capital Germany (Netherlands) XVIII B.V. | The Netherlands | 100 | 100 |
| Brack Capital Germany (Netherlands) XXIII B.V. | The Netherlands | 100 | 100 |
| Brack Capital Germany (Netherlands) XXV B.V. | The Netherlands | 100 | 100 |
| Admiralty Holdings Ltd | Gibraltar | 10.1 | 10.1 |
| BCRE Eta B.V. | The Netherlands | 100 | 100 |
| Brack Capital Labda B.V. | The Netherlands | 100 | 100 |
| Hanse Holdings S.á r.l. | Luxemburg | 10.1 | 10.1 |
| Graniak Leipzig Real Estate GmbH & Co. KG | Germany | 89.7 | 89.7 |
| Brack Capital Germany (Netherlands) XXIV B.V | The Netherlands | 10.1 | 10.1 |
| Brack Capital Germany (Netherlands) XXXV BV | The Netherlands | 99.9 | 99.9 |
| Brack Capital Germany (Netherlands) XXXVII BV | The Netherlands | 99.9 | 99.9 |
| Brack Capital Germany (Netherlands) XXXVIII BV | The Netherlands | 99.9 | 99.9 |
| Brack Capital Germany (Netherlands) XL BV | The Netherlands | 100 | 100 |
| Parkblick Gmbh & Co. KG | Germany | 99.9 | 99.9 |
| Capital Germany (Netherlands) XXXIX BV | The Netherlands | 99.9 | 99.9 |
| Brack Capital Germany (Netherlands) XLI BV | The Netherlands | 99.9 | 99.9 |
| Brack Capital Germany (Netherlands) XLII BV | The Netherlands | 99.9 | 99.9 |
| Brack Capital Germany (Netherlands) XLV BV | The Netherlands | 100 | 100 |
| Brack Capital Theta B.V. | The Netherlands | 100 | 100 |
| Brack Capital Germany (Netherlands) XLIII BV | The Netherlands | 100 | 100 |
| Brack Capital Germany (Netherlands) XLIV BV | The Netherlands | 99.9 | 99.9 |
| Brack Capital Germany (Netherlands) XXXI BV | The Netherlands | 99.9 | 99.9 |
| Brack Capital Germany (Netherlands) XLVI BV | The Netherlands | 100 | 100 |
| Brack Capital Germany (Netherlands) L B.V. | The Netherlands | 100 | 100 |
| Brack Capital Germany (Netherlands) LI B.V. | The Netherlands | 99.9 | 99.9 |
| Brack Capital Germany (Netherlands) LII B.V. | The Netherlands | 100 | 100 |
| Brack Capital Germany (Netherlands) LIII B.V. | The Netherlands | 99.9 | 99.9 |
| Brack Capital Germany (Netherlands) LIV B.V. | The Netherlands | 100 | 100 |
| Brack Capital Germany (Netherlands) LV B.V. | The Netherlands | 100 | 100 |
| Brack Capital Germany (Netherlands) XLVII B.V. | The Netherlands | 99.9 | 99.9 |

| | | | |
|---|---|---|---|
| Brack Capital Germany (Netherlands) XLVIII B.V. | The Netherlands | 100 | 100 |
| SHIB Capital Future Services Ltd. | Israel | 100 | 100 |
| RT Facility Management GmbH & Co. KG | Germany | 100 | 100 |
| Brack Capital Patros GmbH | Germany | 100 | 100 |
| Brack Capital Halle I GmbH | Germany | 94.8 | 94.8 |
| Brack Capital Halle II GmbH | Germany | 94.8 | 94.8 |
| Brack Capital Halle III GmbH | Germany | 94.8 | 94.8 |
| Brack Capital Halle IV GmbH | Germany | 94.8 | 94.8 |
| Brack Capital Halle V GmbH | Germany | 94.8 | 94.8 |
| Brack Capital Leipzig I GmbH | Germany | 94.8 | 94.8 |
| Brack Capital Leipzig II GmbH | Germany | 94.8 | 94.8 |
| Brack Capital Leipzig III GmbH | Germany | 94.8 | 94.8 |
| Brack Capital Leipzig IV GmbH | Germany | 94.8 | 94.8 |
| Brack Capital Leipzig V GmbH | Germany | 94.8 | 94.8 |
| Brack Capital Leipzig VI GmbH | Germany | 94.8 | 94.8 |
| Brack Capital Magdeburg II GmbH | Germany | 94.8 | 94.8 |
| Brack Capital Magdeburg III GmbH | Germany | 94.8 | 94.8 |
| Brack Capital Magdeburg IV GmbH | Germany | 94.8 | 94.8 |
| Brack Capital Magdeburg V GmbH | Germany | 94.8 | 94.8 |
| Brack Capital Magdeburg VI GmbH | Germany | 94.8 | 94.8 |
| Glasmacherviertel GmbH & Co. KG [1] | Germany | 100 | 25 |
| BCP Invest Rostock B.V. | The Netherlands | 100 | 100 |
| BCP Invest Celle B.V | The Netherlands | 100 | 100 |
| BCP Invest Castrop B.V | The Netherlands | 100 | 100 |

(*) Regarding the agreement for regaining a holding of 75% of this entity see Note 6b(1).

**BRACK CAPITAL PROPERTIES NV**

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

**AS OF DECEMBER 31, 2021**

**SPECIAL REPORT IN ACCORDANCE WITH REGULATION 9C**

**FINANCIAL DATA AND FINANCIAL INFORMATION FROM THE CONSOLIDATED FINANCIAL STATEMENTS**

**ATTRIBUTED TO THE COMPANY ITSELF**

The following are financial data and separate financial information attributed to the Company from the consolidated financial statements of the group as of December 31, 2021 published under the periodic reports (consolidated statements) which are presented in accordance with Regulation 9c of the Securities Regulations (Periodic and Immediate Reports), 1970, as the case may be.

The significant accounting policies applied for presenting these financial data were specified in Note 2 of the consolidated financial statements.

Investees are as defined in Note 1b of the consolidated financial statements.

עמית, חלפון

Somekh Chaikin
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Tel Aviv 61006, Israel
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To:
The shareholders of Brack Capital Properties NV

**Subject: Special auditors' report on separate financial data according to Regulation 9C of the Securities Regulations (Periodic and Immediate Reports) – 1970**

We have audited the separate financial data presented in accordance with Regulation 9C of the Securities Regulations (Periodic and Immediate Reports) – 1970 of Brack Capital Properties NV (hereinafter – "the Company") as at December 31, 2021 and for the year then ended**.** The separate financial data are the responsibility of the Company's Board of Directors and of its Management. Our responsibility is to express an opinion on the separate financial data based on our audit.

The Company's separate financial information as of December 31, 2020 and for the years 2020 and 2019 was audited by Amit Halfon, certified public accountants whose report on March 3, 2021 included an unqualified opinion.

We conducted our audit in accordance with generally accepted auditing standards in Israel. Such standards require that we plan and perform the audit to obtain reasonable assurance that the financial data are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the separate financial data. An audit also includes assessing the accounting principles used in preparing the separate financial data and the significant estimates made by the Board of Directors and by Management, as well as evaluating the separate financial data presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the separate financial data has been prepared, in all material respects, in accordance with Regulation 9C of the Securities Regulations (Periodic and Immediate Reports) - 1970.

| | |
|---|---|
| Somekh Chaikin | Amit Halfon |
| Certified Public Accountants (Isr.) | Certified Public Accountants (Isr.) |
| March 24, 2022 | March 24, 2022 |

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

| | December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | Euros in thousands | |
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents (1) | 1,060 | 972 |
| Cash and cash equivalents in trust (1) | 5,358 | 7,284 |
| Restricted deposits, financial assets and other receivables (1) | 197 | 663 |
| | 6,615 | 8,919 |
| NON-CURRENT ASSETS: | | |
| Investment in investee | 935,626 | 833,121 |
| Investment in marketable financial asset measured at fair value through profit or loss | 6,819 | 36,093 |
| | 942,445 | 869,214 |
| | 949,060 | 878,133 |
| Current Liabilities | | |
| Current maturity of debentures | 11,508 | 10,013 |
| Other payables and other financial liabilities | 421 | 424 |
| | 11,929 | 10,437 |
| Non-Current Liabilities | | |
| Debentures | 60,841 | 62,967 |
| Loans from controlling shareholder | - | - |
| | 60,841 | 62,967 |
| Equity | | |
| Share Capital | 77 | 77 |
| Premium on Shares | 144,237 | 144,237 |
| Treasury Shares | (746) | (746) |
| Other capital reserves | (531) | 584 |
| Statutory capital reserve | 530,385 | 438,591 |
| Retained earnings | 202,868 | 221,986 |
| Total equity | 876,290 | 804,729 |
| | 949,060 | 878,133 |

(1) As of December 31, 2021, the Company has a balance of € 821 thousand (in 2020 - € 769 thousand) denominated in NIS

| March 24, 2022 | | | |
|---|---|---|---|
| Date of approval of the financial statements | Patrick Burke<br>Chairman of the Board of Directors | Thierry Beaudemoulin<br>CEO | Eran Edelman<br>CFO |

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

## AMOUNTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME INCLUDED IN THE CONSOLIDATED STATEMENTS ATTRIBUTED TO THE COMPANY

| | Year ended December 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| | Euros in thousands | | |
| Administrative and general expenses | (2,434) | (2,361) | (2,399) |
| Financial expenses, net | (41,744) | (650) | (15,284) |
| Equity in earnings of investees | 116,854 | 95,706 | 36,001 |
| Net and comprehensive income | 72,676 | 92,695 | 18,318 |

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

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

| | Year ended December 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| | Euros in thousands | | |
| Cash flows from operating activities: | | | |
| Net income attributed to the Company's shareholders | 72,676 | 92,695 | 18,318 |
| Adjustments required to present net cash provided by operating activities: | | | |
| Adjustments to the profit or loss items: | | | |
| Financial expenses (income), net | 41,164 | (1,961) | 15,122 |
| Equity in earnings of investees | (116,854) | (95,706) | (36,001) |
| | (75,690) | (97,667) | (20,879) |
| Changes in assets and liabilities items: | | | |
| Decrease (increase) in other receivables and related parties | 466 | 302 | (630) |
| Increase (decrease) in other accounts payable and related parties | 67 | 470 | 1,927 |
| | 533 | 772 | 1,297 |
| Net cash used in operating activities | (2,481) | (4,200) | (1,264) |
| Cash Flows from investing activities | | | |
| Change in investment in investees and in cash and cash equivalents in trust, net | 16,275 | 74,060 | (25,835) |
| Investment in financial asset measured at fair value through profit or loss | - | - | - |
| Decrease (increase) in restricted deposits | - | 146 | 431 |
| Interest received and exercise of derivatives | - | 3,131 | 940 |
| Net cash provided by (used in) investing activities | 16,275 | 77,337 | (24,464) |

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

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

| | Year ended December 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| | Euros in thousands | | |
| Cash flows from financing activities | | | |
| Interest paid | (2,408) | (3,579) | (4,159) |
| Receipt (repayment) of long term loans from controlling shareholder | - | (44,200) | 44,200 |
| Repayment of debentures | (11,298) | (25,706) | (18,679) |
| Net cash provided by (used in) financing activities | (13,706) | (73,485) | 21,362 |
| Change in cash and cash equivalents | 88 | (348) | (4,366) |
| Balance of cash and cash equivalents at the beginning of the year | 972 | 1,320 | 5,686 |
| Balance of cash and cash equivalents at the end of the year | 1,060 | 972 | 1,320 |

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

## a. General

This separate financial information has been prepared in a condensed format in accordance with Regulation 9c 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 related notes.

Regarding the outbreak of the Corona virus (COVID -19) and its effect on the Company's operations and its results, see Note 1c in the condensed interim consolidated financial statements as of December 31, 2021.

## b. Material events in the reported period

1. On July 23, 2018, the Company acquired shares in a public company incorporated in Germany, whose shares are traded on the unofficial supervised Frankfurt Stock Exchange and in the German residential real estate development market, which is unrelated to the Company or its controlling shareholder ("the Target Company"). The purchased shares represented 4.1% of the issued and outstanding share capital of the target company, for a total consideration of € 35 million. Following the acquisition date of the Target Company's shares by the Company, control of the Target Company was acquired by a shareholder in ADLER, whose shares are traded on the unofficial supervised stock exchange of Frankfurt. It should be noted that during the reporting period, the shareholder held (indirectly) control of ADLER. As of the date of signing the report, said shareholder no longer holds control of ADLER. In the fourth quarter of 2021, there was a material decline in the value of the investment in the Target Company, which as of the report date, the Company holds 3.02% of the Target Company's shares. This investment is classified as a financial instrument presented at fair value through profit or loss valued at € 6.8 million as of December 31, 2021 grossing up a loss for the Company of € 28.2 million

2. On May 31, 2021, Mr. Thomas Stienlet concluded his position as the Company's CFO and on June 1, 2021, Mr. Eran Edelman was appointed as the Company's CFO.

3. On March 3, 2022, the Company's Board of Directors approved a private placement of NIS 528,440,367 of bonds (Series B) of the Company by way of expansion of the registered series. The additional bonds will be allocated to offerees in the private placement by way of series expansion at a uniform price of 109Agorot for every 1 NIS par value )Series B) of the Company reflecting an effective interest rate in respect of the additional bonds of approximately 1%. The total gross proceeds of the private placement (if and to the extent completed) will be approximately NIS 576 million.

# Brack Capital Properties N.V.
# Chapter D - Additional Details about the Corporation

**Regulation 10a Quarterly Condensed Consolidated Statements of Profit or Loss (EUR thousands):**

| | 2021 | | | | |
|---|---|---|---|---|---|
| | **Q1** | **Q2** | **Q3** | **Q4** | **Total for four quarters** |
| Revenues from rental of properties | 15,053 | 14,840 | 14,701 | 14,649 | 59,243 |
| Revenues from property management and others | 6,031 | 5,942 | 5,978 | 5,755 | 23,706 |
| Property management expenses | (5,833) | (6,092) | (5,960) | (5,759) | (23,644) |
| Cost of maintenance of rental properties | (2,599) | (2,488) | (2,572) | (2,569) | (10,228) |
| Rental and management revenues, net | 12,652 | 12,202 | 12,147 | 12,076 | 49,077 |
| Revenues from sale of apartments | 1,582 | 6,719 | - | - | 8,301 |
| Cost of sale of apartments | (1,465) | (5,839) | - | - | (7,304) |
| Gain from sale of apartments | 117 | 880 | - | - | 997 |
| Other income | - | - | - | - | - |
| Equity in losses of companies accounted at equity | - | (1,999) | - | (84) | (2,083) |
| Gain from realization of investment in a company accounted at equity | - | - | - | - | - |
| General and administrative expenses | (3,314) | (2,404) | (2,973) | (2,856) | (11,547) |
| General and administrative expenses attributed to inventory of building under construction and real estate inventory | (600) | (271) | (276) | (306) | (1,453) |
| Marketing and selling expenses | (15) | (7) | (20) | (7) | (49) |
| Operating profit before change in value of investment property, net | 8,840 | 8,401 | 8,878 | 8,823 | 34,942 |
| Appreciation of investment property, net | 33,669 | 33,908 | 21,349 | 22,677 | 111,603 |
| Operating profit | 42,509 | 42,309 | 30,227 | 31,500 | 146,545 |
| Financing expenses excluding the impact of exchange rate differences and currency hedging transactions | (2,713) | (2,671) | (2,670) | (2,581) | (10,635) |

| | | | | | |
|---|---|---|---|---|---|
| Impact of exchange rate, index and currency hedging transactions, net | (645) | (1,660) | (3,386) | (4,332) | (10,023) |
| change in fair value of financial instruments, loans and others | (31) | (4,469) | (7,933) | (16,516) | (28,949) |
| Profit (loss) before taxes on income | 39,120 | 33,509 | 16,238 | 8,071 | 96,938 |
| Taxes on income | (7,339) | (6,704) | (2,189) | (8,130) | (24,362) |
| Net income (loss) | 31,781 | 26,805 | 14,049 | (59) | 72,576 |
| | | | | | |
| **Net income (loss) attributable to:** | | | | | |
| **Shareholders of the Company** | 30,799 | 27,967 | 13,923 | (13) | 72,676 |
| **Non-controlling interests** | 982 | (1,162) | 126 | (46) | (100) |

**<u>Regulation 10C</u> Use of proceeds from securities**

It should be indicated that after the date of the report, in 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 expanding the registered series, in order to refinance the Company's short-term liabilities and finance its operating activities. For further details in connection with the issuance of said securities, see section 10.5 of the Board of Directors' report attached as Chapter B to this report, as well as, immediate reports of the Company 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 reference.

**<u>Regulation 11</u> Investments in Material Subsidiaries and Associated Companies**

| Company name | Number of shares in registered capital | Issued and paid up capital | Par value | The value of the separate financial statements of December 31, 2021 (EUR thousands) | Equity rate | Voting rate | Rate of authority to appoint directors | Balance of bonds and loans provided (received) in the financial statement as of December 31, 2021 (USD thousands) |
|---|---|---|---|---|---|---|---|---|
| **Brack German Properties BV** | 9,000,000 | 1,978,261 | EUR 0.01 | 935,626 | 100% | 100% | 100% | - |

**Regulation 13** **Income of Material Subsidiaries and Associated Companies**

| Company name[1] | As of December 31 2021 | | | |
|---|---|---|---|---|
| | Dividends and management fees Received by the Company in EUR thousands | Interest revenue received by the Company in EUR thousands | Profit (loss) after tax | Profit (loss) before tax |
| **Brack German Properties BV[2]** | - | - | 799 | 799 |
| **Brack Capital Germany (Netherlands) XLV BV[3]** | - | 11,585 | 11,543 | 11,543 |
| **Brack Capital (Gelsenkirchen) B.V** | - | - | 4,057 | 4,805 |
| **Brack Capital (Bad Kreuznach) B.V** | - | - | 2,441 | 2,899 |
| **Brack Capital (Neubrandenburg) B.V** | - | - | (175) | 112 |
| **Brack Capital (Ludwigsfelde) B.V** | - | - | (38) | (170) |
| **Brack Capital (Remscheid) B.V** | - | - | (1,242) | (1,219) |
| **Brack Capital Germany (Netherlands) XIX B.V** | - | - | 2,722 | 3,161 |
| **Brack Capital Beta B.V[4]** | - | - | (6,558) | (2,282) |
| **Brack Capital Germany (Netherlands) XXX B.V** | - | - | 5,727 | 6,804 |
| **Brack Capital Germany (Netherlands) XXI B.V** | - | - | 7,062 | 8,575 |
| **Brack Capital Kaufland S.a.r.l[5]** | - | - | (2,782) | (3,325) |
| **BCP Leipzig B.V[6]** | - | - | 26,154 | 35,470 |
| **Invest Partner Gmbh** | - | - | 5,327 | 6,430 |
| **Brack Capital Theta B.V and Graniak Leipzig Real Estate GmbH & Co. KG** | - | - | 7,041 | 8,331 |

[1] Excluding inactive companies in which the investment and operating results are negligible.

[2] Constitutes part of the consolidation of companies for tax purposes; the attribution of taxes is performed on the level of the parent company.

[3] Constitutes part of the consolidation of companies for tax purposes; the attribution of taxes is performed on the level of the parent company.

[4] Including the consolidation of Brack Capital Germany (Netherlands) XXVI B.V, Grafental Mitte B.V

[5]Including consolidation of the companies TPL Augsburg S.a.r.l., TPL Bad Aibling S.a.r.l, TPL Biberach S.a.r.l., TPL Borken Sar.l, , TPL Geislingen S.a.r.l, TPL Ludwigsburg S.a.r.l., TPL Neckarsulm S.a.r.l, TPL Vilshofen S.a.r.l, Brack Capital Kaufland S.a.r.l .

[6] Including the consolidation of the companies: BCRE Leipzig Wohnen Nord B.V. ,BCRE Leipzig Wohnen Ost B.V. , BCRE Leipzig Wohnen West B.V..

| Company name | As of December 31 2021 | | | |
|---|---|---|---|---|
| | Dividends and management fees Received by the Company in EUR thousands | Interest revenue received by the Company in EUR thousands | Profit (loss) after tax | Profit (loss) before tax |
| | | | | |
| **Brack Capital Germany (Netherlands) XXII B.V.**[7] | - | - | 9,098 | 10,820 |
| **Brack Capital Germany (Netherlands) XXXVI B.V.** | - | - | 1,677 | 1,993 |
| **Tethys Nord**[8] | - | - | 18,100 | 21,272 |
| **Brack Capital Germany (Netherlands) XL BV** | - | - | (1,955) | (2,333) |
| **Brack Capital Germany (Netherlands) XLI BV** | - | - | 5,767 | 6,875 |
| **Brack Capital Germany (Netherlands) XLII BV** | - | - | 3,948 | 4,885 |
| **Brack Capital Germany (Netherlands) XLIV BV** | - | - | 8,958 | 10,674 |
| **Brack Capital Germany (Netherlands) XXXI BV** | - | - | 6,418 | 7,657 |
| **Brack Capital Germany (Netherlands) XLIX BV** | - | - | 276 | 324 |
| **Brack Capital Germany (Netherlands) XLVII BV** | - | - | 1,633 | 1,940 |
| **Brack Capital Germany (Netherlands) LI BV** | - | - | 1,738 | 2,074 |
| **Brack Capital Germany (Netherlands) LII BV and LIII BV**[9] | - | - | 6,678 | 8,140 |
| RT Facility Management GmbH & Co. KG | 7,578 | - | 177 | 114 |
| Brack Capital Germany (Netherlands) XLVIII BV | - | - | 2,451 | 2 |

[7] Including the consolidation of BCRE Dortmund Wohnen, Duisburg Wohnen B.V and BCRE Essen Wohnen B.V

[8] Including the consolidation of the companies: Brack Capital Germany (Netherlands) XXXV BV ,Brack Capital Germany (Netherlands) XXXVII BV ,Brack Capital Germany (Netherlands) XXXVIII BV-ו Capital Germany (Netherlands) XXXIX BV

[9] Including the consolidation of the companies:Brack capital Halle I-V GmbH ,Brack Capital Leipzig I-VI GmbH ,Brack Capital Magdeburg I-VI GmbH ,Brack Capital Patros GmbH ,Brack Capital Germany (Netherlands) LII B.V. ,Brack Capital Germany (Netherlands) LIII B.V.

**Regulation 20 Trading on the stock exchange**

Pursuant to the aforesaid in Regulation 10C above, on March 9, 2022, NIS 528,440,367 par value of the Company's bonds (Series B) were listed for trading.

**Regulation 21 remuneration to interested parties and senior officers:**

1. The Company's remuneration policy

   Pursuant to the provisions of section 267A (c) of the Companies Law, on August 11 and 12, 2020, the Company's Remuneration Committee and Board of Directors unanimously approved the adoption of the Company's Remuneration Policy, which is valid for a period of three years beginning July 29, 2020. See the Company's immediate report dated August 12, 2020 (reference number: 2020-01-078160), which is hereby included by reference. For further details regarding said remuneration policy, see the meeting convening report dated June 23, 2020 (Reference No.: 2020-01-057136), which is hereby included by reference ("Remuneration Policy").

2. The following details the amounts paid by the Company in 2021 as recognized in the financial statements for 2021, to each of the five highest compensated individuals among the Group's senior officers:

2

| Details of the recipient of the compensation: | | | | Compensation for services (EUR thousands) | | | | | | | | Total (EUR thousands) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Name** | **Position** | **Scope of Position** | **Rate of holdings in the Company's issued share capital (less "dormant shares") (as of the date of signing the Report)** | **Salary** | **Bonus** | **Share-based payment** | **Management Fees** | **Consulting fees** | **Commission** | **Other** | **Comments** | |
| Eran Edelman | CFO | Full | | 105 | 180 | - | - | - | - | 21 | - | 306 |
| Gary Wildbaum | Controller | Full | - | 140 | 50 | - | - | - | - | - | - | 190 |
| Board members[10] | - | - | - | 492 | - | - | - | - | - | - | - | 492 |

[10]Excluding Mr. Thierry Beaudmolin, who also serves as the Company's CEO, and who is not entitled to remuneration from the Companyfor both his position as CEO and for his role as a director. For further details regarding the inclusion of Mr. Beaudmoulin in the insurance arrangement in the Company see Regulation 29a below.

3. Additional details about remuneration terms to senior officers of the Company

3.1 Mr. Eran Edelman

Mr. Edelman has been the Company's CFO since June 1, 2021. On May 23, 2021, the Company entered into an employment agreement with Mr. Edelman for a period of 4 years (the "Employment Agreement"), the main points of which are as follows:

3.1.1 Fixed Remuneration: annual wages and social provisions, vacation days, sick leave, motor vehicle, electronic equipment and reimbursement of expenses as customary in the Company.

3.1.2 Grant: in accordance with the terms of the Company's remuneration policy, Mr. Edelman may be entitled to the following grants: (a) Performance-based/ target meeting/event-based remuneration: An annual grant in an amount not exceeding the annual base salary, in accordance with quantitative or qualitative criteria reflecting, inter alia, the contribution of Edelman to the economic performance of the Company, the achievement of his personal goals and the overall economic performance of the Company; (B) One-time grant: upon the occurrence of a significant business and unusual event as set forth in the Remuneration Policy, at the discretion of the Remuneration Committee and the Board of Directors of the Company and to an extent it does not exceed 3 annual salaries; (C) A grant at the discretion of the Remuneration Committee and the Board of Directors of the Company in an amount not exceeding 3 annual salaries. Further to the above and taking into account Mr. Edelman's great contribution to the Company and the great importance that the Remuneration Committee and the Company's Board of Directors considers of Mr. Edelman, Mr. Edelman was paid a total grant of EUR 180 thousand for 2021.

3.1.3 Termination of tenure: retirement grant, early notice period and adjustment grant in accordance with the Company's remuneration policy and the limits set forth therein; Subject to the foregoing, it should be noted that Mr. Edelman will be entitled to exercise his entitlement to retirement grant in the amount of six salaries, in the event of a change of control of the company (as defined in the employment agreement), and on the dates set forth in the agreement.

It should be indicated that, in light of what is stated in section 1.1.2 of Chapter A of this report, and inter alia, in light of Mr. Edelman's qualifications and eligibility conditions for a retirement grant in the event of a change of control under the employment agreement and in order to incentivize Mr. Edelman to remain in his position and fulfill the important position in the Company's management that he fulfills as of the report date and in accordance with the Company's Remuneration Policy, on January 27, 2022 and February 15, 2022 it was recommended and approved by the Remuneration Committee and the Company's Board of Directors, to enter into agreement with Mr. Edelman and amend the employment agreement for a period of nine (9) months from January 1, 2022, to September 30. , 2022, under which Mr. Edelman will be entitled to an increase in the annual base salary to the maximum possible under the Company's Remuneration Policy, a signature grant, eligibility in principle for a target-based remuneration, a discretionary grant and a one-time grant (all subject to the decision of the Remuneration Committee and Board of Directors and the remuneration policy of the Company ) and the section on the retirement grant and the conditions for changing the control in connection therewith were amended in a manner adapted to the Company's circumstances as of the date of publication of the report.

3.2 Mr. Gary Wildbaum

3.2.1 Remuneration components: employment cost includes only his wages.

3.2.2 Performance/target meeting/ event- dependent based remuneration: NA

3.2.3 One time grant: no such grant was in 2021.

3.2.4 Annual grant: annual grant of EUR 50 thousand.

The remuneration paid to Mr. Gary Wildbaum is in accordance with the Company's remuneration policy as it was on the date of his appointment and in accordance with the current remuneration policy.

3.3 Remuneration to interested parties in the Company

None

3.4 Remuneration of directors

The total amount paid to directors of the Company[11] for their service in 2021 was EUR 492 thousand, of which a total of EUR 102 thousand was paid to external directors of the Company and an amount of EUR 309 thousand was paid to directors who are not external directors in accordance with the 2020 Remuneration Policy and in an amount not to exceed the maximum amount specified in the Companies Regulations (Rules on Remuneration and Expenditure to External Director) 2000 ("Remuneration Regulations"), according to the degree in which the Company will periodically be classified, in connection with the annual remuneration and participation remuneration in meetings.

It should be noted that after the date of the report, the Companies Regulations (Rules regarding Remuneration and Expenses for an External Director) (Temporary Order), -2022, ("Corona Remuneration Regulations"), which stipulate, inter alia, that the Company's Board of Directors may set criteria according to which the participation of an external director in a meeting at which time a special health condition or emergency existed due to the corona virus ("**restrictions**"), which would be inherently held with the presence of participants and due to the restrictions imposed it was held with using media, will be classified as participation in an ordinary meeting for the purpose of remuneration to be paid to him for such meeting. The Corona Remuneration Regulations commence on March 15, 2020. Accordingly, in the meeting on March 24, 2022, and following the Remuneration Committee's recommendation, the Company's Board of Directors determined - (1) that in respect of meetings which were naturally supposed to take place frontally but in view of the restrictions following the spread of the Corona virus they were held by using the media (such as the Zoom or Teams app), including, the quarterly meetings of the board of directors and its convening committees, inter alia, for the purpose of discussing and approving the Company's financial statements, the Company's directors will be entitled to full participation remuneration (100%); And (2) on the basis of a calculation presented to the Remuneration Committee and the Company's Board of Directors, in relation to which meetings of the Board of Directors and its committees held effective March 15, 2020, the directors will be entitled to supplementing the participation remuneration to the full amount.

[11] See Regulation 21 (2) above.

Regulation 21a controlling shareholder of the corporation

As of the date of this report, the controlling shareholder of the Company is ADLER Real Estate AG ("ADLER")[12]. For further information regarding the commitment of ADLER to participate in a tender offer to sell the Company's full holdings see the Company's immediate report dated December 1, 2022 (2021-01-175176 which is hereby included by way of reference.

Regulation 22 Transactions with the controlling shareholders

The following are details, to the best of the Company's knowledge, of any transaction with the Company's controlling shareholder or transactions in which the controlling shareholder of the Company has a personal interest in their approval, which the Company has entered into in 2021 or later at the end of 2021 and up to the date of filing this report, or that are in effect on the date of issuing the report:

[12] ADLER (a) was incorporated in Germany as a stock corporation under the Stock Corporation Act of the Federal Republic of Germany (Aktiengesetz) and was incorporated as a company on July 5, 1895. ADLER's shares are traded on the Frankfurt Stock Exchange, Germany (ISIN: DE0005008007); (B) ADLER Group SA (hereinafter: "ADLER Group") is a public company (societe anonyme) incorporated under the laws of the State of Luxembourg, whose offices are registered at 1B, Heienhaff, L-1736 Senningerberg, Luxembourg, and is registered in the Commercial Register. RCS Luxembourg: B197554. The shares of ADLER Group are traded on the stock exchange in Frankfurt, Germany (LU1250154413); (C) To the best of the Company's knowledge and as provided to it by ADLER, as of [31.12.2021], there is one shareholder in the stakeholder holding (directly or indirectly) more than 5% of the shares in ADLER: ADLER Group is holding 96.72% of the capital rights and 96.72% of the voting rights in ADLER. With respect to ADLER Group, it should be noted that to the best of the Company's knowledge and as provided to it by ADLER Group, as of [31.12.2021], there are two shareholders in ADLER Group, who hold (directly or indirectly) more than 5% of the capital rights and / or of the voting rights in the ADLER Group: Günther Walcher holds 26.59% of the capital rights and 26.59% of the voting rights in the ADLER Group and Gerda Caner holds 7.44% of the capital rights and 7.44% of the voting rights in the ADLER Group . With regard to the shareholders in ADLER and the ADLER Group, it should be noted that the above data are based on the amount of voting rights as given to ADLER and ADLER Group in accordance with the relevant sections of the law in connection with the share capital of each of ADLER and ADLER Group. It should be noted that there may have been a change in the voting rights listed above, since the last time where details were provided to ADLER and ADLER Group and from ADLER and ADLER Group to the Company, as the relevant shareholders are not required to report a change in voting rights if they did not reach the required threshold to provide notice of the change in voting rights.

**Transactions that are not listed in Section 270(4) of the Companies Law**

1. Insurance broker services - the Company entered into an agreement with ADLER Assekuranzmakler GmbH & Co. KG. ("ADLER GmbH"), a subsidiary of the Company's controlling shareholder, by virtue of which ADLER GmbH will provide insurance broker services to the Company. On January 31, 2019, the Company's Audit Committee classified said engagement as non- exceptional agreement, as defined in the Companies Law. The Audit Committee held that in view of the nature of the Company's activity, said agreement took place in the ordinary course of the Company's business, at market conditions and without material impact on the Company's profits. On February 20, 2019, said agreement was approved and ratified by the Company's Board of Directors as a non-exceptional transaction and for the Company's benefit.

   Agreement for regulatory purposes - On December 16, 2020, the Company's Board of Directors approved the sale of 0.1% of the asset companies held by the Company as part of the Company's preparations for changes that may take place in Germany in the upcoming years.

   On December 18, 2020, and as a precaution, the transaction was classified by the Company's Audit Committee as a non-exceptional transaction in which the controlling shareholder has a personal interest, taking into account that the acquiring company has entered into similar transactions with a number of asset companies of ADLER, the controlling shareholder of the Company and also holds a negligible rate in such companies; and that the ultimate controlling shareholder of the acquiring company indirectly held shares of ADLER Group SA **in the past**. It should be clarified that as of the transaction approval date and to the best of the Company's knowledge, the shares of ADLER Group SA were no longer held by the ultimate controlling shareholder as aforesaid (and in any case did not hold more than 5% of the shares of ADLER Group SA).

2. The transaction was made in the ordinary course of the Company's business, in market conditions and in a negligible amount of less than one EUR million, so it is not expected to materially affect the Company's profitability, assets or liabilities.

   Transactions listed in section 270(4) of the Companies' Law

3. Joint Venture engagement - On May 9, 2019, the Audit Committee and the Company's Board of Directors approved the engagement of the Company and ADLER, the controlling shareholder of the Company, in connection with the exercise of the Company's right of refusal/first offer, in which ADLER's subsidiary will acquire 10.1% of the total rights in the relevant asset companies in accordance with Regulation 1 (4) of the Companies Regulations (Relief in Transactions with Interested Parties), 2000 (the "Relief Regulations"). For further details, see Note 18(5) of the Company's financial statements attached as Chapter C to this report and the Company's immediate reporting of May 12, 2019 (Reference No. 2019-01-04008), which is hereby included by way of reference.

4. Exemption, insurance and indemnification arrangements

For details on exemption, insurance and indemnification arrangements, see Regulation 29A below.

**Regulation 24 Holdings of Interested Parties and Senior Officers**

For details regarding the holdings of interested parties and senior officers in the Company, see the Company's immediate report dated January 6, 2022 (Ref. No.: 2022-01-005692), which is included herein by way of reference.

**Regulation 24a Registered capital, issued capital and convertible securities**

For details regarding the Company's securities, see the Company's immediate report dated January 11, 2022 (reference no: 2022-01-005692), which is included herein by way of reference.

**Regulation 24b Register of Shareholders of the Company**

For details regarding the Company's shareholders register, see the Company's immediate report dated March 13, 2022 (reference no: 2022-01-029167), which is included herein by way of reference.

**Regulation25a Registered address**

| | |
|---|---|
| Company Name: Brack Capital Properties N.V<br><br>Registered address: Herengracht 456, Amsterdam 1017CA , the Netherlands<br><br>E-mail:g.wildbaum@bcp-nv.com<br><br>Phone: 0031-20-240-4330<br>Fax :0031-20-240-4339 | **Address in Israel for service of process**<br><br>Herzog Fox & Neeman Law Offices<br><br>6 Itzhak Sade, Herzog Fox Neeman Tower Tel Aviv<br><br>Phone: 03-6922020<br><br>Fax: 03-6966464 |

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**<u>Regulation 26:</u> The Directors of the Company as of the report signing date**[13]

| Name | Patrick Burke (Chairman of the Board) | Thierry Beaudemoulin | Jeroen Dorenbos | Machiel Hoek | Ron Hadassi | John Rouweler |
|---|---|---|---|---|---|---|
| **English name as it appears on passport** | Patrick Burke | Thierry Beaudemoulin | Jeroen Dorenbos | Machiel Hoek | Ron Hadassi | John Rouweler |
| **ID number** | 520587847 | 130475H00396 | BR5K9F1R4 | NSK1LRDB6 | 059258269 | IVR80HB35 |
| **Date of Birth** | 12.02.1974 | 07.05.1971 | 23.09.1963 | 05.09.1973 | 24.03.1965 | 17.09.1967 |
| **Address for service of legal process** | 17 Dover Park Drive, London SW155BT, UK | Am Karlsbad 11 10785 Berlin Germany | Geschwister-Scholl-Allee 66a, 14532 Berlin-Kleinmachnow, Germany | Nynke van Hichtumwei 40, 8915 JJ Leeuwarden, The Netherlands | 13 Igal Yadin st. Hod Hasharon Israel 45314 | Holtgesbroek 1153 6546 Nijmegen The Netherlands |
| **Citizenship** | British | French | Dutch | Dutch | Israeli | Dutch |
| **Membership of a board of directors' committee or committees** | No | No | Audit committee, Financial statements review committee | No | Audit Committee, Remuneration Committee, Financial Statements Review committee | Audit Committee, Remuneration Committee, Financial Statements Review committee |
| **Is he an external director or independent director as defined in the Companies Law** | No | No | Independent director | No | External director | External director |
| **Is the director an employee of the Company, its subsidiary, its** | No | Yes, Co- CEO in Adler | No | No | No | No |

[13] It should be noted that during the reported period, Friederich Munsberg (external director), Daniel Moser (independent director) and Noa Shaham (independent director) also served on the Company's Board of Directors. For details regarding changes in the structure of the Company's Board of Directors, see section 11 of the Company's Board of Directors' Report.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **affiliated company or an interested party therein?** | | | | | | | |
| **Date of commencement of service** | 02.07.2018 | 30.12.2021 | 02.07.2018 | 30.11.2020 | 01.05.2021 | 27.01.2022 |
| **Education** | Bachelor in Economics Institut Le Rosey, Rolle, Switzerland<br><br>Bachelor in Architecture, Planning and Construction and Environmental Sciences University College, London, UK; Master in Real Estate, Land appraisal and law Business School, London, UK | Master Urban planning – IEP Paris Master Economics – IEP Paris | Certificate of Technological Business Administration, Technical University Eindhoven, Netherlands | Master in Economics, Vrije Universiteit Amsterdam;<br>Postgraduate Chartered Accountant, Vrije Universiteit Amsterdam;<br>Real Estate specialization, Amsterdam School of Real Estate / University of Amsterdam;<br>Member of the Dutch Board of Chartered Accountants (NBA) as from 1998 credential (ID 137713) | Tel Aviv University, B.A in Economics, Political Science.<br><br>Tel Aviv University, L.L.B (1995).<br><br>Tel Aviv University, M.B.A, Specialized in finance and marketing.<br><br>BAR admission-1995. | Master of Science in industrial engineering and management science (M.Sc.I.E.M) – Eindhoven University of Technology (TUE)<br><br>Bachelor of industrial engineering and management (BC) – Saxion University of applied science, Enschede |
| **Employment in the past 5 years** | Co-Founder, Managing Director, Compliance Officer of Consortium Capital Group since 2009 | Co-CEO Adler Group<br><br>Co-CEO Adler Real Estate<br><br>CEO Germany COVIVIO | Initiation and development of real estate projects throughout Europe in collaboration with Ed Zublin AG / Strabag AG | Owner, Perceality - Financial Intelligence (01-2014 to present);<br><br>Supervisory Board Chair, Madioen Holding B.V. (01-2022 to present);<br><br>Partner, Sincerius Transaction | Chairman (2014) and CEO (2018) of Elbit Imaging ltd<br><br>Chairman of Elbit Medical Technologies since 2014 and CEO of this company since April 2020.<br><br>Executive director | WEPA Nederland B.V. - Head of integrated business planning (08-2021 to present)<br><br>Rouweler consultancy – Management consultant (11-2019 to present) |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | | Services (01-2014 to 12-2021); | of Plaza Centers NV. | Essity Nethelands B.V. – Head of planning & logistics (06-2014 to 10-2019) |
| **Director of the following companies** | Delcap Asset Management Ltd., Consortium Capital Ltd., Consortium Maritime Trading Ltd., HERO Club Ltd., HERO events Ltd. and HERO Partners Ltd. | Adler real Estate AG<br>Adler Group SA<br>Consus Real Estate AG | M2AC-D GmbH,<br>SpAd Holding GmbH,<br>SpAd Immobilien GmbH,<br>Adore Holding GmbH,<br>AEIOU 101. GmbH,<br>AEIOU 103..GmbH,<br>AEIOU 106. GmbH,<br>AEIOU 110. GmbH,<br>AEIOU 111. GmbH,<br>Adore Holding I GmbH,<br>Kap Horn Quartier Verwaltungs GmbH<br>ADORE I Immobilien GmbH<br>Spinam Silva Beteiligungs GmbH | Toekomstvormers B.V.<br>Steady Rumble B.V.<br>Landhoek B.V. | -Qualitau LTD- Director since June 2020<br>-Bareket- Director since June 2021<br>-Bazan Group- Director since June 2021<br>-Carmel wineries Ltd- Director since 2014<br>-Iskoor- Director since 2019<br>-Brookland Upreal Limited- trustee since February 2019<br>-Starwood West Limited- trustee since July 2020 | - |
| **Family relationship with another interested party in the Company** | None | None | None | None | None | None |
| **Is he a director that the Company considers as possessing accounting and financial expertise for the purpose of fulfilling the minimal number determined by the board of directors** | Yes | No | Yes | Yes | Yes | No |

| | | | | | | |
|---|---|---|---|---|---|---|
| **according to Section 92(a)(12)** | | | | | | |

**<u>Regulation 26a</u> Senior officers as of the report signing date[14] which details were not indicated under Regulation 26 above:**

| Name | Eran Edelman | Gary Wildbaum | Irina Ben-Yakar |
|---|---|---|---|
| **English name as it appears on a passport** | Eran Edelman | **Gary Wildbaum** | Irina Ben-Yakar |
| **ID number** | 021613633 | 015511181 | 304669864 |
| **Date of Birth** | 16.06.1985 | 29.9.1983 | 08.01.1973 |
| **The position that he fulfills in the Company, its subsidiary, in its affiliated company or an interested party therein** | CFO | Controller | Internal auditor |
| **Date of commencement of service** | 01.06.2021 | 19.11.2019 | 25.05.2011 |
| **Education** | CPA<br><br>Bachelor in Accounting and Economics<br><br>(Hebrew University – Jerusalem) | CPA, Bachelor in Business Administration majoring in Accounting (Interdisciplinary Center Herzliya), MBA from CEU. | Bachelor in Accounting (College of Management)<br><br>CPA |

[14] It should be noted that during 2021 and until May 30, 2021, Mr. Thomas Stielnet served as the Company's CFO. For details regarding changes in the Company's management, see section 11 of the Company's Board of Directors' Report. For further details, to the best of the Company's knowledge, regarding the above senior officer above in accordance with Regulation 26A of the Statements Regulations, see Regulation 26A of the Annual Report for 2020.

| | | | |
|---|---|---|---|
| **Employment in the past 5 years** | Head of the finance department – Adler Group SA (2017-2021)<br><br>CPA Professional department KPMG (2014-2017) | Auditor at KPMG Budapest Office – specializing in the audit of real estate Companies (2011-2015)<br><br>Assistant to CFO and controller in the company since 2015 | Partner in the CPA firm of Brightman Almagor Zohar & Co. |
| **Is he an interested party in the corporation or a family member of another senior officer or interested party in the corporation** | No | No | No |

**Independent Authorized Signatories of the Company**

**Regulation 26b**

As of the report publication date, the Company does not have independent signatories other than Gary Wildbaum, the Company's controller, as defined in section 37 (d) of the Securities Law.

**Regulation 27**

**Auditors of the Company:**

In Israel
Name: Amit Halfon
Address: 4 Ariel Sharon Givataim 53200047

Name: Somech Chaikin
Address: 17 Haarbaa, Tel Aviv 64739

In the Netherlands
Name: IUS Statutory Audits Cooperatie UA
Address: Crown South Building Amsterdam
Hullenbergweg 365a
1101 CP Amsterdam

## Regulation 29 Recommendations and resolutions of the directors.

Regulation 29c

Special General Assembly resolutions

1. For details regarding the resolution of the special shareholders' meeting of the Company of May 6, 2022 see immediate report of April 1, 2021 (as amended on April 6, 2021) regarding the convening of the meeting (Reference No. 2021-01-054096 and 2021-01-056949, respectively and immediate report of May 6, 2022 regarding the results of the meeting (Reference No. 2021-01-079845) included herein by way of reference.

2. For details regarding the resolutions of an annual general meeting of the Company's shareholders dated December 30, 2021, see immediate report dated November 26, 2021 (as amended on December 9, 2021) regarding the convening of the meeting (reference number: 2021-01-102577 and 2021-01-178212, respectively) and immediate report dated January 2, 2022 regarding the results of the meeting (Reference No.: 2022-01-000058), included herein by way of reference.

3. For details regarding the resolution of a special general meeting of the Company's shareholders dated January 27, 2022 after the report date, see immediate report dated December 23, 2021 regarding the convening of the meeting (reference number: 2021-01-184119) and an immediate report dated January 27, 2022 regarding the results of the meeting (Reference No.: 2022-01-012430), included herein by way of reference.

## Regulation 29a

**Exemption, insurance or indemnification of officers as defined in the Companies Law, in force at the reporting date**

On October 21 and 27, 2021, the Company's Remuneration Committee and Board of Directors resolved to approve the Company's contract with liability insurance policy for Directors and Senior Officers, and the inclusion of all directors of the Company including Mr. Thierry Beaudemoulin who also serves as the Company's CEO, under insurance policy as detailed in the Company's immediate report dated October 31, 2021 (reference number:2021-01-161454), which is hereby included by reference. It should also be noted that the resolution of the Remuneration Committee dated October 21, 2021, was ratified by the Remuneration Committee on October 30, 2021 when a legal quorum was made possible.

In addition, the Company's directors and senior officers serving in the Company[15] are entitled to be included in the exemption and indemnification arrangements customary in the Company. On July 4, 2021, the general meeting of the Company's shareholders approved (after approval by the Audit Committee and the Board of Directors from March 2021 (to issue indemnification letters on behalf of the Company) (including to all Board members) which include the Company's commitment for any liability or expense as specified in the indemnification letter to be imposed on any of them due to one or more of the following: (a) by virtue of being an officer and/or employed by the company and/or in the subsidiaries of the company; (b) by virtue of being, at the request of the Company, an officer employee or agent of the in another corporation, the total indemnification amount that the company will pay to all the officers in the company cumulatively according to all the indemnification letters issued to them by the company will not exceed an amount equal to 25% of the company's effective equity.

It is further indicated that on December 30, 2021 the Company's general meeting approved exemption to board members (as were at that period) from their liability for their actions in the fiscal year 2020 according to Dutch law.

**Brack Capital Properties N.V.**

| Names of signatories: | Position | Signature |
|---|---|---|
| Patrick Burke | Chairman of the board of directors | |
| Thierry Beaudemoulin | CEO | |

March 24, 2022

[15] excluding Mr. Thierry Beaudemoulin, CEO and director in the Company.