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 of the Company in the field of commercial income generating real estate and residential income-generating real estate and is responsible for 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, 2022 and until December 31, 2022.
The "**Report Date**" or the "**Date of the Report**"	December 31, 2022.
The "**Signing Date of the Report**"	March 31, 2023.

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.

For details regarding the controlling shareholder of the Company, see Regulation 24 of Chapter D attached to this report.

1.1.2 The Group's business and its activity environment

As of the date of the report, the company and its subsidiaries and associates (together - the "Group") operate in the field of real estate in Germany in three main areas of activity: residential income generating real estate sector, commercial income generating real estate sector (collectively - "The income generating real estate sector"), the residential development real estate sector and the land improvement sector in Dusseldorf (together - the "group's areas of activity").

1.1.3 Material changes in the management method of the corporation

For more details regarding changes in the composition of the Company's board of directors during the reporting period, see section 1.11 below.

1.1.4 Purchase, sale or transfer of assets of a substantial extent other than in the ordinary course of business

1.1.4.1 As of the date of the report, the Company continues to implement its strategy in the area of income generating and residential development real estate and its focus, and as such, the Company continues to carry out operations to sell additional assets from the commercial real estate portfolio as well as from the development and income generating real estate portfolio. For more details regarding the Company's strategy, see section 1.20 below

[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.

Accordingly, in the reported period the Company entered into the following transactions, among others:

(a) Completion of a transaction for selling the Company's residential assets in eastern Germany

On December 30, 2022, the Company entered into agreement and completed a transaction for the sale of properties in the income generating residential sector, and include residential properties located in the city of Leipzig, Germany. The transaction was carried out as a "share transaction" in which the holdings in three sub-subsidiaries of the Company it owned through a subsidiary (in which ADLER, the controlling shareholder of the Company, held approximately 10.2%), were sold, in consideration reflecting a total value of the sold assets of EUR 240 million. For more details regarding the terms of the transaction and the consideration, see the Company's immediate report dated January 1, 2023 (reference number: 2023-01-000007) and immediate reports dated September 14, November 27 and December 24, 2022 (reference 2022-01-117691. 2022-01-113349 and 2022-01-154579, respectively , which are included herein by way of reference. For more details regarding the method of approving the transaction as a transaction in which the controlling shareholder has a personal interest, see regulation 22 of chapter D of this report.

During the reporting period, the Company entered into agreement with a broker in order to promote the sale of part of the Company's property portfolio, with the aim, among other things, of adapting the Company's property portfolio to the changes applicable in the European real estate market, improving the Company's cash position and reducing its level of leverage. For more details regarding the aforementioned, see the Company's immediate reports from September 14, November 27, and December 24, 2022 (reference number: 2022-01-117691, 2022-01-113349 and 2022-01 - 154579, respectively), which are included herein by reference.

For details regarding the negotiations conducted by the Company in connection with the sale of additional assets from the residential income generating portfolio see sub-section (e) below.

(b) Completion of a transaction for selling commercial asset in the city of Necharsulm

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

(c) In addition, during the reported period and up to the date of its publication, the Company completed several separate transactions for the sale of additional properties from the Company's commercial real estate portfolio, including the following properties: Geislingen, Ludwigsburg and Chemnitz, in exchange for a (cumulative) sum of approximately EUR18.5 million. It should be noted that the sale of one of these properties (Ludwisburg) was completed after the date of the report, in January 2023. All proceeds from the sale of the properties were received by the Company in full on the transaction completion date.

(d) In addition, during the reported period, three (3) transactions were completed for the sale of commercial real estate assets of the Company with a total amount of EUR 22.1 million .

(e) Sale of additional assets examined by the Company as of the report publication report

- Following the Company's report dated January 1, 2023 (reference 2023-01-000007) which is included by way of reference, as of the report publication date the Company continues to negotiate the sale of additional assets from the residential portfolio which are located in east Germany. The scope of the assets to be sold, if any, is still under review and in negotiations.

- In addition, the Company is examining the sale of additional assets from both the income generating and the development portfolio, as much as this is necessary in order to meet the Company's liquidity needs.

For this purpose the Company entered into agreements with various brokers for examining the sale of all the assets in the Company's development portfolio, where the extent of the assets to be sold by the Company from the aforementioned portfolio depends on the Company's liquidity needs, as they will be at that time

- The Company's board of directors anticipates that as long as it is necessary and a binding decision is made by the Company's board of directors to carry out the sales, the Company will be able to complete the sale of the aforementioned assets during 2023.

1.1.4.2 Gerresheim transaction - cancellation of the transaction, loan repayment and the date of receiving the approvals

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

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

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

For further details regarding the repayment of the loan and the date of receiving the approvals, see Note 6(1) to the Company's financial statements, which are attached as Chapter C to this report. It should also be noted that as of the date of publication of the report, the Company's board of directors ordered the management to establish a team that will examine the Company's possible actions, among other things, in accordance with the Company's general strategy to examine the sale of all assets from the Company's development portfolio, as described in section 1.1.4.1(e) above. For further details, see the Company's immediate report dated November 27, 2022 (reference number: 2022-01-113352), which is included herein by way of reference.

It is clarified that the above may qualify to forward-looking information, as defined in the Securities Law-1968, which is based, among other things, on the current circumstances and the Company's assessments in connection with the status of the negotiations with the municipality of Dusseldorf. There is no assurance as to whether the Company will be able to obtain the approval of urban scheme or that the Company will realize the business plan to sell any of its assets, and if so, when and under what conditions, these plans will be realized, the realization of which is all subject to factors beyond the Company's control, including changes in the capital and real estate markets, and obtaining approvals from third parties not related to the company.

1.1.5 Asset Portfolio of the Group in Germany

As of the report date, the Company holds 36 income-generating assets in Germany (including 32 residential income-generating assets and 4 commercial income-generating assets). Additionally, the Company holds three land complexes for residential development in Dusseldorf.

The following are details regarding the income generating 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)[2]	Purchase Cost (in EUR thousands)	The Fair Value of the Asset as of December 31, 2022 (in EUR thousands)
1.	LEG Residential Duisburg	A complex of about 307 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[3]	40,800
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	2,230
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	3,740

[2] 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.

[3] 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)[2]	Purchase Cost (in EUR thousands)	The Fair Value of the Asset as of December 31, 2022 (in EUR thousands)
5.	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	9,700
6.	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	30,700
7.	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	66,870
8.	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	65,460
9.	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	38,100
10.	Ludwigsburg[4]	A commercial center with a leasable area of 14.1 thousand sq.m	Income-Generating commercial	June 2011	89.8%	14,800	12,730
11.	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	41,963

[4]The sale of the commercial property in Ludwigsburg was completed after the balance sheet date. For more details see Note 23(1) to the company's financial statements attached as Chapter C to this report

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)[2]	Purchase Cost (in EUR thousands)	The Fair Value of the Asset as of December 31, 2022 (in EUR thousands)
12.	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	37,330
13.	Falcon - Duisburg (North Rhine Westphalia)		Income-Generating Residential	July 31, 2013	100%	12,820	27,370
14.	Falcon - Essen (North Rhine Westphalia)		Income-Generating Residential	July 31, 2013	100%	9,158	20,290
15.	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	26,920
16	Bremen and Bremerhaven	863 residential units (707 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	83,140
17.	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	12,174
18.	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	21,380
19.	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	7,750
20.	Dortmund-Marten (North Rhine Westphalia)	351 residential units with an average area per residential unit of 49 sq.m. The total leasable area amounts to about 17.2 thousand sq.m.	Income-Generating Residential	October 31, 2014	100%	13,671	53,060

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)[2]	Purchase Cost (in EUR thousands)	The Fair Value of the Asset as of December 31, 2022 (in EUR thousands)
21.	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	
22.	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	
23	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	30,420
24	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	88,130
25.	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	
26.	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	55,630
27.	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	12,500
28.	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	42,200

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)[2]	Purchase Cost (in EUR thousands)	The Fair Value of the Asset as of December 31, 2022 (in EUR thousands)
29.	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	23,200
30.	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	18,558
31.	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	47,507
32.	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	17,900
33.	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	2,130
34.	Grafental WA07, 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	36,700
35.	Grafental WA12, Dusseldorf	204 residential units with an average area per residential unit of 72 sq.m. The total leasable area amounts to about 14.7 thousand sq.m. the asset was constructed by the Company (Stage I in Grafental	Income-generating residential	The asset was constructed by the Company	100%	51,118	65,200

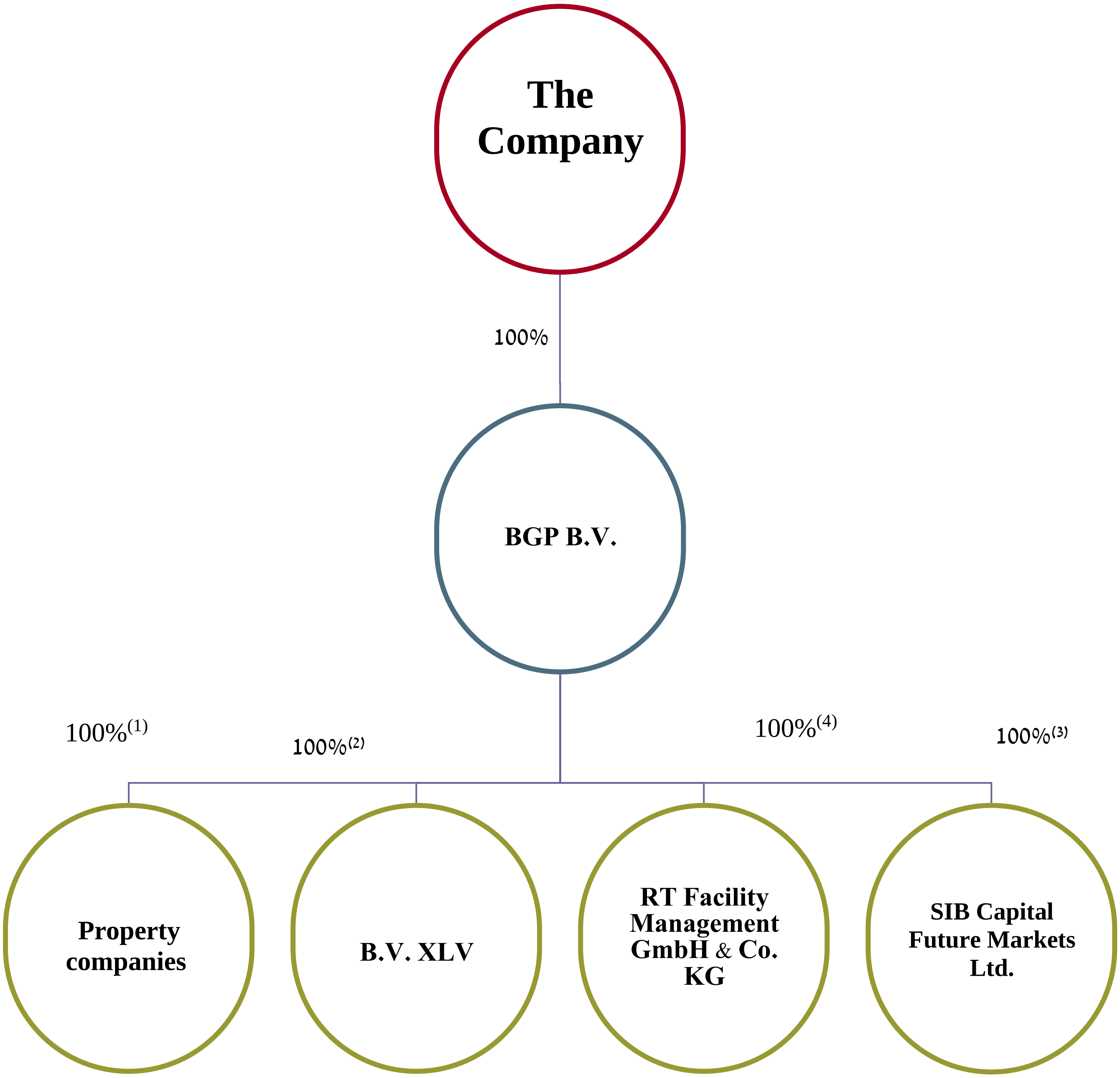
No.	Asset Name and Location	General Details about the Asset	Asset Type (based on main use)	Purchase date	Company's Share in the Asset (final indirect holding)[2]	Purchase Cost (in EUR thousands)	The Fair Value of the Asset as of December 31, 2022 (in EUR thousands)
		project). Its construction was completed in 2022.					
36	Aachen	83 residential units with an average area per residential unit of 73 sq.m. The total leasable area amounts to about 6.1 thousand sq.m. the asset was constructed by the Company in Aachen and its construction was completed at the beginning of 2022.	Income-generating residential	The asset was constructed by the Company	100%	20,390	16,400

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, 2022 (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%	25,900	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 1.8.3.3 below
Grafenberg	Betterment of land in Dusseldorf	13,499	Investment property – real estate rights	100%	34,900	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 1.8.3.5 below.
Gerresheim	Betterment of land in Dusseldorf	About 193,000 sq.m	Real estate inventory	100%	180,851	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 1.8.3.4 below.

1.1.6 Structure of Holdings in the Group

The following illustration describes the structure of holdings in the Group[5], as of December 31, 2022 and the report date:



[5] Excluding a number of "shelf" companies which are inactive as of December 31, 2022. It shall be noted that in cases where (a) property companies are held by the Company (by indirect holding) at a rate between 89% and 100%; and (b) the Company has the legal right to acquire the partner's shares at any time. These investments were presented at a holding rate of 100%.

(1) 47 property companies. It shall be noted that most of the property companies (26 companies) are private Dutch companies, 20 are private German limited partnerships and one property company is a private Luxembourgian company. It shall be noted that regarding 2 property companies, ADLER, the controlling shareholder of the Company, holds minority interest of 10.1%. The aforementioned jointly owned property companies are not material to the Company's operations. For further details in connection with the Company's agreement with ADLER regarding the holding in the aforementioned property companies, see regulation 22 of chapter D, of this report

(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 four 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, 2022, and as of the report signing date, the Group's activities are carried out in Germany only. As of the publication date of the report, the Company continues the process of focusing its business strategy, including, during the period of the report, the Company entered into and completed several transactions for the sale of parts of the Company's commercial real estate assets. For details, see section 1.1.4.1 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.

1.2.1.1 <u>The field of commercial income-generating real-estate</u> includes, inter alia, the purchase, development, renovation and lease of income-generating assets, mainly offices and retail. After that during 2019-2022, the Group sold the majority of its commercial income generating portfolio, the Group owns, as of the report date, 4 commercial income-generating real estate assets located throughout Germany with a total leasable area of about 30 thousand sq.m. For details regarding the transactions for the sale of assets from the commercial income generating portfolio see Note 8f to the Company's financial statements attached as chapter C 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 date, 36 residential complexes in a total scope of about 9,608 apartments and with a total area for rent of about 588 thousand sq.m. 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%.

For additional details regarding the sale of properties in the residential income generating sector during the reporting period, see section 1.1.4.1a below.

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.

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, 2021 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), which is hereby included by reference.	NIS 29,870,506 (EUR 157 per share)	EUR 151.40 per share
March 31, 2022	Purchase of 3,127 shares by LEG. For further details, see the Company's immediate report dated March 2, 2022 (reference number: 2022-01-025459), which is hereby included by reference.	NIS 490,939 (EUR 157 per share)	EUR 157 per share

April 28, 2022 – June 15, 2022	Purchase of 88,766 shares by LEG. For further details, see the Company's immediate report dated March 2, 2022 (reference number: 2022-01-025459), which is hereby included by reference.	NIS 10,134,414 (EUR 114.7 per share).	

Purchase of the Company's shares by LEG

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

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

On August 3, 2022, the Company learned that **LEG decided not to publish a tender offer for the purchase of the remaining shares of the Company and accordingly will not exercise ADLER's commitment toward it**. For further details, see the Company's immediate report dated August 3, 2022 (reference number: 2022-01-080532), which is hereby included by way of reference. It is indicated that on September 30, 2022 the above option expired.

As of the report signing date, LEG holds 2,757,066 shares of the Company reflecting holding of 35.66% of the Company's shares.

1.4 Distribution of Dividends and Buybacks

1.4.1 Distribution of Dividends

The Dutch Civil Code[6] (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

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

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, 2022) an amount of EUR 144,237 thousand is 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[7]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[8].

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[9] or by way of increasing the nominal values of the existing shares in the Company's capital on account of the Revaluation Reserve [10] . 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.

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

[8]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 or leniencies provided in tax treaties 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.

[9]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).

[10]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.

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.

<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. [11]

In any event, based on the guidelines of the Stock Exchange, all of the shares shall be issued and fully repaid.

[11] A shareholder that is a corporation in an EU country and holds 5% or more is exempt from withholding tax as stated; additionally, all exemptions and leniencies provided in tax treaties 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.

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[12] 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, 2020 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:

[12] As of December 31, 2022, a total of EUR 144,237 thousand is registered in the Company's books as share premium

1.4.5.1 Distribution limitations in trust deeds

Trust deed	**Main legislative limitations**	**Reference to additional details**
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) of the Company on the other hand (hereinafter: the "**B Bonds Deed**")	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 5.4(b) of the B Bonds Deed) exceeds 70%**	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 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 no and there 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	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]

	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.**	

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 to 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 2022 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

1.5.1 General – Global

During 2022, a number of events took place throughout the world with macroeconomic consequences also on the Company's operating environment in Germany. The main changes and events that can be considered are the outbreak of the war in Ukraine at the end of February 2022, and the rising interest and inflation rates around the world, including European countries and Germany in particular.

1.5.1.1 The war in Ukraine

At the end of February 2022, the invasion of the Russian army into Ukraine began as part of the Russian government's attempts to conquer Ukraine, due to geopolitical tensions between the countries. The increase in tensions between the countries led various Western parties, including the United States and the European Union, to impose various economic sanctions on Russia and personal and economic sanctions on people of the Russian business and political sector, in particular.

The aforementioned sanctions, the fighting between the countries and the developing geopolitical crisis have extensive effects both on the price and transportation of the raw materials commonly used in the world, including iron and oil, which affects the availability and cost of the aforementioned materials also in connection with the projects established by the Company, both on the global economy and, among other things, on high volatility in the capital markets in Israel and around the world and currency exchange rates and regarding demographic changes related to immigration and refugees.

It should be noted that as of the approval date of the report, the aforementioned event had no material effect on the Company's activities. However, in light of the existing uncertainty regarding the continued fighting and the expansion of the crisis, the Company is unable to assess at this stage the possible impact, if any, on its activities in the future.

The Company's estimates regarding 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 from the Company's estimates, and this, among other things, following circumstances beyond the Company's control, including the changes in the scope of the fighting, the state of the capital markets in the world, the worsening or continuation of the economic crisis and the consequences on the availability and price of raw materials following the war, as well as involvement of which of the countries, including Israel and Germany in the fighting.

1.5.1.2 Increase in interest rate and inflation

In 2022, the negative trend of accelerating the inflation rate and increasing the fear of a recession in the markets in Israel and the world took place, where in Israel the increase in the consumer price index in December 2022 reflected an annual increase of about 5.3%, annual inflation rate in EU was estimated at 9.2%, inflation rate in the US was estimated at 6.4% and in Germany, there was an increase in inflation rate and is estimated at 9.4% in December 2022. In addition, in December 2022, an increase in the consumer price index in Germany was recorded which reflects an annual increase of about 7.9%. In addition to the above, an increase in the prices of construction and energy costs was also recorded during the reporting period including at the backdrop of the war in Ukraine (in an attempt to slow down inflation rate, the central banks in the world and in Israel increased interest rates, when as of the report publication date, in Germany interest rate climbed to a rate of 3.00% and in Israel to a rate of 4.25%.

In order to curb the price increases, the trend of increasing the interest rate began around the world. Unlike last years, and further to the above, in 2022 the policy of the European Central Bank (ECB) changed, and as of February 2023 fixed interest on refinancing is 3.00%, the interest rate spread on loans is 3.25% and the interest on deposits is 2.5%.

In general, the main objective of the European Central Bank within the framework of monetary policy is to maintain price stability while setting an inflation target which is low and close to an inflation rate of about 2% in the medium term. Inflation was much higher than 2% in 2022. The ECB expects inflation to remain above 2% in the medium term and therefore wishes to curb demand by raising interest rates as stated above.

Also, the government in Germany has passed a series of laws aimed at easing the burden on the public resulting from, among other things, the increase in energy prices. Changes in inflation and interest rates in Israel and around the world have a significant impact on the business activity of the economy, which is reflected, among other things, in operating costs, raw material costs, labour costs, financing costs structure, etc.

For further details regarding the interest rate and inflation in Germany and their effect on the Company's activities, see section 1.5.3.1 below.

1.5.2 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"), and 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 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.

1.5.3 The Macro-Economic Environment in Germany

1.5.3.1 General Financial Data

	2020	2021	2022	2023 *
Real growth	-4.6%	2.7%	1.8%	-0.3%
Unemployment rate	3.7%	3.6%	3.1%	3.5%
Inflation	0.4%	3.8%	9.4%	6.6%
Interest rate	0%	0%	2.5%	Unknown

* 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, 2022 was characterized by positive growth of 1.8% compared to a positive growth of 2.7% in 2021. Nevertheless, in the other large economies in Europe (17 large European countries) and in the OECD countries GDP in Eurozone increased by 3.5% in 2022. The OECD economists forecast returning to stability but negative growth in the economic activity in Germany in 2023, which are expected to show a decline of 0.3%.

In addition, in 2022, inflation increased sharply from 3.8% in 2021 to 9.4% in 2022. The OECD economists expect continued positive inflation in Germany (but lower) also in 2023, which is expected to be about 6.6%.

The Company estimates that the increase in interest rates and inflation might have a negative effect on real estate prices in Germany.

1.5.3.2 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 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).

1.5.3.3 Dusseldorf

Dusseldorf - General Characteristics[13] -

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.

[13]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 in 2020 so as of December 2020, the number of residents was 620,523. The reduction in migration derives, among other things, from 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 for a short term or at best for a medium term.

1.5.3.4 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. For further details regarding actions taken by the Company to sell development real estate assets, see section 1.1.4.1 above.

1.5.4 Real Estate in Germany

1.5.4.1 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 and compared to price decrease recorded in Germany like throughout Europe at the backdrop of the increase in interest rates and inflation.

1.5.4.2 Residential Real Estate

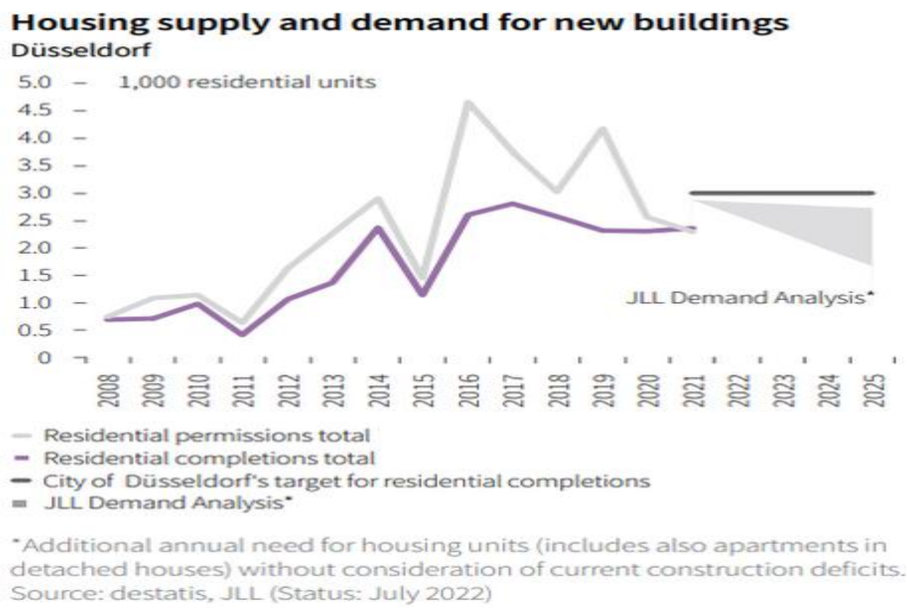
According to JLL, the scope of residential real estate transactions in Germany has increased significantly in 2022 and amounted to EUR 66 billion compared to about EUR 52.2 billion in 2021.

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 which was issued in August 2022- the scope of commercial real estate transactions in 2022 amounted to EUR 9.4 billion compared to EUR 8.9 billion in 2021. The scope of commercial real estate transactions (offices) in 2022 was EUR 22 billion constituting 33% of the scope of transactions in 2022 compared to 2021 where the scope of transactions was EUR 27.8 billion constituting 25% of the scope of transactions in that year.

1.5.5 Real Estate in Dusseldorf

1.5.5.1 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. Due to the increase in the population of households in the city demand for residential apartments in the city is expected to continue to grow. This, despite the effect of the Corona pandemic that created changes in the rate of population growth and immigration to Dusseldorf, the outlook for future of immigration to the city is positive and will thus affect the continued demand for residential apartments. According to a January 2023 JLL report, the number of building permits for 2021 is approximately 37,000 compared to about 53,000 building permits in 2020 in the city of Dusseldorf.

According to JLL's report from January 2023, the total number of apartments completed for construction was about 2,310 in 2020. In 2024, the construction of about 340 housing units will be completed in the "Wenen am Hochfeld" neighborhood, Dusseldorf, some of which will be under controlled/subsidized rent. In addition, in the fourth quarter of 2025, the construction of approximately 1,100 housing units in the "Virzig 549" project is expected to be completed.

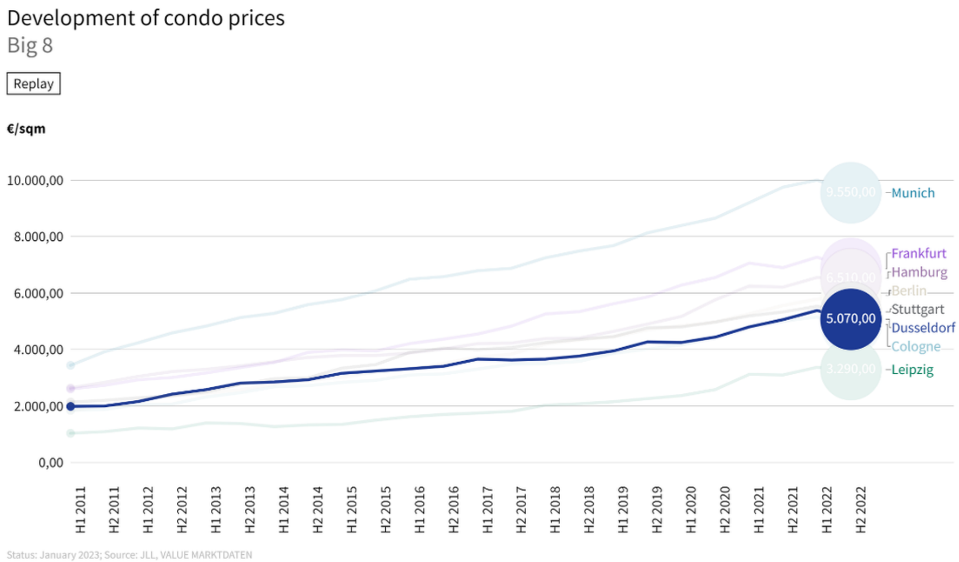
Prices in the Düsseldorf apartment market have been increasing since 2009 where recently variable increase is observed among the various segments. In the first half of 2022, the segment of average prices increased by 3.8% compared to the segment of luxury apartments showing a more significant increase of 8.6%.

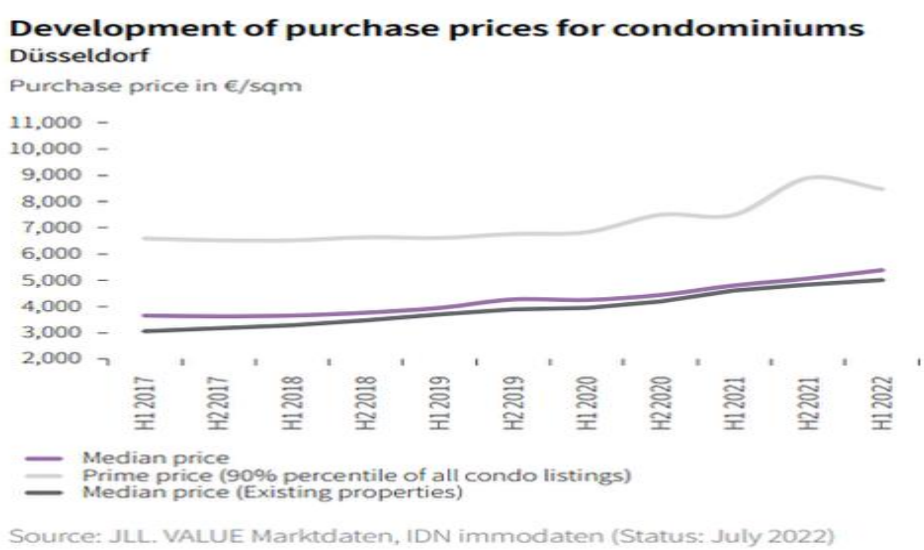
On the other hand, in view of the macroeconomic effects of significant increases in interest rates in the economy, an increase in inflation and an increase in construction costs, the situation changed in the second half of 2022, and for the first time in about a decade, we see a decrease/stagnation in the sale prices of residential apartments, so that in Dusseldorf, for example, the sale price decreased by 5.1% compared to the previous year in the prime apartment segment. This is in contrast to new apartments for sale where abnormal increases of approximately 16.7% were recorded compared to the previous period in the second half of 2022. This was the highest increase among the 8 largest cities in Germany

The average price per square meter of a condo apartment in the first half of 2022 was about EUR 5,070 per square meter, compared to EUR 4,800 per square meter in the first half of 2021.

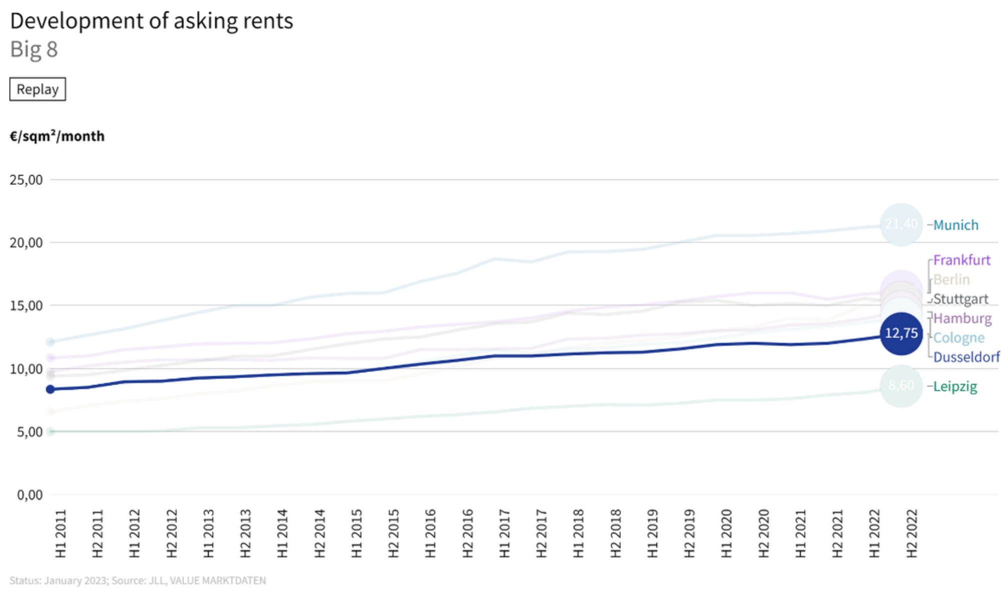
Below are diagrams showing the development of construction completions (new + renovated apartments) and the trends in the purchase prices and rental of residential units in Dusseldorf in the second half of 2022.

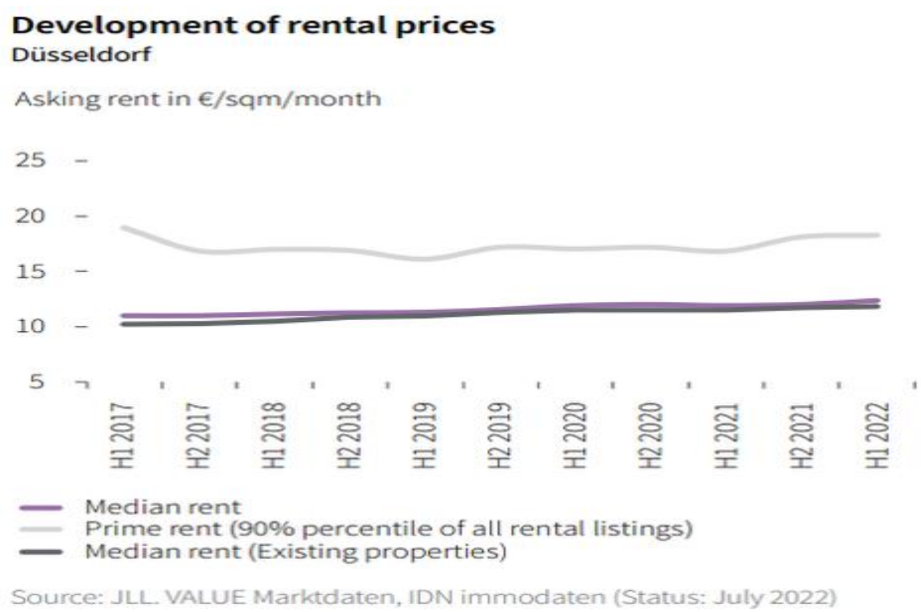
1.5.5.2 Development of real estate prices in Dusseldorf (Euro per square meter)





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





In the rental segment, the price trend remains upward, despite the macroeconomic changes even in the second half of 2022, so the average price is EUR 12.75 per square meter per month. This is compared to the first half of 2022 where the average price was EUR 12.35 per square meter per month, which is a slight increase compared to EUR 12.00 per square meter in the first half of 2021.

Rents in neighborhoods in prestigious areas (prime segment) reached a peak and in the second half of 2022 were approximately EUR 19.10 per square meter, which represents an increase of approximately 6.3% compared to the corresponding period last year.

It should be noted that what is stated in section 1.5 above in connection with the Company's assessments of the effects of changes in the general environment in which it operates on its activities and the value of its assets, amounts to forward-looking information, as defined in the Securities Law-1968, based, among other things, on current market conditions and estimated trends on their basis, which may not materialize, or may materialize in a materially different manner from the above, among other things, due to factors beyond the Company's control, including a further increase in interest rates and inflation, the market's reaction to them, as well as other macroeconomic factors that are beyond the Company's control.

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

1.6 Income Generating Real Estate in Germany - Aggregate Level

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 General Information on the Area of Activity

1.6.1.1 Structure of the Area of Activity and the Changes Therein

As stated above, as of December 31, 2022, 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.

As of the date of the report and the date of its publication, the Company's income generating real estate assets include projects that were initially classified by the Company as real estate development and upon completion of their construction, the Company began renting the apartments to tenants and therefore the properties were classified as residential income generating real estate assets. In general, during the report period, Stage I of the Grafental project, as well as the Aachen project, were classified as residential income generating real estate upon completion of their construction. It should be noted that the aforementioned projects do not constitute material projects from the Company's total income generating portfolio. For the sake of completing the picture, and bearing in mind the fact that the aforementioned projects were part of the Company's real estate development portfolio, see additional details in section 1.8 below.

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 Main Areas in which the Properties are Located

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[14] in the Commercial Income Generating Real Estate Sector in Germany, and during the years, the Company increased its income generating assets, while using its relative advantages in the local market, the Group's existing reputation and its ability to perform engagements in the field. These advantages also helped the Company in selling some of the aforementioned assets during the report period, as detailed in section 1.1.4.1a above.

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 Note 8f to the Company's financial statements for 2022 attached as chapter C. For further details regarding the Company's strategy, see section 1.20 below.

As of the date of the report, the Company's income- generating commercial real estate assets constitute only approximately 2.7% of the Company's income-generating real estate assets.

Sub segment of residential income generating real estate

As of the report date, the Company concentrated most of its assets in the residential field in the North Rhine Westphalia area, in which the Company holds about 4,100 residential units, in Leipzig, the Company holds about 850 residential units[15], in Magdeburg and Halle it holds 570 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.

In addition, the Company acted to sell a share of its income generating real estate portfolio, including the sale of about 2,700 units in the city of Leipzig, which was completed on December 30, 2022. For more details, see section 1.1.4.1a above and note 8f (4) in the Company's financial statements attached as Chapter C to this report.

[14]The Brack Capital Group (the former controlling shareholder in the Company) 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.

[15]On December 30, 2022, the Company completed the sale of approximately 2,700 units in the city of Leipzig. For more details, see Note 8f(4) of the Company's financial statements attached as Chapter C to this report.

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 residential assets are mainly concentrated in West Germany).

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

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 low cash flows in the short term (relatively) while still allowing significant improvement over time.

e. High financial solvency allowing tolerance and business plan realization.

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 51% 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 the 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). 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 10a to the Company's annual financial statements, which are attached as Chapter C to this report. It is indicated that effective from January 1, 2023, purchase tax rate in Saxony region which was 3.5% has increased to 5.5%.

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 - 2022, 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 2022 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. In addition, the Company is examining the option of selling some of the Company's lands.

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.

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. It should be noted that approximately 21% of all rental income is paid monthly by the relevant local authority in accordance with the housing subsidy policy for eligible tenants of that relevant authority.

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 Results

The following is a summary of the financial results of the segment for a period of three years ending on December 31, 2022:

Parameter	For the year ending on		
	31.12.2022	**31.12.2021**	**31.12.2020**
	In EUR thousand		
Total income of the operations (consolidated)	84,637	82,793	86,801
Estimated revaluation gains/losses (consolidated), net	(143,250)	117,242	87,676
Operating profit (loss) (consolidated)*	(93,425)	166,705	138,447
NOI (consolidated)	49,825	49,463	50,771
NOI (share of the corporation)	48,631	48,423	49,527
Total NOI (consolidated)	49,825	49,463	50,771
Total NOI (share of the corporation)	48,631	48,423	49,527

* Results of operating profit are calculated as the NOI amount and increase/decrease in value of investment property

1.6.3 Geographic Areas

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

	Germany		
	For the year ending on		
	31.12.2022	31.12.2021	31.12.2020
Gross domestic product (EUR billions) *	3,971	3,564	3,367
GDP per capita (EUR) *	47,723	42,839	40,949
GDP growth rate *	6.6%	2.7%	-4.6%
Rate of inflation*	9.4%	2.9%	0.5%
Return on domestic long term government debt **	2.44%	-0.08%	-0.44%
Rating of long term government debt ****	AAA	AAA	AAA
Exchange rate of New Shekel compared to Euro as of December 31, 2022 *****	3.78	3.52	3.94

* 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

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, 2022

	Uses	Residential	Commercial (including offices)	Total	Percentage of Total Asset Space
Areas		In sq.m.			
Germany	Consolidated	588,359	30,267	618,626	100.0%
	Share of the corporation	583,787	28,841	612,628	100.0%
Percentage of Total Asset Space	Consolidated	95.1%	4.9%	100.0%	
	Share of the corporation	95.3%	4.7%	100.0%	

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%
	Share of the corporation	697,215	49,074	746,289	100.0%
Percentage of Total Asset Space	Consolidated	92.7%	7.3%	100.0%	
	Share of the corporation	93.4%	6.6%	100.0%	

1.6.4.2 Segmentation of Real Estate Fair Value by areas and uses

As of December 31, 2022

Areas	Uses	Residential	Commercial (including offices)	Total (EUR in thousands)
Germany	Consolidated	1,029,781	28,400	1,058,181
	Share of the corporation	1,013,904	27,425	1,041,329
Percentage of Total Asset Space	Consolidated	97.3%	2.7%	100.0%
	Share of the corporation	97.4%	2.6%	100.0%

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
	Share of the corporation	1,259,344	46,763	1,306,107
Percentage of Total Asset Space	Consolidated	96.3%	3.7%	100.0%
	Share of the corporation	96.4%	3.6%	100.0%

NOI Segmentation[16] by areas and uses

For the year ending on December 31, 2022

	Uses	Residential	Commercial (including offices)	Total (EUR in thousands)
Germany	Consolidated	48,638	1,186	49,825
	Share of the corporation	47,462	1,168	48,631
Percentage of Total Asset NOI	Consolidated	97.6%	2.4%	100.0%
	Share of the corporation	97.6%	2.4%	100.0%

For the year ending on December 31, 2021

	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

	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 further details in connection with the NOI index, see section 9.2.3 of the board's report attached as chapter B to this report.

[16] The NOI index is calculated as the rental and management income, net of the Company. For details regarding its calculation, see the Company's profit and loss statement in its financial statements attached as Chapter C to this report.

1.6.4.3 Revaluation Profit and Loss Segmentation by areas and uses

For the Year ending of December 31, 2022:

Areas	Uses	Residential	Commercial (including offices)	Total (EUR in thousands)
Germany	Consolidated	(140,412)	(2,838)	(143,250)
	Share of the corporation	(134,226)	(2,862)	(137,088)
Percentage of Total Revaluation Profits or Losses	Consolidated	98.0%	2.0%	100%
	Share of the corporation	97.9%	2.1%	100%

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
	Share of the corporation	120,830	(6,472)	114,358
Percentage of Total Revaluation Profits or Losses	Consolidated	106%	(6%)	100%
	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
	Share of the corporation	110,929	(26,655)	84,274
Percentage of Total Revaluation Profits or Losses	Consolidated	132%	(32%)	100%
	Share of the corporation	132%	(32%)	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	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Average annual rental fees per sq.m.	84	81	71	82	106	104

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								
	31.12.2022	For 2022	31.12.2021	31.12.2022	For 2022	31.12.2021	31.12.2022	For 2022	31.12.2021
Average occupancy rate (in %)	98%	97%	97%	98%	88%	79%	71%	62%	53%

It is stressed that commercial and office buildings constitute only 4.9% 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	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Number of income-generating assets	32	31	1	4	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[17](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	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Actual rate of return	4.7%	4.3%	7.8%	6.4%	7.8%	7.0%

[17]Return – 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 and expected income due to signed leases: as of the report date and the date of its publication, the majority of the Company's income generating real estate assets are leased to private tenants for residential purposes. Most of the leases are for a period of one year. For further details regarding the Company's income from the aforementioned leases, which may be used as an indication of the Company's expected income, see note 21 of the Company's financial statements, which are attached as Chapter C to this report. as of the report date and the date of its publication, the Company does not depend on any tenant.

It is clarified that the foregoing, including in connection with the Company's estimates of the expected income, amounts to forward-looking information, as defined in the Securities Law-1968, which is based, among other things, on the current circumstances. The Company's estimates as stated above may not materialize or materialize in a materially different manner from the above, and this, among other things, in light of the market situation and third parties independent of the Company.

1.6.4.9 Purchase and sale of assets (aggregate):

AREA		**Parameters**	**Period (ending on)**		
			31.12.2022	**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)	-	-	-
	Assets sold	Number of assets sold during the year	4	4	6
		Net consideration from the realization of assets sold during the year (consolidated) (EUR in thousands)	143,695	36,243	59,250
		Gain/loss recorded from the realization of assets (consolidated) (EUR in thousands)	(29,457)	-	(6,200)
		Area of assets sold in the year (consolidated) (in thousands of sq.m)	176,315	37.6	61.7
		NOI of assets sold in the year (consolidated) (EUR in thousands)*	9,841	1,394	1,954

* The NOI was standardized to annual terms.

1.6.5 Adjustments Required on the Company Level

1.6.5.1 <u>Adjustments of Fair Value to Values in the Statement of Financial Position:</u>

<table>
<tr><th colspan="2" rowspan="3"></th><th colspan="2">As of</th></tr>
<tr><th colspan="2">(consolidated) (in EUR thousands)</th></tr>
<tr><th>31.12.2022</th><th>31.12.2021</th></tr>
<tr><td rowspan="3">Presentation in the Description of the Corporation's Business Report</td><td>Total income generating assets (consolidated)</td><td>1,058,181</td><td>1,341,730</td></tr>
<tr><td>Total lands for investment (consolidated)</td><td>35,300</td><td>99,100</td></tr>
<tr><td>Total (consolidated)</td><td>1,093,481</td><td>1,440,830</td></tr>
<tr><td rowspan="6">Adjustments</td><td>Assets included within "non-current assets held for sale" in the Statement of Financial Position</td><td>(138,659)</td><td>(30,100)</td></tr>
<tr><td>Adjustments to value arising from accounts payable and receivable sections</td><td>-</td><td>-</td></tr>
<tr><td>Adjustments arising from presentation of assets by cost</td><td>-</td><td>-</td></tr>
<tr><td>Other adjustments</td><td>5,600</td><td>5,600</td></tr>
<tr><td>Total adjustments</td><td>(133,057)</td><td>(24,500)</td></tr>
<tr><td>Total, after adjustments</td><td>960,423</td><td>1,416,330</td></tr>
<tr><td rowspan="2">Presentation in the Statement of Financial Position</td><td>Section of investment property in the Statement of Financial Position (consolidated)</td><td>960,423</td><td>1,416,330</td></tr>
<tr><td>Total</td><td>960,423</td><td>1,416,330</td></tr>
</table>

1.6.5.2 FFO profits

For details regarding FFO profits see section 9.2.1 of Chapter B of this report.

1.7 Betterment of the Land in Dusseldorf

1.7.1 General information regarding the operating segment

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 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. This project is composed of three sub-stages which only for the first sub-stage building permits were received in December 2022. For the rest of the stages in the project, building permits were not yet received.

in addition, 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.

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 and decision makers in the city of Dusseldorf.
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.

The type of property and its use

Land complex where the company's "Grafental" residential project is located. The company works to improve the land and change its designation from the existing designation to its future designation as land for residential development.

1.7.1.7 Implications of the tax laws applicable to the Group and unique to this sector.

See Note 16 to the Company's annual financial statements, which are attached as Chapter C to this report.

1.7.1.8 Asset purchase and realization policy

See section 1.20 below.

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

a. 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 2024.
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 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.

b. Land for improvement in the Grafenberg neighborhood

The Company owns a land with an area of approximately 20,000 m² 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 in Dusseldorf which was purchased in 2014.

In 2021, 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 will be permitted.

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

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, 2022:

Parameter	For the year ending on		
	31.12.2022	31.12.2021	31.12.2020
	In EUR thousand		
Total operating income (consolidated)	87	156	265
Estimated revaluation gains or losses (consolidated)	(15,622)	(5,639)	(4,455)
Operating losses (consolidated)	(15,654)	(6,026)	(4,621)
Same property NOI (for two recent reporting periods) (consolidated)	(31)	(387)	(166)
Same property NOI (for two recent reporting periods) share of the corporation	(31)	(346)	(132)
Total NOI (consolidated)	(31)	(387)	(166)
Total NOI (share of the corporation)	(31)	(346)	(132)

1.7.3 Geographic Areas

		Dusseldorf/Germany/NRW		
		For year ending on		
		31.12.2022	**31.12.2021**	**31.12.2020**
Binding sectorial parameters:				
Index relating to asset prices in relevant uses in Dusseldorf	Residential (price psm)****	5,380	4,800	4,250
	Office (prime rent psm)****	18.3	28.5	28.5
Construction price index in Germany – annual change rate **		16.5%	3.3%	8.9%

* 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.

For further details regarding additional economic variables in Germany see section 1.5.3 above.

1.7.4 Lands for Investment

Land classified as investment property (the Company's land in Grafenberg and the Company's land to be used for construction of Stage J in Grafental project

Area	Parameters	Period (year ending on)	
		31.12.2022	31.12.2021
Germany	The amount that the lands are presented in the financial statements at the end of the year (consolidated) (in EUR thousands)	35,300	46,300
	Total area of land at the end of the year (in thousands of sq.m.)	33,000	20,000
	Total construction rights in land, based on approved plans, by use (in thousands of sq.m.)	26	13

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 a 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 ("Grafental"), located in a central area of Dusseldorf[18], 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 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.

[18]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 I has been completed and were handed over and are fully occupied.

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 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. The project construction was completed in the fourth quarter of 2022 and all of the apartments were handed over to the tenants. It is indicated that upon the project completion and handing over the apartments to the tenants the project was classified as 'investment property – income generating assets' and the Company recognized revaluation profit from the project in the amount of EUR 9.5 million. For more details, see section 1.6.1.1 above and note 8h(2) to the Company's financial statements for 2022 attached to this report. In order to complete the picture, bearing in mind that the construction of the project was completed during the fourth quarter of 2022, the data regarding this project will be presented below as a project classified as development real estate

(B) 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).

For further details regarding the actions taken by the Company, among others, regarding the sale of the above assets see section 1.1.4.1 above.

<u>The Company's residential project in Gerresheim neighborhood in Dusseldorf, Germany.</u>

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.

On September 14, 2022, the Company advised that it was brought to the attention of the board of directors that the municipality of Dusseldorf decided to establish a pre-emptive right (Vorkausfrechtssatzung) in connection with the area where the Company's Gerresheim project is located. The aforementioned pre-emptive right will come into effect upon its actual establishment and its public announcement (Bekanntmachung). For further details, see the Company's immediate report dated September 2022 ,14)reference number: ,(2022-01-117691 which is included herein by way of reference.

On November 24, 2022, it was brought to the attention of the Company's board of directors that difficulties arose in the negotiations with the municipality of Dusseldorf in connection with the approval of the land zoning plan (Zonning Plan) for the Gerresheim project, which may lead to a further delay in receiving the permit or thwart its receipt at all.

As of the report publication date, the Company's board of directors instructed the management to establish a team that will examine the Company's possible actions, among other things, in accordance with the Company's general strategy to examine the sale of additional assets from all parts of its asset portfolio, as described in section 1.1.4.1 e above. For further details see the Company's immediate report dated November 27, 2022 (reference: 2022-01-113352) which is included herein by way of reference.

It is clarified that the above may amount to forward-looking information, as defined in the Securities Law-1968, which is based, among other things, on the current circumstances and the Company's assessment of the status of the negotiations with the municipality of Dusseldorf. There is no assurance as to whether the Company will be able to obtain UBP approval or that the Company will realize the business plan to sell any of its assets, and if so, when and under what conditions, these plans will be realized, the realization of which is subject to factors beyond the Company's control, including changes in the capital and real estate markets, and obtaining approvals from third parties not related to the company.

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.

It is clarified that the above may amount to forward-looking information, as defined in the Securities Law-1968, which is based, among other things, on the current circumstances and the Company's assessment of the status of the negotiations with the municipality of Dusseldorf. There is no assurance as to whether the Company will be able to obtain UBP approval or that the Company will realize the business plan to sell any of its assets, and if so, when and under what conditions, these plans will be realized, the realization of which is subject to factors beyond the Company's control, including changes in the capital and real estate markets, and obtaining approvals from third parties not related to the company.

<u>The Company’s residential project in Aachen Germany</u> - 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. On March 1, 2022, the Company completed the construction of the project and as of the report 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 upon the project completion and handing over the apartments to the tenants this project is classified in the Company's consolidated financial statements as part of investment property – income generating assets'.

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

For further details regarding the actions taken by the Company in connection with the sale of the Company's real estate development asset see section 1.1.4.1 above.

1.8.1.7 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 noted that during the reporting period, the Company raised bonds by means of a series expansion (series B), which were used, among other things, for refinancing a loan in connection with the Gerresheim project. For further details, see Section 1.12B below, as well as Note 11E to the Company's annual financial statements, which are attached as Chapter C to this report.

1.8.1.8 Unique tax implications as part of the activity

For details regarding tax implications affecting the Company, see Note 16 to the financial statements attached as Chapter C of this report.

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

1.8.1.10 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 mitigating quality and inspection problems 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.

1.8.1.11 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.

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

1.8.2 Summary of Results

Parameter	For year ending on		
	31.12.2022	31.12.2021	31.1.2020
	EUR in thousand		
Segment revenues (consolidated)	-	8,301	72,548
Segment profits (losses) (consolidated)	(13,557)	997	14,376
Segment profits (losses) (corporation's share)	(12,188)	896	12,217
Total segment assets in balance sheet (consolidated)	25,500	46,888	85,707
Total liabilities attributed to the segment (consolidated)	-	37,477	19,208

Disclosure Regarding all of the Company's Projects

1.8.3 Data Required for a Very material Project

1.8.3.1 Grafental Mitte - Stage I; residential income generating project that ended in the current year. It should be noted that the property is presented as part of investment property– income generating assets in the Company's financial statements

a. Presentation of the project

(Data based on 100%. The Corporation's effective share of the project – 89.9%)	**Description as of 31.12.2022**
Project name:	Grafental Mitte (Stage I of the residential project)
Project location:	Metro-Str. 39-45 (odd); Walter-Eucken-Str. 95-99; Hohenzollernallee 30, 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, 72 apartments in affordable housing under rent control and 32 apartments are 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.
Estimated realizable value in the reporting period	NA
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. 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)**	
	2022	**2021**
Total cumulative costs for the land at the end of the period.	12,932	12,932
Total cumulative costs for development, taxes and fees	1,120	724
Total cumulative costs for construction.	45,012	36,301
Total cumulative costs for financing (capitalized)	337	-
Total cumulative costs	59,401	49,957

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**	
	2022	**2021**
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)	-	-
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
Total cumulative costs for financing that are expected to be capitalized in the future (estimate)	-	-
Total cost remaining for completion	-	11,569
Completion rate [financial] (not including land) (%)	100%	76.2%
Expected construction completion date	Construction completed	Third quarter of 2022

c. Gross profitability

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

d. 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

e. 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>

Balances in the statement of financial position (in EUR thousands)	**31.12.2022**	**Presented as short-term loans:**	-
		Presented as long-term loans:	EUR 22.3 million
	31.12.2021	**Presented as short-term loans:**	-
		Presented as long-term loans:	EUR 16.1 million
Lending institution			Banking corporation
Date of approval of the loan/ framework and the date of taking the loan			September 2021
Total framework			EUR 28.0 million for financing the project. In 2021, the Company drew down EUR 16.1 million of this amount and in 2022 the Company drew down an additional EUR 6.2 million.
From which, the unutilized balance			EUR 5.7 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)	**31.12.2022**	**Presented as short-term loans**	-
		Presented as long-term loans	EUR 8.0 million
	31.12.2021	**Presented as short-term loans**	-
		Presented as long-term loans	EUR 8.0 million
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. In 2022, the Company has not drawn down funds from 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.

1.8.3.2 **Residential project of the Company in Aachen** – project for constructing residential income generating asset under construction. It is noted that the asset is presented as part of investment property – income generating assets in the Company's financial statements.

a. Presentation of the project

(Data based on 100%. The Corporation's effective share of the project – 89.9%)	**Description as of 31.12.2022**
Project name	Aachen social housing
Project location	Niederforstbacher 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	See section 1.8.4

in connection with the project	
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	NA
Discussion of existence of infrastructures in proximity to project	NA
Special mattes: (material construction deviations, soil pollution etc)	NA

b. Costs invested and to be invested in the project

Aachen project	**Costs invested in the project**	
	2022	**2021**
(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	1,274	1,212
Total cumulative costs for construction	20,355	14,196
Total cumulative costs for financing (discounted)	-	-
Total cumulative costs	23,844	17,623

Aachen project	Costs not yet invested in the project and investment balance	
(financial data in EUR thousands)	**2022**	**2021**
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
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
Total cumulative costs for financing that are expected to be capitalized in the future (estimate)	-	-
Total cost remaining for completion	-	5,596
Completion rate [financial] (not including land) (%)	100%	73.4%
Expected construction completion date	Construction completed	First quarter of 2022

c. Project marketing

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

d. 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.

e. 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.

f. 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.

Bank loan

<table>
<tr><td rowspan="4">Balances in the statement of financial position (in EUR thousands)</td><td rowspan="2">31.12.2022</td><td>Presented as short-term loans</td><td>EUR 0.2 million</td></tr>
<tr><td>Presented as long-term loans</td><td>EUR 7.6 million</td></tr>
<tr><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 6.6 million</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 2020</td></tr>
<tr><td colspan="3">Total framework</td><td>EUR 8.0 million for financing the project. In 2021, the Company drew down EUR 6.6 million of this amount and in 2022 the Company drew down the remaining amount (EUR 1.4 million).</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 indicating the interest</td><td>Fixed interest margin of 1.00%</td></tr>
<tr><td colspan="3">Repayment date of principal and interest</td><td>The principal repayment for the construction loans is monthly installments in annual amount of EUR 0.2 million where the repayment date of the loan is in 2062. Interest is paid monthly.</td></tr>
<tr><td colspan="3">Key financing conditions</td><td>None</td></tr>
<tr><td colspan="3">Other key conditions [including: sales pace, etc.]</td><td>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.</td></tr>
<tr><td colspan="3">Additional main conditions determined in the loan agreement</td><td>NA</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 it is indicated that the Company extended various performance guarantees in favor of the bank.</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 project land.</td></tr>
</table>

NRW subsidized loan

<table>
<tr><td rowspan="4">Balances in the statement of financial position (in EUR thousands)</td><td rowspan="2">31.12.2022</td><td>Presented as short-term loans</td><td>EUR 0.2 million</td></tr>
<tr><td>Presented as long-term loans</td><td>EUR 7.6 million</td></tr>
<tr><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 6.8 million</td></tr>
<tr><td colspan="3">Lending institution</td><td>NRW BANK</td></tr>
<tr><td colspan="3">Date of approval of the loan/ framework and the date of taking the loan</td><td>October 2020</td></tr>
<tr><td colspan="3">Total framework</td><td>EUR 10.5 million for financing the project. In 2021, the Company drew down EUR 6.8 million of this amount and in 2022 the Company drew down an additional amount of EUR 3.7 million.</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 indicating the interest</td><td>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.</td></tr>
<tr><td colspan="3">Repayment date of principal and interest</td><td>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.</td></tr>
<tr><td colspan="3">Key financing conditions</td><td>None</td></tr>
<tr><td colspan="3">Other key conditions [including: sales pace, etc.]</td><td>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.</td></tr>
<tr><td colspan="3">Additional main conditions determined in the loan agreement</td><td>NA</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 it is indicated that the Company extended various performance guarantees in favor of the bank.</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 project land.</td></tr>
</table>

1.8.3.3 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 31.12.2022
Project name	Grafental Ost (Stages J-K of the residential project)
Project location	Hohenzollernalle 40235, Dussledorf, 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 31.12.2022			
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 2024. Stages J-K are expected to be constructed as per the city building plan in the Grafental project: 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. Stage K - will be built on an area of 16,826 square meters, net and will include 166 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.

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

a. Presentation of the project

	Description as of 31.12.2022
Project name	Glasmacherviertel
Project location	Glasmacherviertel Heyestrase 40625 Dusseldorf-Gerresheim, 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. For further details regarding the status of the designation change procedure of the land, see section 1.1.4.2 above.
Corporation's effective share of the project	100%. For further details regarding the cancellation of the Gerresheim transaction see section 1.1.4.2 above.
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	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.)	For details in connection with special issues that make it difficult to obtain the building permit in Gerresheim, see section 6(1) of the company's financial statements attached as chapter C to this report.

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 31.12.2022, 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	Approx. 161,000	1,482	The Company works to promote the city building plan with the local authority . as of this date, the Company cannot estimate the receipt date of the approvals.
Commercial spaces and offices	Approx. 35,000	NA	
Kindergartens and school	Approx. 10,000	3	

c. Costs invested in the project[19]

	2022
(financial data in EUR thousands)	
Costs invested:	
Total cumulative costs for land at the end of the period	141,645
Total cumulative costs for planning, marketing, development, taxes and fees	8,830
Total cumulative costs for construction	-
Total cumulative costs for financing (discounted)	30,376
Total cumulative costs	180,851

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:

Balances in the statement of financial position (in EUR thousands)	**31.12.2022**	**Presented as loans from banks classified as noncurrent liabilities**	It is indicated that on June 1, 2022, the Company paid the loan in full and as of the report date, there is no specific loan on the Company's land in Gerresheim. It is proper to note that the Company repaid this loan in full and for this purpose raised bonds by a private placement. For further details regarding the private placement see section 11e to the annual financial statements of the Company attached as chapter C to this report.
	31.12.2021	**Presented as liabilities of disposal group held for sale:**	147,500
Lending institution			Banking corporation
Date of approval of the loan / framework and the date of taking the loan			June 2020
Total loan			EUR 147.5 million for the financing of the project were repaid in one installment on June 1, 2022.
From which, the unutilized balance			NA
System for determining the interest and noting the interest			Weighted average interest of 4.54% in the first year and 5.15% in the second year.

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

Repayment date of the principal and interest	The principal repayment is in one payment (bullet) during June 2022.
Additional main conditions determined in the loan agreement	None
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 see other key covenants
Conditions for releasing earnings from the accompanying account, including noting whether the conditions existed	NA
Securities	A first-degree pledge on the purchased asset and a pledge on the deposit (as defined below).

1.8.3.5 Grafenberg Land reserve.

a. Presentation of the project

	Description as of 31.12.2022
Project name	Grafenberg
Project location	Ernst-Poensgen-Allee 3, 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]	2026
Commencement date of project marketing [expected]	2024
Expected marketing completion date (expected)	2025
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	No

reporting period? If so, a 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[20]

(financial data in EUR thousands)	2022
Costs invested:	
Total cumulative costs for land at the end of the period	11,900
Total cumulative costs for planning, marketing, development, taxes and fees	4,671
Total cumulative costs for construction	-
Total cumulative costs for financing (discounted)	-
Total cumulative costs	16,571

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.

[20]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

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

Project stage	Contractor name	Turn-key financial scope of the agreement	Signing date	Agreement date of completion of construction	Actual completion date of construction	Manner of performance of payment	Guarantees provided to contractor	Fines
Stage I – Grafental	Nesseler Grünzig Bau GmbH	All of the construction work (underground parking, shell, environmental development and finishing) of Stage I in a financial scope of about EUR 34 million.	January 2020	Q4 2022	Q3 2022	On a monthly basis in accordance with the pace of the construction's progress and the scope of construction performed in the said month.	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,	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.
Aachen	Nesseler Grünzig Bau GmbH	All of the construction work (underground parking, shell, environmental development and finishing) of the project in a financial scope of about EUR 15 million.	January 2020	Q3 2022	Q1 2022			

							10 years for the sealing work).	

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 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 the 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. Further to the above and as of the publication date of the report, the Company is taking actions to strengthen the aforementioned business relationships, at the backdrop of the fact that the controlling shareholder of the Company is ADLER. For further details regarding the Company's access to financing sources, see section 1.12 below.

The Group employs a managerial platform in Germany with a local staff including about 104 employees (out of 113 employees in the Company in total) 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 by 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 enjoys the fact that Düsseldorf suffers from a shortage of quality apartments in the market. Other than less significant projects of the Company, 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 including 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, 2021 and December 31, 2022, are as follows:

Employing Company	Position in Employing Company	Number of Employees	
		As of December 31, 2022	**As of December 31, 2021**
The Company	CEO[21]	1	1
	Administration	2	2
	CFO	1	1
	Controller	1	1
SIB Capital	IT person and administration	2	2
	Financial Department (analyst)	2	1
The Property Management Company	Accounting staff	17	17
	Administration	9	9
	Asset/marketing/technical management	67	67
Grafental project management company			
	Accounting staff	1	1
	Administration	2	2
	Project management	8	8
Total		**113**	**112**

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.

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 manner of termination of the employment relationship. It shall be noted that under the German law, the matter of termination

[21]The CEO does not receive wages from the Company

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 companies with over 20 employees[22] 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.

[22]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 the board of directors, CEO and CFO.

Changes in Company's board of directors in the report period:

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

On May 8, 2022, Ms. Liselot Dalenoord was appointed as Non-Executive director on the Company's Board of Directors. For further details, see the Company's immediate report dated May 8, 2022 and September 30, 2022 (Reference No.: (2022-01-055306 and 2022-01-099561, respectively). which are hereby included by way of reference. It should be noted that on May 13, 2022, Ms. Liselot Dalenoord was classified as an independent director of the Company. For further details, see the Company's immediate report dated May 14, 2022 (Reference No.: 2022-01-057886).

On November 8, 2022, the Company's general meeting approved the re-appointment of Mr. Patrick Burke and Ms. Liselot Dalenoord as independent directors on the Company's board of directors from the approval date of their appointment by the general meeting until the end of the next annual meeting.

In addition, the general meeting as mentioned approved the appointment of Mr. Thomas Werner Ferdinand Zinnöcker, Thomas Josef Echelmeyer and Thilo Ger Schmid as directors (who are not external directors) to the Company's board of directors ("the new directors"), among other things, in accordance with the request of ADLER, the controlling shareholder of the Company, starting on December 1, 2022.

It should be noted that upon the commencement of the term of office of the new directors as directors on the Company's board of directors on December 1, 2022, Jeroen Dorenbos, Machiel Hoek[23] and Thierry Beaudemoulin ceaseed to serve on the Company's board of directors.

For further details, see the Company's immediate reports from October 4 and November 8, 2022 (reference number: 2022-01-100740 and 2022-01-134668, respectively) as well as the Company's immediate reports regarding the appointment of the directors from November 8, 2022 (Reference No.: 2022-01-134677, 2022-01-134683 and 2022-01-134671), and immediate reports of the Company regarding the termination of the term of directors of November 8, 2022 (Reference No.: 2022-01-134692, 2022- 01-134686 and 2022-01-134689), which are hereby included by way of reference.

On December 8, 2022, and due to personal circumstances, Mr. John Rouweler terminated his term in the Company as an external director. For further details, see the Company's immediate report dated December 8, 2022 (reference number: 2022-01-148963), which is included by reference.

[23] as of the report publication date, the Company's board, after a discussion in the audit committee, approved the Company's engagement with Mr. Machiel Hoek, former director in the Company, as consultant.

On March 6, 2023, Mr. Taco Tammo Johannes de Groot was appointed as external director on the Company's board of directors. For further details, see the Company's immediate report dated March 6, 2023 (reference number: 2023-01-020371) which is hereby included by way of reference

For further details regarding the senior officers of the Company in accordance with the provision of Regulation 26a of the Securities Regulations (Periodic and Immediate Reports), -1970 (hereinafter: the "**Reporting Regulations**"), see Regulation 26 in Chapter D attached to this 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 attached to this 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 Company does not depend on senior officers or employees 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) [24] 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) 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).

[24]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

During the reporting period, the Company encountered significant challenges in receiving long-term financing from German banking corporations, to the best of the Company's knowledge, among other things due to the situation of ADLER, the controlling shareholder of the Company. It should be noted that the changes in the real estate market in Germany and the capital market in Germany and in the world also have a considerable effect on receiving long-term financing in this regard, please see the CPA's opinion attached to this report.

Considering the Company's liquidity needs, which are detailed, among other things, in its financial statements and in section 9.1 of the board of directors' report, the Company constantly examines the financing alternatives available to it. As of the date of the report and during the period of the report, the group finances its activities from its own sources (including the sale of assets) as well as by taking debt from external sources such as loans from banking corporations (bank financing), bond issues and a loan from the controlling shareholder, among others, as follows:

(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, 2022 amounts to EUR 312.3 thousand.

- Credit facility from a banking corporation

  On May 13, 2022, the Company entered into an agreement with an international banking corporation, with which it had not previously entered into a credit facility agreement for approximately EUR 30 million. For further details, see the Company's immediate report dated May 15, 2022 (reference number: 2022-01-057913), which is included herein by way of reference. The credit facility was provided to the Company during the middle of the first quarter of 2023 (with an option to extend it for about two months), and it was expected to be repaid in one payment at the end of the credit period, that is, in the middle of the first quarter of 2023. It should be noted that the Company did not need to use the credit facility and therefore canceled it on its own initiative after the reporting period, on January 31, 2023.

- During August 2022, the Company signed a 3-month extension with the bank that finances one of the Company's loans in the amount of approximately EUR 45.3 million, which was expected to be repaid on August 30, 2022. During November 2022, the Company extended the loan by another month . On December 9, 2022, the Company completed a transaction aimed at refinancing part of the aforementioned loan. In accordance with the agreements between the Company and the financing financial corporation, the repayment date of the loan was extended by 3 years, so that it will apply in December 2025. The amount of the loan that was extended is about EUR 29.2 million (out of a total loan of about EUR 44.9 million). The rest of the terms of the loan remained without substantial changes, with the exception of a change in the interest rate, which for the extension period will be 5.5%. For further details, see the Company's immediate report dated December 11, 2022 (reference number: 2022-01-149371), which is included herein by way of reference.

- On September 28, 2022, the Company entered into an agreement with a banking corporation to extend one of the Company's existing loans (through its subsidiaries) for a total amount of approximately EUR 42 million , as of the date of entering into the agreement (the loan). The loan, which was expected to be repaid on September 30, 2022, was extended by 6 months. After the date of the report, the Company and the aforementioned banking corporation entered into an additional agreement to extend the repayment date of portion of the loan, in the amount of EUR 34.5 million until March 31, 2025 and to update part of the terms of the loan, including the interest rate. Accordingly, an amount of EUR 7 million was repaid by the Company on March 29, 2023. For further details regarding the update of the terms of the loan, see immediate report dated March 28, 2023 (reference number: 2023-01-033288), included herein by way of reference and Section 23(2) of the Company's financial statements attached as Chapter C to this report.

- In addition, on the publication date of the report, the Company is in advanced negotiations in connection with the extension of the repayment date of a very material loan of the Company. For further details regarding the loan, see section [__] 1.12.7 below.

(b) <u>Issuance of bonds</u>

During March 2022, the Company completed a private placement of NIS 528,440,367 par value of bonds (Series B) of the Company by way of an expansion of registered series to refinance the Company's short term liabilities and financing the operating activities of the Company. The additional bonds were allocated to offerees by private placement by series expansion at a uniform price of 109 Agorot for every 1 NIS par value (Series B) of the Company, which reflects an effective interest rate in respect of the additional bonds of approximately 1%. The total gross proceeds of the private placement of approximately NIS 576 million were received in the reported period. In order to meet the conditions prescribed in the trust deed for B Series, including with respect to the collateral ratio, the Company charged an additional 75,000 shares (beyond the charged shares as of the report date) of Brack German Properties B.V. used as collateral for such bond series.

For further details, see the Company's immediate report from February 28, 2022 and March 3, 2022 (as amended on March 9, 2022) (Reference No.: 2022-01-024238, 2022-01-026257 and 2022-01-028054), which are hereby included by way of reference. It should be noted that on May 16, 2022, the Company pledged an additional 50,000 shares of Brack German Properties B.V. used as collateral for such bond series.

For information regarding the existing bonds in the Company, see part E of the board of directors' report attached as chapter B to this periodic report.

(c) <u>Loan from controlling shareholder</u>

On May 19, 2022, the Company entered into an agreement with the controlling shareholder ADLER, according to which ADLER will provide the Company with a credit facility in a total amount of EUR 200 million for the purpose of refinancing the Company's financial obligations that are due to be repaid during the years 2022-2023, payment of the Company's tax liability and the related financing expenses and only these.

On August 13, 2022, the Company entered into an amendment to the aforementioned credit facility agreement with ADLER, the controlling shareholder, according to which the repayment date of the credit facility will be extended until the end of December, 2023, and a certain update will be made to the repayment terms of the credit facility. Also, as part of the amendment to the agreement, the Company committed that to the extent that after August 10, 2022, the Company realizes assets that will generate net proceeds exceeding (in aggregate) an amount of EUR 200 million, such proceeds will be used to repay the credit principal, when it is clarified that said payment will be made only and to the extent that the Company is able to meet all its financial obligations towards all of its creditors until the deadline for repayment of the credit facility. For further details, see the Company's immediate report dated August 14, 2022 (reference number: 2022-01-102571), which is included herein by way of reference.

As of the signing date of the report, the Company has drawn down an amount of EUR 150 million from the aforementioned credit facility. For further details, see the Company's immediate reports from May 19, May 23, and September 27, 2022 (reference number: 2022-01-061300, 2022-01-050802 and 2022-01-098262, respectively), which are included herein by way of reference.

During the first quarter of 2023, and taking into account, among other things, the Company's cash needs as detailed in section 9.1 of the Company's board of directors' report for 2022, the Company approached ADLER with a request to prolong the maturity date of part of the amount extended to it. In response to the Company's request, ADLER provided a one-sided commitment to the Company according to which ADLER undertakes to prolong the maturity date for EUR 70 million ("the prolonged amount") from the total amount drawn by the Company as mentioned above in six additional (6) months, until June 30, 2024, subject to updating the terms of the interest, placement of a security and the fulfillment of certain conditions precedent ("ADLER'S commitment"). The maturity date for the remaining EUR 80 million, and any additional amount that will be drawn (if drawn) on account of the credit line until December 29, 2023 will remain on December 29, 2023. The Company may notify ADLER at any time that it rejects ADLER's commitment.

The audit committee and the Company's board of directors discussed ADLER's commitment on March 29 and 31, 2023 (respectively), and acknowledged that as long as the Company decides not to prolong ADLER's commitment, the prolongation of the maturity date of the prolonged amount will be subject to the approvals required under the applicable law, including, as necessary, approval the general meeting of the company.

Accordingly, as of this date, the company has no certainty that the payment date of the deferred amount will indeed be extended, and if so under what specific commercial conditions, or that the company will not choose to postpone ADLER's commitment.

For additional details regarding the main terms of ADLER's commitment, see the Company's immediate report dated March 31, 2023 (reference number: 2023-01-036906), which is included herein by way of reference.

For additional details regarding the credit line, see Note 12 to the Company's financial statements for 2022, which are attached as Chapter C to this report.

For more details in connection with the method of approving the contract for the aforementioned credit line, see Regulation 22 of Chapter D of this report.

It is clarified that the above in connection with the Company's estimates regarding the extension of the repayment date of the credit line amounts to forward-looking information, as defined in the Securities Law, and may not be realized or may be realized in a different way from the above, among other things, in light of the need for the approval of the Company's general meeting and agreements of third parties over which the Company has no control.

For further details regarding the Company's finance sources, see section 9.1 of the board of directors' report attached as chapter B to this report

1.12.3 Credit rating by Maalot

For further details see section 18 of the board of directors' report for 2022 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, 2022, 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 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 **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 from banks as of December 31		
	2022	2021	2020
Banks	2.00%	1.29%	1.54%

1.12.6 **Variable Interest Credit**

As of December 31, 2022, the Company does not have variable interest loans.

1.12.7 The following is a description of the loans, material liens and the credit from banking corporations of the Group, as of December 31, 2022:

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 31.12.2022 (EUR thousands)	Last Repayment Date	Liens/ Securities	Annual Interest	Change of Control Clause	Financial liabilities	Notes
1	Portfolio loans[25]	Foreign banking corporation	January 18, 2021	100,492	2.5% of the original principal amount in the year payable quarterly and the balance of the principal in one payment at the end of the loan term.	95,288	June 30, 2023 In this regard, see section 1.12.2a above.	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 interest rate of 1.41%	The borrower must update the lender in advance 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 65%, DSCR greater than 135%	(1) Non-recourse loan; (2) the financial liabilities are at the assets group level

[25]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)

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 31.12.2022 (EUR thousands)	Last Repayment Date	Liens/ Securities	Annual Interest	Change of Control Clause	Financial liabilities	Notes
2	The Company	ADLER Real estate AG, the controlling shareholder in the Company	The credit line includes three credit facilities: (1) EUR 100 million extended to the Company on May 19, 2022; (2) EUR 50 million extended to the Company on September 23, 2022; (3) EUR 50 million that have not yet been extended to the Company (the "credit line")	200,000	The interest on the loan is paid on a quarterly basis; The principal will be repaid in one payment at the end of the loan period.	150,000	December 30, 2023. For further details, see section 1.12.2c above.	As of the publication date of the report, there are no liens.	1.2% In this regard see section 1.12.2c above.	The Company will make its best efforts to extend or refinance its financial obligations underlying the purposes of the credit line, and will also make its best efforts to pay off such obligations from its own sources, subject to the conditions stipulated in the agreement; To the extent that, after August 10, 2022, the Company realizes assets that will generate net proceeds in an amount that will exceed (in aggregate) EUR 200 million, such proceeds will be used to repay the credit principal, when it is clarified that said payment will be made only and to the extent that the Company is able to meet in all its financial obligations towards all its creditors until the last payment date; To the extent that the taking of new loans by the Company from third parties will have a material effect (as specified in the agreement) on the obligations of the lender or its related companies, the Company will take new loans as stated only after it has applied in writing to the lender with a request to receive a loan on market terms and the lender has refused said request within 10 business days. The Company will not prepay any existing financial obligation (except for the obligations underlying the purpose of the credit line) without the written consent of the lender before the credit line is paid off.		

Following the table above, below data shall be presented regarding the Company's compliance with the financial criteria determined in its loans. [26]

Calculation of the financial criteria: DSCR and LTV, is performed based on the definitions in the relevant loan agreement, and not necessarily in accordance with generally accepted accounting principles[27].

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, 2022 EUR thousands	Financial/other liabilities	Actual financial covenant DSCR as of December 31, 2022	Actual LTV financial covenant as of December 31, 2022	Actual financial covenant DSCR as of December 31, 2022 and the signing date of the Report	Actual LTV financial covenant as of December 31, 2022 and the signing date of the Report
1	January 18, 2021	100,492	95,288	LTV less than 65% DSCR greater than 135%	DSCR= 242%	LTV = 55%	DSCR=261%	LTV=48%

[26]Regarding financial covenants 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.

[27]Regarding financial covenants 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 where 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	389,085	-	389,085
Current liabilities *	415,046	-	415,046
Surplus current assets over current liabilities	(25,961)	-	(25,961)

* It should be indicated that EUR 137.1 thousand is presented as current liability following two loans the repayment date of which is in 2023. 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 35,000,000 per occurrence and for an annual insurance period to cover liability for Group buildings in connection with the maintenance, operation and management of structures in Germany.

C. It shall be noted that the annual insurance premiums amount to EUR 1.4 million.

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 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

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).

Local Business Tax

In addition to the corporate tax, a local business tax (trade tax) applies in Germany. 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[28] 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[29] 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).

[28] It shall be noted that The Netherlands and Germany are both member states of the European Union.
[29] It 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 15% in 2022 of the annual income up to EUR 395,000, and a rate of 25.8% to taxable income annually exceeding EUR 395,000, 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).

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

<u>Dividend Withholding Tax Rate</u>

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.

<u>Interest Withholding Tax Rate</u>

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.

<u>Capital Gains</u>

Generally, capital gains are included in the calculation of taxable income as ordinary income 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 **<u>Taxation in Israel</u>**

BCP is a Dutch company, and therefore, in accordance with the provisions of the Income Ordinance [New Version], -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 **<u>Tax Assessments</u>**

For details regarding tax assessments for the Company and/or any of the subsidiaries, including regarding a possible tax liability of subsidiaries, see Note 16 of the financial statements of December 31, 2022, 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 16 of the audited consolidated financial statements of the Company as of December 31, 2022, attached in Chapter C of this 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, 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, 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 **<u>Limitations and Supervisions of the Corporation's Activities</u>**

1.17.1 <u>General</u>

1.17.1.1 <u>Land Sale Laws in Germany</u> – 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 preserve 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) Preservation 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 preserve 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 such 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 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 in sub sector of 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 requested 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 in the sub sector of 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.

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 vast 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 from 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.

As of the report date, the Company has rental agreements for public housing that reflect a total annual revenue of approximately EUR 4.9 million, which is approximately 8% of the Company's total revenue in 2022.

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) [30]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[31]. It shall be emphasized that groundwater contamination was examined with no negative findings.

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%.

[30]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.

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

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 registry 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 and Regulation 22 of Chapter D of this report. For additional details in connection with a transaction carried out by one of the aforementioned joint ventures, see section 1.1.4.1a above and regulation 22 of chapter D of this report.

1.19 Legal Proceedings

1.19.1 Regarding legal proceedings conducted against the Group, see Note 17b of the Consolidated Financial Statements as of December 31, 2022, attached in Chapter C to this Report.

1.20 Goals and Business Strategy

1.20.1 Overall Strategy

The purpose of the Company is to provide its shareholders with an excess return, relative to the risk level, inter alia, by focusing its business activity mainly in the income generating and development real estate sectors while focusing in the German market while considering that the German residential is considered a stable, large and liquid market.

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.

In addition, the Company intends to act to retain a stable and high-quality management staff while constantly exploring options for administrative cost savings.

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 asset portfolio, while paying attention, among others, to the possible consideration, the asset carrying value, the potential revenue of the asset and the market situation.

1.21 Projected Development during the Coming Year

1.21.1 The Company intends to continue its business strategy of strengthening its financial position with refinancing the Company's liabilities and performing attractive sales of the Company's assets.

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.

It should be noted that the above information 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 new residential apartments. Similarly, 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 in 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. Increases in interest rate in the economy has an effect on the value of real estate and rental prices per square meter, as well as on the demand curve for existing and new residential apartments. During the report period there was an increase in interest rate and the rate of inflation, in practice there is an effect on the value of real estate in the Company's books but as of the reported period there is no effect on rental prices per square meter.

(B) **A recession in the credit market, downturn in the capital markets in Israel and globally, insolvency of European countries** – economic slowdown in world markets from macro-economic effects may result in interest increase, inflation, recession in the credit market, slump in capital markets in Israel and throughout the world and a possible insolvency of European countries.

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 entire real estate market in Europe and Germany specifically, which will cause fewer transactions and harm the Company's expansion. Additionally, a slump in the capital markets in Israel (among others, sue to possible changes in the judiciary system 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.

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.

(C) **Inflation and interest rate increase; increase in construction inputs** - during 2022, the negative trend of accelerating the rate of inflation and rising interest rates continued. Changes in inflation trends and interest rates in Israel and around the world may have an impact on the group's activities, and this, among other things, in light of the impact of the aforementioned processes on the business activity of the economy, including regarding operational costs, raw material costs, labor costs, the structure of financing costs, etc. Also, An increase in the prices of construction costs was recorded in 2022, which may have an impact on the profitability of the properties included in the Company's development portfolio, as well as on the valuations of these properties. In the Company's estimation, the Company's rich and diverse asset portfolio will allow it to maintain its financial strength in a way that will reduce the effect of inflation, interest rate increases and construction cost increases, on the results of its operations. In addition, it should be noted that the bonds issued by the Company are linked to an index and are therefore directly affected by increase in the inflation rate in the economy.

(D) **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.

(E) **Information security and cyber -** the Company's activity is based, among other things, on computerized information systems. Over the past few years there has been an increase in the frequency and severity of cyber incidents in the world. Attack attempts by hostile parties may damage the integrity and stability of the functioning of a Company's information systems, and accordingly, may cause the disruption of the Company's activities, theft of the Company's information, may cause damage to the Company's reputation and exposure to lawsuits. In the cases mentioned above, this may harm the Company's business results. In order to protect its information systems, the company carries out cyber tests every day that include combined attacks on the set of emails, end stations, entry and exit of communication channels and the Company's websites. During the reporting period, there were no cyber incidents that significantly affected the Company's operations. The Company constantly conducts a risk assessment regarding cyber-attacks with the external advice of Cymulate.

1.22.2 Sectorial Risk Factors –Income-Generating Real Estate and Residential Development 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 a increase in the supply of areas, and as a result of competition over high-quality tenants (with financial strength).

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

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

d) **Decrease in the scope of governmental support for low-income strata –** in certain areas of Germany, in which the Company also operates, the government provides support in the form of participation in rental fees for needy populations (unemployed, disabled and the elderly). A decrease in the scope of support may lead to a decrease in the ability to make payments by tenants. It shall be noted that about EUR 15 million representing 26% of the total apartment rental fee income in the field of residential income-generating real estate is paid on a monthly basis by the relevant local authority in accordance with the housing subsidy policy for eligible tenants of the same relevant authority.

e) **Value of the Company's assets** - the Company is exposed to the decrease in value of the assets it holds, and the inability to exercise them. A decrease in the values of the Group's assets and/or inability to exercise them may adversely impact the business results of the Company.

   Determining the fair values of investment property is performed, inter alia, in accordance with the income capitalization method. The calculation of income capitalization involves making assumptions, including assumptions regarding the capitalization rates, assumptions regarding the renewal of agreements (mainly the probability of renewal and anticipated rental fees upon renewal) and the occupancy rates in the various assets, estimates which are naturally uncertain.

f) **Legislation and regulation in the real estate sector in Germany including liability for environmental damages (ESG) -**

The Group's activities are subject to German regulation in all operating areas, such that a change in the regulatory environment (among other things, changes in the provisions of the law governing renovation activities in buildings owned by the Group, provisions regarding requirements for energy efficiency, legislation affecting local rental laws and legislation concerning the conversion of buildings into condo buildings) may have an effect on the Group's activity and results. In addition, the Group's activities in Germany are subject to legislative provisions in the local privacy laws adopted during 2018 and require strict compliance with the requirements regarding the possession and use of personal information. Failure to comply with these legal provisions may result in the imposition of fines in amounts calculated from the Group's revenue stream. Also, the Group may be exposed to certain liabilities in the field of environmental conservation and the costs involved in complying with these liabilities, which may have an adverse effect on the results of the Group's activities.

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

h) **Increase in the supply of available lands and/or residential projects for construction in Dusseldorf**

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

i) **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 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 will lead to unforeseen increase in performance costs of the Company's project in the city and a decrease in its profitability. For further details see section 1.22.1d above.

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

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

The Company's assessment of the risk factors above, including the degree of impact of the risk factors on the Group in general and the spread of the Corona Virus and the war in Ukraine, the inflation and interest increase in particular, 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, 2022 (hereinafter: "the Reported Period" or "the Report Period", respectively) in accordance with the Securities Regulations (Periodic and Immediate Reports – 1970, the Reports' Regulations).

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

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

In this report:

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

"Report signing date" or "the date of signing the report" or " the report signing day" refers to March 31, 2023.

"the report period" – 2022

Preamble

Below are the Company's principal results for twelve months ending December 31, 2022.

1. **Profitability** – In 2022, the Company's net loss attributed to the Company's shareholders amounted to approximately EUR 170.6 million compared to a profit of EUR 72.7 million in 2021. It should be indicated that the loss during the current year is mainly due to impairment of investment properties some of which were realized in December 2022 and impairment of real estate inventory of the Company's lands (in a total amount of approximately EUR 172.4 million).

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

- **Income-producing real estate -** In 2022, the FFO amounted to EUR 25.4 million compared to EUR 24.7 million in 2021. In addition, in 2022 the Company's NOI amounted to EUR 49.8 million compared to EUR 49.1 million in 2021 and the EBITDA of the Company in 2022 amounted to a total of EUR 38.0 million compared to EUR 37.8 million in 2021.

- The growth in rent in the field of residential income producing real estate in the fourth quarter of 2022 amounted to about 2.2% in rent from identical assets compared to the corresponding quarter in 2021. As of the report signing date, the average rent is EUR 7.01 per square meter and the rental in new leases in the Company's residential income producing portfolio is about 9.3% higher than the current average. The occupancy rate as of the report date in the residential income producing real estate is 97.6%.

- **Residential development** - The company did not recognize a profit from the sale of apartments in 2022 due to the fact that the Company's real estate development, which was under construction during the reporting period, is intended for rent. For further details regarding the impairment of the Company's residential development real estate assets, including in light of the rising interest rates and inflation in the economy and their effects on the Company's results of operations, see part C below. It is indicated that following the impairment of residential development assets classified as land inventory the Company recognized a loss of EUR 13.6 million in 2022 out of impairment loss of lands in a total amount of approximately EUR 172.4 million, as detailed above).

2. Operating segments – key operational data

2.1 Income-producing real estate [1]

Zoning	Area ('000 square meters)	NRI Return	ERV Return	Actual NOI return	NOI return according to ERV	Occupancy rate
Residential	588	4.7%	5.1%	%3.7	%4.2	97.6%
Commercial	30	7.8%	7.8%	%4.2	%4.2	83.6%
Total	**618**	**4.8%**	**5.2%**	**%3.8**	**%4.2**	**97.2%**

3. Balance sheet structure and financial solvency -

3.1 **Equity and EPRA NTA**: The equity attributed to the Company's shareholders amounted to approximately EUR 705.7 million and the EPRA NTA[2] amounted to EUR 876.1 million, as of the report date.

3.2 **Debt ratios**: The LTV ratio[3] is 36.43% as of the report date compared to 35.51% in the corresponding period last year. It is indicated that in the event of completing the sale of the income producing assets which were classified as held for sale (see Note 8i to the Company's financial statements) the LTV ratio will decrease after the sale to 29.23%. The ratio of EBITDA (from the income producing portfolio only, excluding operating profit from development activity) to interest expenses is about 3.25 on average for 2022.

3.3 **Liquidity**: Cash balances (consolidated) amounted to approximately EUR 210.5 million as of the report date.

3.4 **Financing**: as of the report date, the Company has bank loans with a total balance of EUR 372.6 million, at an average annual interest of 2.00% and duration of 5.87 years and marketable bonds in the amount of EUR 167.7 million as of the report date. For additional details regarding the financing sources of the Company and its liquidity position see section 9.1 below.

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

[2] EPRA NTA – for details regarding the index and the calculation manner see section 9.3 of this report.

[3] Net debt to total real estate assets and inventory

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**); residential development real estate in Dusseldorf, and the betterment of land in Dusseldorf (collectively: **the group's areas of activity**).

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 9,608 apartments with a total leasing area of approximately 588,000 m^2**.** During the report period, the Company completed a transaction for the sale of income producing real estate assets in the residential sector in the volume of approximately 13% of the value of the Company's property portfolio (as of the third quarter of 2022), which was completed on December 30, 2022. As of the publication date of the report, the Company continues to examine additional transactions for the sale of the Company's assets. For more details, see Section 1.1.5 of Chapter A of this report.

4.2 **Commercial Income-Producing Real-Estate -** As of the report date, the Group owns 4 commercial income-producing properties in the commercial segment (commercial and offices) with an overall leasable area of approximately 30,000 m^2. For further details regarding the commercial income producing sector see section 1.1.5 of Chapter A of this report.

4.3 **Residential Real Estate Under Development** - For details regarding the performance status of the projects under construction, see section 1.8.3 to Chapter A of 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 Aachen see section 1.8 of Chapter A of this report.

6. **Land improvement in Dusseldorf for development** - The Company owns three land complexes in Dusseldorf, Germany, two of which are undergoing procedures for obtaining building permits and for one land a building permit was received. For details regarding the establishment of a pre-emptive right (pre-emptive right) for the municipality of Dusseldorf, among other things, in connection with the Company's premises, see section 1.8.3 of Chapter A of this report. below and the Company's immediate report dated September 14, 2022 (reference number: 2022-01-117691), which is included herein by way of reference. In addition, in the fourth quarter of 2022, difficulties arose in the negotiations with the municipality of Dusseldorf in connection with the approval of the Gerresheim project, which may lead to a further delay in receiving the permit or thwart its receipt at all. For further details, see the Company's immediate report dated November 27, 2022 (reference number: 2022-01-113352), which is included herein by way of reference and section 1.8.3.4 of Chapter A of this report.

   For details regarding actions taken by the company to sell some of its assets, see section 1.1.4.1 of chapter A of this report.

7. Financial Position:

Assets	**December 31, 2022**	**December 31, 2021**	**Explanation for the change**
Current assets	**EUR in thousands**		
Cash and cash equivalents	210,477	24,861	See details in the statement of cash in the Company's financial statements attached to this report.
Restricted deposits, financial assets, and other receivables	32,354	25,980	
Income receivable from the sale of apartments	264	554	
Tenants and trade receivables, net	2,167	1,641	
Assets of disposal groups held for sale	143,823	30,331	Increase is mainly due to the classification of residential assets to disposal groups held for sale due to the Company's intention to see these assets. For further details, see section 8i of the Company's financial statements.
Total current assets	**389,085**	**83,337**	
Non-current assets:			
Investments and loans in companies measured at equity	-	2,069	
Investments in financial assets, measured at fair value through profit or loss	5,287	13,344	Decrease derives from decline in fair value of financial asset. See section 13.1 of the Company's financial statements.
Inventory of real estate	206,351	215,527	
Investment property – real estate rights and investment property under construction	35,300	99,100	Decrease derives from construction completion of the Grafental project (Stage I) and its classification to "investment property - income-producing assets". See section 10.14 below.
Investment property – income-producing assets	925,123	1,317,230	Decrease is mainly due to the classification of residential assets to disposal groups held for sale and from the sale of residential assets in Leipzig. For further details, see sections 8f(4) and 8i of the Company's financial statements.
Restricted deposits for investments in assets	4,997	7,026	
Other accounts receivable, and other financial assets	175	11,626	
Deferred taxes	236	5,371	
Total non-current assets	1,177,469	**1,671,293**	
Total assets	**1,566,554**	**1,754,660**	

Liabilities	**December 31, 2022**	**December 31, 2021**	**Explanation for the change**
	EUR in thousands		
Current liabilities			
Current maturities of loans from banking corporations	99,794	244,468	Decrease is mainly due to the repayment of a loan used to purchase the Gerresheim project in the amount of EUR 142.5 million and from classification of liabilities associated with the residential assets to disposal groups held for sale, due to the Company's intention to sell these assets. For more details, see section 8i of the Company's financial statements.
Current maturities of debentures	62,944	11,508	Increase mainly derives from private issuance of bonds completed by the Company during the period. For details see section 10.2 below.
Other financial liabilities	7,795	-	The increase is due to a liability to hedging transactions hedging the Company's EUR/ NIS exchange rate. See section 13(3) of the Company's financial statements.
Loan from controlling shareholder	151,330	-	Loan of EUR 150 million received from a controlling shareholder includes EUR 1.3 million interest payable. For details see section 10.9 below.
Accounts payable and other financial liabilities	25,993	15,868	
Deferred tax liabilities	410	14,674	Decrease derives from tax payment during the period.
Liabilities of disposal groups held for sale	66,780	287	Increase is mainly due to the classification of liabilities associated with the residential assets to disposal groups held for sale, due to the Company's intention to sell these assets. For more details, see section 8i of the Company's financial statements.
Total current liabilities	**415,046**	**286,805**	
Non-current liabilities:			
Loans from banks	212,460	356,186	Decrease is mainly due to the classification of loans to residential assets to disposal groups held for sale and from the sale of loans which financed the residential assets in Leipzig. For further details, see sections 8f(4) and 8i of the Company's financial statements.
Debentures	104,774	60,841	Increase mainly derives from private issuance of bonds completed by the Company during the period. For details see section 10.2 below.
Other financial liabilities	15,491	-	Increase is mainly due to a liability from hedging transactions that hedge the Company's Euro/NIS exchange rate. See section 13(3) of the Company's financial statements.
Deferred taxes	84,542	139,393	Decrease is mainly due to the classification of deferred taxes attributed to residential assets to disposal groups held for sale and from the sale of the companies that held

			the residential assets in Leipzig. For further details, see sections 8f(4) and 8i of the Company's financial statements.
Total noncurrent liabilities	**417,267**	**556,420**	
Total liabilities	**832,313**	**843,225**	
Equity			
Equity attributable to equity holders of the company	705,732	876,290	
Non-controlling interests	28,509	35,145	
Total equity	**734,241**	**911,435**	
Total liabilities and equity	**1,566,554**	**1,754,660**	

8. Activity Results:

	Year ended December 31			Explanation for the change
	2022	**2021**	**2020**	
	EUR in thousands			
Revenues from rental of properties	59,887	59,243	61,888	
Revenues from property management and others	24,837	23,706	24,678	
Property management expenses	(24,830)	(23,644)	(24,855)	
Cost of maintenance of rental properties	(10,102)	(10,228)	(11,606)	
Rental and management revenues, net	**49,792**	**49,077**	**50,105**	
Revenues from sale of apartments	-	8,301	72,548	The change in the "cost of sale of apartments in the period is due to impairment of inventory of real estate designated for selling apartments. It is clarified that this is a future revaluation and not a sale of apartments that was actually carried out during the report period.
Cost of sale of apartments	(13,556)	(7,304)	(58,172)	
Income (loss) from the sale of apartments	**(13,556)**	**997**	**14,376**	
Other income	-	-	500	
Equity in earnings (losses) of companies accounted at equity	859	(2,083)	262	
Gain from realization of investment in a company accounted at equity	-	-	2,011	
General and administrative expenses	(13,119)	(11,547)	(13,325)	
General and administrative expenses attributed to inventory	(1,669)	(1,502)	(1,840)	

of buildings under construction and inventory of real estate				
Increase (decrease) in value of investment property, net	(158,872)	111,603	83,221	For further details, see part C below.
Operating profit (loss)	**(136,565)**	**146,545**	**135,310**	
Financing expenses excluding the effect of exchange rate differences, CPI, and currency hedging transactions	(10,880)	(10,635)	(15,037)	
Effect of exchange rate differences, CPI, and currency hedging transactions	(20,301)	(10,023)	3,728	The loss is largely due to loss from hedging transaction designated to hedge the EUR/NIS exchange rate. In addition, the company's bonds are linked to the consumer price index in Israel, which rose significantly during the period.
Change in fair value of financial instruments, credit losses and others	(9,533)	(28,949)	1,286	The loss mainly results from a decrease in the fair value of a financial asset. (See section 13.1 of the Company's financial statements).
Other expenses, net	(21,135)	-	-	The expense is mainly due to a provision recognized during the period in respect of an expected tax liability of the Company's subsidiaries. For further details see section 10.5 below.
Income (loss) before taxes on income	(198,414)	**96,938**	**125,287**	
Tax benefit (Taxes on income)	21,220	(24,362)	(27,594)	
Net comprehensive income (loss) for the period	(177,194)	**72,576**	**97,693**	
Net and comprehensive income (loss) attributed to:				
Company shareholders	(170,558)	72,676	92,695	
Non-controlling interests	(6,636)	(100)	4,998	

9. Financing sources, liquidity and Cash flows:

	Year ended December 31			Explanation for the change
	2022	**2021**	**2020**	
	EUR in thousands			
Cash flows provided by (used in) operating activities	(569)	20,032	51,826	See cash flow statement
Cash flows provided by (used in) investing activities	122,474	(18,042)	94,377	The increase is mainly due to the receipt of the full consideration (approximately EUR 126.1 million) for selling part of the Company's residential assets in the city of Leipzig. For details see section 10.17 below.
Cash flows provided by (used in) financing activities	65,759	(11,943)	(155,798)	See cash flow statement

9.1 Access to financing sources:

As of the report date and its publication, the Company finances its operating activities mainly from cash flows received from the Company's subsidiaries from bank financing, financing from the controlling shareholder, (from debentures issued to the public in Israel and from asset sale, among others, as follows;

(a) Financing by bank debt - as of the date of the report, the balance of the Company's bank debt is approximately EUR 372.6 million with an average interest rate of 2.00% and an average duration of 5.87. After the date of the report, the Company entered into an agreement to extend the repayment date of one of the Company's loans (at a scope of EUR 34.5 million and as of the report publication date, the Company is in advanced negotiations to extend the repayment date of a very material loan of the Company. For additional details, including in connection with the extension of the aforementioned loan repayment date, see Section 1.12 of Chapter A of this report and Note 23 of the Company's financial statements attached as Chapter C of this report.

(b) Financing by bonds - (a) during the reported period, the Company completed a private placement by way of expanding the Company's bonds (series B in return for a total of approximately NIS 576 million. It should also be noted that during the period of the report the Company published an updated shelf prospectus allowing its access to the Israeli capital market (subject to the conditions stipulated in the shelf prospectus). For additional details, including the upcoming maturity dates of the bonds and the balance, see Note 11(e) and 11(f) to the Company's financial statements attached as Chapter C to this report as well as the Company's shelf prospectus as published on November 28, 2022 (Reference number: 2022-01-114516).

(c) Loan from the controlling shareholder - as of the report publication date, the Company has a credit line from ADLER, the controlling shareholder of the Company, in the amount of EUR 200 million. As of the report publication date, the Company had drawn down EUR 150 million from the aforementioned credit line. After the date of the report, and taking into account, among other things, the cash needs of the Company as detailed in this section, the Company approached the controlling shareholder to prolong the maturity date of the credit line or any part thereof. In response to the Company's request, ADLER provided the Company with one-sided commitment to prolong the maturity date of an amount of EUR 70 million (the prolonged amount) from the amount the drawn down by the Company in six (6) additional months until June 30, 2024, subject to updating the terms of the interest, placement of security and the fulfillment of certain conditions precedent (ADLER'S commitment). The Company may notify ADLER at any time that it rejects ADLER'S commitment. For additional details, see Section 1.12 of Chapter A of this report.

Asset sale - for the purposes of financing its operating activities and meeting its obligations, the Company entered into and completed during the reporting period a number of transactions for the sale of the Company's assets, totaling approximately EUR 148.2 million, which were received in cash during the period. For more details regarding assets sold by the Company during 2022, and actions taken by the Company for selling additional assets, see Section 1.1.4.1 of Chapter A and Note 8 to the Company's financial statements attached as Chapter C of this report, as well as Section 1.20 of Chapter A in connection with the Company's strategy.

It is clarified that the Company's estimates in connection with future transactions for the sale of assets and refinancing of the Company's loans constitute forward-looking information, as defined in the Securities Law, which may not be realized or may be realized in a different way than the above, due, among other things, to factors beyond the control of the Company, including changes in the state of the markets and the agreements of third parties that are not related to the company.

It should be noted that the Company's management and board of directors constantly examine all the financing methods available to the Company, including those detailed above, taking into account, among other things, the market conditions and the fact that the controlling shareholder in the Company is ADLER as detailed below:

- In the reported period and as of the report publication date, the Company's access to external financing sources was effected, among others, from the war in Ukraine, inflation rates and the rising interest rates in the economy, the significant decline suffered by ADLER in the rating of its bonds and also the announcement by the rating company Maalot S&P about lowering the Company's rating to 'ilBBB-' and lowering the rating of the Company's bond series to 'ilBBB+' following its assessment that the Company has limited access to funding sources and its liquidity is weak (as specified in this section above and below). Further to the foregoing, in 2022 until the report publication date, the Company has encountered significant challenges in receiving long-term financing from German banking corporations, to the best of the Company's knowledge, among other things due to ADLER's situation. It is indicated that the changes in the real estate market and the capital market in Germany and throughout the world had also a considerable effect on obtaining long term financing in this regard.

  Without derogating from the foregoing, it should be noted that effective from the last quarter of 2022 and as of the report publication date, in the Company's estimation, there is some improvement in the Company's access to bank financing sources, which is reflected, among other things, in the Company's success to refinance the Company's loans as detailed in section 9.1a above.

- In light of the foregoing, the Company examined financing options also through the sale of assets, including completing the sale of a significant portion of the Company's income generating real estate portfolio in exchange for an amount of approximately EUR 126.1 million. For further details regarding the actions taken by the Company as of the report publication date for selling another share of the Company's assets, see section 1.12 of chapter A of this report.

Further to the foregoing, the Company examined several scenarios for the purpose of assessing the ability of the Company to cope with the consequences of the foregoing on its financial position and its liquidity situation. The Company's board of directors considered the consequences of the foregoing on its financial position and its liquidity situation , among other things, in accordance with the various scenarios presented to the Company's board of directors in connection with the Company's ability to meet its obligations even under stress conditions (including considering the difficulties stated above) as well as the estimated effects on the Company's activities and the value of its assets in light of the above and found that the Company is able to meet such obligations in 24 months (24) after the inspection date (namely, as of the approval date of the Company's reports for 2022). For further details, see the discussion regarding the existence of warning signs in the Company in this section below.

As per the Company's estimate, as of the publication date of this report, the Company has access to additional funding sources (including as detailed above and below), among other things, through additional sale of part of the Company's property, entering into agreements to extend the maturity dates of the Company's existing loans and the Company is examining the possibility of obtaining financing from additional financial sources and continues to examine the possibility of obtaining long-term financing, either from banking corporations and other financial corporations or through the capital market, among others, taking into account the situation of the real estate market in Germany and the capital market in Germany and throughout the world.

For further details regarding the financing sources of the group see section 1.12 of Chapter A of this report.

The Company's assessments in relation to the foregoing, including the effects of the inflation rate and rising interest rates in the economy, ADLER's debt rating, the Company's debt rating, significant challenges in obtaining long-term financing from German banking corporations, and its ability to deal with the economic consequences of the above constitute forward-looking information as defined in the Securities Law. These estimates may not be realized or may be realized differently from the Company's estimates, and this, among other things, due to circumstances beyond the Company's control, including the changes in the state of the capital markets in the world and ADLER's rating.

Examination of warning signs

Without qualifying the review report, the auditors drew attention to what was stated in this section below regarding uncertainty concerning the realization of the management's plans for the payment of the Company's obligations. The management's plans include, among other things, realization of the Company's assets and refinancing of existing loans. In the estimate of the Company's board of directors and management, the Company will comply with these plans and repay its obligations on time.

Accordingly, as of the report date, there was a warning sign in the Company as defined in regulation 10(b)(14) of the report regulations, resulting from drawing attention of the Company's auditor as mentioned above.

The Company's board of directors examined the projected cash flow of the Company and the subsidiaries in the group, based on the Company's financial statements as of December 31, 2022, for a period of two years ended December 31, 2024 ("**the projected cash flow period**") and determined that, as detailed among other things below, the Company is expected to generate cash flow during the projected cash flow period, which is expected to allow it finance its current activities and repay its obligations during the projected cash flow statement period.

Below is a table detailing the Company's projected cash flow statement during the projected cash flow period:

Projected cash flow statement for the period ended December 31, 2024 (EUR in thousands)

	January 1, 2023-December 31, 2023	January 1, 2024 – December 31, 2024
Cash balance at the beginning of the period	34,994	130,406
Solo sources:		
Cash flows from financing activities		
Loan from banking corporation (1)	-	-
Loan from controlling shareholder (2)	-	-
Sources from investees		
Cash flows from investing activities		
Loan repayment from an investee (3)	113,364	-
Loan repayment from an investee (4)	177,776	-
Loan repayment from an investee (5)	12,726	-
Loan repayment from an investee (6)	65,005	12,822
Total sources	368,871	12,822
Solo uses:		
Cash flows from financing activities		
Bond principal payment (Series B and C)	(69,060)	(79,229)
Interest payments – Solo (7)	(9,177)	(4,571)
Loan repayment from controlling shareholders	(150,000)	-
Uses in investees:		
Cash flows from financing activities		
Loan granted to investee	(22,653)	(23,211)
Cash flows from investing activities		
Loan granted to investee (8)	(17,634)	-
Loan granted to investee	-	-
Loan granted to investee (9)	(4,935)	(1,500)
Total uses	(273,459)	(108,511)
Closing balance	130,406	34,717

(1) The projected cash flow report was prepared using a conservative assumption under which, except refinancing of loan, the maturity date of which is in 2023, the Company will not take financing from banking corporations will not issue bonds in the capital market and will not utilize the credit line prolongation from the controlling shareholder (as specified in section 9.1c above) during the period of the projected cash flow.

(2) As of the report publication date, the Company has an unused balance of credit line in the amount of EUR 50 million. Notwithstanding the foregoing, the above cash flow statement was prepared under the assumption that no additional amount will be drawn down on account of the credit line and without considering ADLER'S commitment.

(3) Repayment of a loan from a subsidiary of the Company, the source of which is the Company's share in the consideration from the sale of residential assets in Leipzig which was completed on December 30, 2022. For further details regarding the sale see section 10.17 below and the Company's immediate report dated January 1, 2023 (reference number: 2023-01-000007).

(4) Repayment of a loan from a subsidiary of the Company, the source of which is the Company's share in the consideration from the sale of assets (in a scope of EUR 62.8 million by the subsidiary, which were not yet sold in 2022 by the subsidiary further to what was stated in the Company's immediate report of January 1, 2023 (reference number 2023-01-000007) in connection with the activities performed by the Company, through subsidiaries to sell additional assets from the income generating asset portfolio of the group. Further to what was stated in the above immediate report in connection with selling a part of its income generating assets, the Company continues negotiations for performing the sale of the remaining part, and the Company's board of directors anticipates that the Company will be able to complete the sale of such assets during 2023.

In addition, the more significant part of this amount (approximately EUR 115 million under the Company's assumption) refers to additional assets of the Company from both the income producing and the development portfolio, which the Company has begun to examine the sale of such portfolios, as necessary, in order to meet the Company's liquidity needs in respect of which, the Company entered into agreements with brokers who will work for collecting indications regarding demand and the price of the assets. In the Company's estimation, in light of the nature of the assets, the Company's board of directors anticipates that as long as it is necessary and a binding decision is made by the Company's board of directors to carry out the aforementioned sales, the Company will be able to complete the sale of such assets during 2023.

(5) Repayment of a loan from a subsidiary of the Company, the source of which is the Company's share in the consideration from the sale of a commercial asset in Ludwigsburg which was completed on January 31, 2023. See section 10.18 below.

(6) Repayment of a loan from a subsidiary of the Company, the source of which is the Company's share in excess cash from the subsidiaries' operating activities.

(7) Interest payments of the Company, which consist of interest payments to bondholders and also interest payments on the loan received from the controlling shareholder.

(8) Loan granted to investee for expected real estate tax payments (RETT) in subsidiaries.

(9) Loan granted to investee for investment in project development. These loans essential in order to move forward in the various development stages and in order to increase the value of these assets.

The projected cash flow in this report and the underlying assumptions are forward-looking information as defined in the Securities Law, 1968. Said information is based, among other things, on various assessments and estimates that are not solely under the Company's control. Also, the Company's forecasts are affected by the state of the economy and parameters external to the Company such as the state of the market in Germany and the realization of other risk factors of the Company. The aforementioned information may not materialize, in whole or in part, or materialize in a materially different way observed by the Company, among other things, due to external factors that are not controlled by the company.

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

9.2 Financial indices not based on generally accepted accounting principles

9.2.1 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**, 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, holding lands for betterment, changes in fair value recognized for financial instruments, deferred taxes, and non-controlling interests for the above items.

The Company believes that this index more accurately reflects the Company's operating results, without the effects of the development segment, and its publication will provide a more accurate basis for the comparison of the Company's operating results in a certain period with prior periods and will allow comparisons between the Company's 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 nominal FFO for said periods:

	Three months ending December 31, 2022	Three months ending September 30, 2021	Year ending December 31, 2022	Year ending December 31, 2021
Net profit (loss) attributed to the Company's shareholders[4]	(69,438)	(13)	(170,558)	72,676
Adjustments for net profit (loss)				
a. Adjustments for revaluations				
Decrease (increase) in value of investment property and adjustments of liability value relating to investment property	71,945	(22,508)	150,957	(111,144)
Equity in losses (earnings) of companies accounted at equity	-	84	(859)	2,083
Impairment of goodwill or negative goodwill	-	-	-	-
Purchase costs recognized in profit or loss (IFRS3R)	-	-	-	-
Change in fair value of financial assets and interest swap transactions at fair value	2,009	16,517	9,533	28,948
b. Adjustments for non-cash items				
Effects of indexing, and non-cash exchange rate differences and hedging transactions	1,866	4,496	19,610	10,800
Deferred tax expenses and taxes for prior years	(2,680)	6,310	(19,564)	21,214
c. one-off items / new activities / discontinued activities / other				
One-off adjustments and others	(119)	955	22,631	(363)
Expenses relating to project management and marketing in connection with the establishment of the residential project in Düsseldorf and adjustments in respect of current leasing activity in the project	365	281	1,501	1,353
Adjustments for sale of apartments	2,417	-	12,188	(897)
Total of adjustments to net profit	75,803	6,135	195,997	(48,006)
Nominal FFO according to management approach (excluding expenses from linkage to CPI)	**6,365**	**6,122**	**25,439**	**24,670**
Adjustments from linkage to CPI	(676)	(131)	(2,883)	(1,748)
Real F.F.O according to ISA's provisions	**5,689**	**5,991**	**22,556**	**22,922**

[4] That is, excluding non-controlling interests. For more details, see the Company's profit and loss statement presented in the Company's financial statements attached as chapter C to this report.

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.

9.2.2 **EPRA indices– Net Asset Value (EUR in millions):**

The EPRA indices are indices 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 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, 2022:

	EPRA NRV	EPRA NTA	EPRA NDV
Equity attributed to the Company's shareholders	705.7	705.7	705.7
Plus deferred taxes for EPRA adjustments (net of non-controlling interests)	95.2	95.2	-
Net of the fair value of derivative financial instruments, net	20.8	20.8	-
Revaluation of inventories[5]	4.7	4.7	4.7
Plus Real Estate Transfer tax (RETT) and other transaction costs	73.8	49.7	-
Fair value of fixed interest bearing nominal liabilities[6]	-	-	50.8
total	**900.2**	**876.1**	**761.2**

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

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

It should be noted that the decrease in the EPRA indices in the period between December 31, 2021 and December 31, 2022, is related, among other things, to the decrease in the fair value of the Gerresheim project, the decrease in the value of the Company's residential real estate assets during the report period and decrease in value of income generating assets sold in the period. The decrease also results from the provision for tax liability that may arise for the Company's subsidiaries (see section 10.4 below).

[5] the difference between fair value and book value

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

9.2.3 NOI index - net operating income

The NOI index is an operational index that reflects the profit resulting from rental income of properties less the cost of their maintenance and operation. The Company believes that this index correctly reflects the current return on its assets in the field of income generating real estate and enables the comparisons of the Company's operating results in connection with renting and management to other real estate companies in Israel and Europe. To the best of the Company's knowledge, the presentation of this index is acceptable among companies in the field of activity in which the Company operates.

The Company clarifies that the NOI index does not reflect cash flows from operating activities according to generally accepted accounting principles, does not reflect cash held by the Company and its ability to distribute funds, and should not be considered a substitute for comprehensive income for the purpose of evaluating the Company's operating results.

For more details regarding the NOI index data and its calculation, see Section 1.6 of Chapter A and the Company's profit or loss statement in its financial statements attached as Chapter C to this report.

9.2.4 EBITDA index

The EBITDA index is calculated as profit after interest, taxes, depreciation and amortization. The index examines the operating profit of the company, excluding items that are included in the operating profit and do not involve changes in cash. The company believes that this index allows to examine and compare the financial performance of the company and its ability to meet its obligations in relation to other real estate companies in Israel and Europe. To the best of the company's knowledge, the presentation of this index is acceptable among companies in the field of activity in which the company operates.

The company clarifies that the EBIDTA index data are not a substitute for the data appearing in the financial statements and are not audited by the company's auditors.

For more details regarding the EBITDA figures in the company's income generating real estate sector, see section 1 above.

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

10.1 The Company's rating and its bonds

For further details regarding the Company's rating and its bonds see Part D below.

10.2 Issuance of bonds

For further details in connection with the private placement of bonds (Series B) of the Company in March 2022, see section 1.12.2b of Chapter A of this report and Note 11e of the financial statements attached as Chapter C to this report.

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

Following the completion of the purchase of the Company's shares by LEG on January 6, 2022 and despite the fact that the Company is in no way a party to the transaction, as per the Company's estimate, as a result of the aforementioned transaction, the Company's subsidiaries may incur a tax liability in an estimated amount of about EUR 20.4 million and this in light of the tax laws applicable in Germany. The Company has provided the full amount during the reporting period. It should be noted that during the fourth quarter of 2022, the Company paid an amount of approximately EUR 1.4 million as part of this provision following a payment demand received from the tax authorities. As of December 31, 2022, the balance of the provision is approximately EUR 17.6 million and during 2022, expenses of approximately EUR 19.0 million were recognized in respect of such provision, which were classified in the other expenses. For further details, see the Company's immediate report dated January 6, 2022 (reference number: 2020-01-004231) which is included herein by way of reference and Note 5(1) of the Company's financial statements attached to this report.

Also, for more details regarding the agreement to receive a credit facility into which the Company entered in connection with the tax liability described above, see section 1.12.2a of chapter A of this report.

It should be noted that the Company's estimates in connection with the aforementioned tax liability, including in relation to the tax liability itself, its amount and the schedules, constitute forward-looking information, as defined in the Securities Law, -1968. The aforementioned estimates may not be realized or may be realized differently from the Company's estimates, among other things, in light of decisions by third parties unrelated to the company, including German authorities and the realization of some of the risk factors detailed in Appendix A to this chapter.

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

For more details in connection with the cancellation of the Gerresheim transaction, loan repayment and the date of receiving the approvals, see Section 1.1.4.2 of Chapter A of this report as well as Note 6(1) to the Company's financial statements, which are attached as Chapter C of this report

10.5 **Approval of the Company's remuneration policy**

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

On November 8, 2022, the Company's general meeting approved another amendment to the Company's remuneration policy. For further details, see the Company's immediate reports dated October 4 and November 8, 2022 (reference number: 2022-01-100740 and 2022-01-134668, respectively), which are included herein by reference.

10.6 **Credit facility agreement with the controlling shareholder**

For more details regarding the agreement (and its amendment) to receive a line of credit the Company entered into during the reporting period with its controlling shareholder and the updated terms after the report date, see Section 1.12.2C of Chapter A of this report

10.7 For more details regarding refinancing of the Company's loans in the reported period and thereafter, see section 1.12.2a of chapter A of this report.

10.8 For more details in connection with the sale of residential properties located in the city of Leipzig according to property values of approximately EUR 240.0 million, see section 1.1.4.1a of chapter A of this report

11. General

The applicable law as a Dutch company

The Company is a Dutch company and the provisions of the Companies Law, -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, -1968 (hereinafter: "**section 39a**").

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 [7]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.

12. Directors with accounting and financial expertise and independent directors

For details regarding the qualifications, education and experience of Patrick Burke, Thomas Zinnocker Thomas Echelmeyer Ron Hadassi (external director) and Taco Tammo Johannes de Groot (external director) serving as directors possessing accounting and financial expertise in the Company, see regulation 26 in chapter D to this periodic report.

13. 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 Patrick Burke, Liselot Dalenoord Ron Hadassi and Taco Tammo Johannes de Groot who were classified by the Company as independent directors, see Regulation 26 of Chapter D of this report.

[7] 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.

14. 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 (-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 660 hours for 2022. Under this plan, the following audits were carried out: Budget and expense management. 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:

The audit plan	The likelihood of managerial and administrative flaws, the exposure to risks of activities, exposure to risks of activities, issues requiring an 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 2022 were delivered to the Company's management and the audit committee on various dates during 2022. 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 165 thousand in total. In the Company's estimation, such remuneration does not affect the professional discretion of the internal auditor.

It should be noted that after the date of the report, on March 6, 2023, the company's board of directors (following the recommendation of the audit committee) appointed CPA Hila Bar-Hoizman, who is a partner in the accounting and consulting firm Deloitte Brightman Almagor Zohar, as the Company's internal auditor, and her details are as follows:

Name of auditor	Hila Bar Hoizman, CPA
Term commencement date	March 6, 2023
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
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 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 February 21, 2023 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 2000 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.

15. Information on the external auditor

Name: Somekh Chaikin, KPMG

In accordance with the decision of the general meeting dated December 30, 2021, and November 8, 2022, Somekh Chaikin, KPMG, served as the Company's external auditors for 2022, from such date until the end of the Company's next annual meeting. 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), October 4, 2022 (Ref. 2022-01-100740) and November 8, 2022 (Ref 2022-01-134668) which are hereby included by reference.

Professional fees of the auditor (KPMG) [8]:

Year	For audit services	For other services
	Amount (EUR in thousands)	Amount (EUR in thousands)
2021	70	-
2022	* 445	9

* The audit services in 2022 include EUR 85 thousand for auditing the Company's shelf prospectus

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.

[8] It should be indicated that the fees to KPMG for 2021 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 provisions in connection with the corporation's financial reporting

Disclosure on material and very material valuations and material appraisers

The valuations of the Company's residential real estate assets were carried out by CBRE appraisers, who are the leading appraisers in the German market in the fields of real estate services. The proportion of assets that were valued by CBRE constitutes 67% of the total assets in the Company's balance sheet. During the reporting period, the Company recognized a loss from the decrease in value of the income generating residential real estate assets which is mostly due to the increase in discount rates (which result, among other things, from the increase in interest rates and inflation) during the reporting period.

In addition, it should be noted that the valuations of the development real estate assets in the Company were carried out by the NAI APOLLO appraisers. The proportion of assets that were valued by NAI APOLLO constitutes 16% of the total assets in the Company's balance sheet. During the reporting period, the company recognized an impairment loss of development real estate assets which is largely due to the increase in discount rates (which result, among other things, from the increase in interest rates and inflation), as well as a significant increase in construction costs during the reporting period.

The valuations of real estate assets [9]for material investment[10] were not attached to this report as they are "material" valuations but not "very material ".[11] The summary of the data regarding said valuation is as detailed below.

[9] as defined in the reports' regulations.
[10] as defined in the reports' regulations.
[11] 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.
Bremen Residential portfolio	Signing – February 8 2023 Effective date – December 31, 2022	86,340	83,140	CBRE MRICS, RICS) Michael Schlatterer (Registered valuer Independent appraisers with experience in appraising assets of similar scale. No indemnification agreement, except indemnification with respect to liabilities arising from incorrect or inaccurate information provided by the Company.	**DCF**	4.01%	-1.50% 2.00%	106,930	Comparative transactions, which include a price per square meter, for properties with similar characteristics	CBRE database regarding signed lease agreements for approximately 238 apartments in Bremen
Kiel Residential portfolio	Signing – February 8 2023 Effective date – December 31, 2022	92,860	88,130	CBRE MRICS, RICS) Michael Schlatterer (Registered valuer Independent appraisers with experience in appraising assets of similar scale. No indemnification agreement, except indemnification with respect to liabilities arising from incorrect or inaccurate information provided by the Company.	**DCF**	3.69%	-1.75% 2.50%	119,502	Comparative transactions, which include a price per square meter, for properties with similar characteristics	CBRE database regarding signed lease agreements for approximately 140 apartments in Kiel

Part D – Specific Disclosure for Bond Holders

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

	Bonds (Series B)	Bonds (Series C)
Is the series material as this term is defined in Regulation 10(B)(13)(a) of the Reports' Regulations?	Yes	Yes
Date of issue	May 21, 2013	July 22, 2014
Date of expanding series	February 4, 2014, March 9, 2022	April 4, 2016
Par value on the date of issue (thousands NIS)	175,000	102,165
Par value on the date of expanding series (thousands NIS)	636,440	160,180
Par value as at 31.12.2022 (thousands NIS)	424,294	137,297
Linked par value as at 31.12.2022 (thousands NIS)	462,817	147,713
Sum of cumulative interest plus linkage differentials (thousands NIS) as at 31.12.2022	-	2,666
Value in financial statements as at 31.12.2022 including interest payable (thousands NIS)	481,732	150,379
Value at the stock exchange as at 31.12.2022 (thousands NIS)	442,665	142,555
Type and rate of interest	4.04% (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	4.05% (annual, linked, fixed rate), subject to adjustments in case of changes in the rating of the bonds (Series C) and/or non-compliance with the financial covenants as specified in Sections 2.8.4.12 and 2.8.4.13 of the shelf prospectus

	Sections 2.8.4.12 and 2.8.4.13 of the shelf prospectus[12] [13]	
Dates of paying principal	Payable in 12 unequal annual instalments on December 31 of each year 2013 to 2024 (inclusive), as such that each of the first seven instalments will constitute 4% of the principal of the total par value of the bonds (Series B), and each of the last five instalments will constitute 14.4% of the principal of the total par value of bonds (Series B); the first principal payment is on December 31, 2013.	Payable in 12 unequal annual instalments on July 20 of each year 2015 to 2026 (inclusive), as such that each of the first nine instalments will constitute 2% of the principal of the total par value of the bonds (Series C), the tenth payment will constitute 17% of the principal of the total par value of bonds (Series C), and each of the final two instalments will constitute 32.5% of the principal of the total par value of bonds (Series C); the first principal payment is on July 20, 2015.
Dates of paying interest	Payable on December 31 and June 30 of each year 2013 to 2024 (inclusive), effective from December 31, 2013. The last interest instalment will be paid on December 31, 2024.	Payable on January 20 and July 20 of each year 2015 to 2026 (inclusive), effective from January 20, 2015. The last interest instalment will be paid on July 20, 2026.

Linkage base (principal and interest)	Linked (principal and interest) to the consumers' price index published on February 15, 2013 in respect of April 2013	Linked (principal and interest) to the consumers' price index published on May 15, 2014 in respect of June 2014.

[12] it is indicated that on May 16, 2022, following the announcement of Maalot S&P on lowering the Company's rating to ilA- there was an increase of 0.25% in the interest rate on the bonds (series B and series C) to a rate of 3.54% (series B) and to 3.55% (series C). For further details, see the Company's immediate report of May 19, 2022 (reference number: 2022-01-061216). Also, on September 8, 2022, following Maalot S&P's announcement of lowering the Company's rating to 'ilBBB-' and lowering the Company's bond series to 'ilBBB+', there was an additional 0.50% increase in the interest rate on the bonds (series B and series C) to a rate of 4.04% (series B) and to 4.05% (series C). For more details, see the Company's immediate report from September 12, 2022 (reference number: 2022-01-116473).

[13] 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 (in this regard "shelf prospectus").

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

16. Details on the trustee

Bonds (Series B) and bonds (Series C)

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

17. Rating:

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

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

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

On September 8, 2022 Maalot S&P announced the lowering of the Company's rating to 'ilBBB-' and the lowering of the rating of the Company's bond series to 'ilBBB+' and leaving it in credit watch with negative consequences. For further details, see an immediate report dated September 8, 2022 (No. Reference: 2022-01-093657). It should be noted that following the lowering of the rating and in accordance with the terms of the trust deeds of the Company's bonds, there was an additional increase of 0.50% in the interest rate on the bonds (series B and series C). For further details, see an immediate report dated September 12, 2022 (reference number: 2022-01-116473), which is included herein by way of 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
April 2022	ilAA	ilAA- negative outlook
May 2022	ilA	ilA- negative outlook
September 2022	ilBBB+	ilBBB- , negative outlook
Rating of the issuer and bonds as of the date of the report	ilBBB+	ilBBB- , negative outlook
Bond series	**C**	
Name of rating company	Maalot	
	Bonds' rating	**Issuer's rating**
Rating of the issuer and bonds on the date of initial issue (July 2014)	ilA+	ilA+ stable
July 2015	ilA+	ilA+, stable
March 2016	ilAA-	ilAA-, stable
March 2017	ilAA-	ilAA-, stable
March 2018	ilAA-	ilAA-, stable
March 2019	ilAA-	ilAA-, stable
March 2020	ilAA-	ilAA-, stable
March 2021	ilAA	ilAA-, stable
February 2022	ilAA	ilAA- negative outlook
March 2022	ilAA	ilAA- negative outlook
April 2022	ilAA	ilAA- negative outlook
May 2022	ilA	ilA- negative outlook
September 2022	ilBBB+	ilBBB- , negative outlook
Rating of the issuer and bonds as of the date of the report	ilBBB+	ilBBB- , negative outlook

18. 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[14], including at the end of the Report Period, 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%[15]:

The Company's equity, which is attributed to the majority shareholders at the Report Period, namely, as of December 31, 2022, is EUR 705.7 million.

The financial debt, net, according to solo reports of the Company, as of the same date, is EUR 245.0 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, 2022, is approximately 288.10%.

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, 2022: 765,027.

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

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

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

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

BGP's equity, attributed to its shareholders, as appears in the Company's financial statements as of December 31, 2022: EUR 970,975 thousand.

The EUR/NIS representative exchange rate known, published by the Bank of Israel, as of the signing date of the report: NIS 3.8962.

The value of the charged shares: NIS 1,462,994 thousand.

Net debt: NIS 462,817 thousand.

Accordingly, the ratio between the charged shares' value to net debt, as of the end of the Report Period, is approximately 3162%, 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, 2022: 394,430.

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

The rate of charged shares out of the issued capital share of BGP as of December 31, 2022 19.9%.

BGP's equity, attributed to its shareholders, as appears in the Company's financial statements as of December 31, 2022: EUR 970,975 thousand.

The EUR/NIS representative exchange rate known, published by the Bank of Israel, as of the signing date of the report: NIS 3.8962.

The value of the charged shares: NIS 754,285 thousand.

Net debt: NIS 150,311 thousand.

Accordingly, the ratio between the charged shares' value to net debt, as at the end of the Report Period, is approximately 502%, 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 705.7 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 705.7 million and the debt ratio to CAP is 39.47% (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	319,048
Financial liabilities of the subsidiaries	372,438
Net of cash, cash equivalents and deposits	(212,645)
Net financial debt – consolidated	**478,841**
CAP[16]	
Equity including non-controlling interests	734,241
Net financial debt, consolidated	478,841
CAP	1,213,082

Therefore, **this ratio is 39.47%** whereas according to the deeds of trust such a ratio should be lower than 75% for Series B and C.

[16] 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.

19. 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 2018 attached as Chapter B to the periodic report of the Company for 2018 (reference number 2019-01-021453) which is included herein by way of reference.

It should be noted that in 2020, and following the early and full redemption of the Company's bonds (series A), the Company applied to the trustee of the bonds (series A) on April 20, 2020, requesting the release and cancellation of the liens registered to secure the Company's obligations in connection with the bonds (series A), in accordance with the terms of the trust deed. The Company received approval to remove the liens on May 7, 2020.

Also, following the private placement that took place during of March, 2022, the Company pledged additional 125,000 shares of Brack German Properties B.V. to the holders of the Series B bonds.

20. 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 Report, the only differences between the consolidated 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, 2022, with respect to the assets and liabilities of the Group which are not included in the consolidated statements of the pledged investee company, compared to the assets and liabilities of the pledged investee and the total consolidated balance sheet:

Data as of December 31, 2022 (EUR in thousands)	The Company Consolidated	Assets/liabilities In the pledged investee company	Assets/liabilities In unpledged companies
Total assets	1,566,554	1,491,475	75,079
Current assets	389,085	314,785	74,300 *
Noncurrent assets	1,177,469	1,176,690	779
Total liabilities	832,313	491,991	340,322
Current liabilities	415,046	192,473	222,573 **
Noncurrent liabilities	417,267	299,518	117,749 ***
Non- controlling interests	28,509	28,509	-
Total equity	705,732	970,975	(265,243)
Rate of assets out of the total assets in the balance sheet	100%	95%	5%
Rate of liabilities out of the total liabilities in the balance sheet	100%	59%	41%
Rate of equity out of the total equity in the balance sheet	100%	138%	(38%)

* Mainly cash and liquid balances held by the Company (solo);
** Mainly a loan from the controlling shareholder (including interest payable) of EUR 151.3 million which was received in 2022. In addition, 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
Thomas Zinnocker	Chairman of the Board of Directors	__________________
Thierry Beaudemoulin	CEO	__________________

March 31, 2023

BRACK CAPITAL PROPERTIES NV

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2022

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Somekh Chaikin
KPMG Millennium Tower
17 Ha'arba'a Street, PO Box 609
Tel Aviv 6100601, Israel
+972 3 684 8000

Auditors' Report to the Shareholders of Brack Capital Properties N.V.

We have audited the accompanying consolidated statements of financial position of Brack Capital Properties N.V. (hereinafter – "the Company") as of December 31, 2022, and the consolidated statements of income, other comprehensive income, changes in equity and cash flows for the year then ended. 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 audit.

The financial statements of the Company as of December 31, 2021 and for the year then ended were audited jointly by us and predecessor auditors whose report thereon dated March 22, 2022 was unqualified.

The financial statements of the Company for the year ended December 31, 2020 were audited by predecessor auditors whose report thereon dated March 3, 2021 was unqualified.

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 provides a reasonable basis for our opinion.

In our opinion, the consolidated 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, 2022, and the results of their operations, changes in equity and their cash flows for the year ended December 31, 2022 in conformity with International Financial Reporting Standards (IFRS) and with the provisions of the Securities Regulations (Annual Financial Statements), 2010.

Without qualifying our above opinion, we draw attention to Note 1 to the financial statements regarding the uncertainty concerning the realization of management's plans for repaying the Company's liabilities. As mentioned in the aforesaid note, management's plans include, inter alia, realizing assets of the Company and refinancing existing loans. In the opinion of the board of directors and management of the Company, the Company will carry out these plans and pay its liabilities as they come due.

Key audit matters

The key audit matters described hereunder are matters that were communicated or were required to be communicated to the Company's Board of Directors and which, according to our professional judgement, were very material to the current period audit of the consolidated financial statements. These matters include, inter alia, any matter that: (1) Relates, or may relate, to accounts or disclosures that are material to the financial statements; and (2) Involved especially challenging, subjective, or complex auditor judgment. A response to these matters is provided in the framework of our audit and the preparation of our opinion on the consolidated financial statements as a whole. Communication of the matters indicated hereunder does not change our opinion on the consolidated financial statements as a whole and does not constitute a separate opinion on these matters or on the accounts or disclosures to which they relate.

Fair value of investment property

Why this matter is a key audit matter
As described in the consolidated financial statements as of December 31, 2022, the Company presented investment property at fair value. The fair value of the investment property amounted to €960,423 thousand as of December 31, 2022. Furthermore, in 2022 the Company recognized a loss from impairment in the fair value of investment property in the amount of €158,872 thousand.

As mentioned in Notes 2.B, 2.B(6), 8.C to the consolidated financial statements, investment property is initially measured at cost and in subsequent periods is measured at fair value, with the changes in fair value being recognized in the statement of income. The Company uses external valuers for measuring the fair value of properties. The fair value of rental properties is estimated using a discounted income technique whereas the fair value of available lands is estimated using a comparison technique.

The fair value of rental properties included in investment property is estimated using a discounted income technique that is based on the net expected annual cash flows discounted at a rate reflecting the specific risks inherent in them and as customary for comparable assets. When determining the fair value of investment property, the Company uses observable market data as much as possible. Nonetheless, the determination of fair value is based on significant estimates that involve uncertainty and on subjective assessments that are unobservable in the market (level 3) such as: discount rates and market value of rental payments, which are based on professional publications in the relevant markets, if any exist, and a comparison to similar transactions with necessary adjustments. Furthermore, when there are rent agreements in which the rent payments differ from current market rent payments, adjustments are made to reflect the actual rent payments in the contract period. The valuations take into account the type of tenants that actually occupy the leasehold or are responsible for fulfilling the rent obligations or those who may occupy the leasehold when an available property is rented out and the remaining economic life of the property, in those places where those parameters are relevant. The fair value of land is estimated by comparison to the values of land in similar nearby properties with relevant adjustments.

Changes in these estimates and assumptions may have a significant effect on the value of the investment property presented in the Company's financial statements. The estimates and assumptions that were used by management to measure the fair value of investment property were identified by us as a key audit matter since the audit of the fair value of investment property required that we exercise judgement in order to examine the basis for management's assessment of the appropriateness of the assumptions and estimates that were used to measure the fair value of the investment property.

How our audit addressed the key audit matter

The following are the main procedures we performed for addressing this key audit matter in the framework of our audit:

We examined the valuation process for calculating the fair value of investment property and the design, implementation and operating effectiveness of certain internal controls related to determination of the fair value of investment property.

We performed substantive procedures, on a sample basis, for examining the estimates and assumptions that were used to measure the fair value of investment property. In order to perform these procedures we were assisted by an expert appraiser acting on our behalf. These procedures included, inter alia:

- We examined the completeness and accuracy of the information and data used in the fair value model.
- We reviewed the methodology that was chosen for determining fair value and checked that is in line with the characteristics of the property.
- We assessed the reasonableness of management's estimates in accordance with market practice and data, taking into account recent transactions on the market and industry surveys.
- We compared the results of this year's valuations with valuations for a prior date while examining the parameters that changed and examining the reasons for the changes.
- We examined proper implementation of the assumptions in the fair value calculation and examed the calculation.
- We assessed the expertise and independence of the valuers the Company used for preparing the valuations.
- We examined appropriateness of the disclosures in the financial statements.

Assessment of appropriateness of the going concern assumption

Why this matter is a key audit matter

Further to that described in Note 1 to the consolidated financial statements regarding the lowering of the Company' rating, a working capital deficit in the amount of €18 million and management's plans in this respect, regarding a working capital deficit, and regarding the assessment of the Company's management and board of directors regarding its ability to meet its liabilities in the foreseeable future, appropriateness of the going concern assumption in the Company was identified by us as a key audit matter. We exercised judgement in order to assess appropriateness of the going concern assumption and the disclosure provided in respect thereto in the consolidated financial statements.

How our audit addressed the key audit matter

The following are the main procedures we performed for addressing this key audit matter in the framework of our audit:

- We performed inquiries with management regarding the meaning of the warning signs and their effect on the Company and regarding management's plans for improving the Company's liquidity.
- We examined the cash flow forecast that was prepared by management of the Company and approved by the board of directors.
- We examined the significant estimates that management of the Company used to prepare a cash flow forecast, including assumptions regarding the consideration that will be received from the sale of certain assets.
- We examined that the Company complies with the financial covenants prescribed in loan agreements with banks and in trust deeds of debentures.
- We reviewed events subsequent to the date of the statement of financial position, which may have an effect on the appropriateness of the going concern assumption.
- We read minutes relating to events and transactions subsequent to the reporting date.

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”, as amended, the Company’s components of internal control over financial reporting as of December 31, 2022, and our report dated March 23, 2022 included an unqualified opinion on the effective maintenance of those components.

Sincerely,

Somekh Chaikin
Certified Public Accountants (Isr.)

March 31, 2023

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31,	
		2022	2021
	Note	Euros in thousands	
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	3	210,477	24,861
Restricted deposits, financial assets and other receivables	4	32,354	25,980
Income receivable in respect of sale of apartments		264	554
Tenants and trade receivables, net	5	2,167	1,641
Assets of disposal groups held for sale	8i	143,823	30,331
Total current assets		389,085	83,367
NON-CURRENT ASSETS:			
Investments and loans in companies accounted at equity	7	-	2,069
Investment in financial assets measured at fair value through profit or loss	13	5,287	13,344
Inventory of real estate	6	206,351	215,527
Investment property – real estate rights and investment property under construction	8	35,300	99,100
Investment property – income generating assets	8	925,123	1,317,230
Restricted deposits for investments in assets		4,997	7,026
Other accounts receivable and other financial assets	9	175	11,626
Deferred taxes	16	236	5,371
Total non-current assets		1,177,469	1,671,293
Total assets		1,566,554	1,754,660

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31, 2022	December 31, 2021
		Euros in thousands	
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Current maturities of loans from banks	11	99,794	244,468
Current maturities of debentures	11	62,944	11,508
Other financial liabilities	13	7,795	-
Loan from controlling shareholder	12	151,330	-
Accounts payable and other financial liabilities	10	25,993	15,868
Current tax liabilities		410	14,674
Liabilities of disposal groups held for sale	8i	66,780	287
Total current liabilities		415,046	286,805
NON-CURRENT LIABILITIES:			
Loans from banks	11	212,460	356,186
Debentures	11	104,774	60,841
Other financial liabilities	13	15,491	-
Deferred taxes	16	84,542	139,393
Total non-current liabilities		417,267	556,420
Total liabilities		832,313	843,225
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:	18		
Share capital		77	77
Share premium		144,237	144,237
Treasury shares		(746)	(746)
Other capital reserves		(531)	(531)
Statutory capital reserve		350,956	530,385
Retained earnings		211,739	202,868
Total equity attributable to equity holders of the company		705,732	876,290
Non-controlling interests		28,509	35,145
Total equity		734,241	911,435
Total liabilities and equity		1,566,554	1,754,660

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

March 31, 2023			
Date of approval of the financial statements	Thomas Zinnocker Chairman of the Board of Directors	Thierry Beaudemoulin CEO	Eran Edelman CFO

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

	Note	Year ended December 31, 2022	2021	2020
		Euros in thousands (except net earnings per share data)		
Revenues from rental of properties		59,887	59,243	61,888
Revenues from property management and others		24,837	23,706	24,678
Property management expenses		(24,830)	(23,644)	(24,855)
Cost of maintenance of rental properties	19a	(10,102)	(10,228)	(11,606)
Rental and management revenues, net		49,792	49,077	50,105
Revenues from sale of apartments		-	8,301	72,548
Cost of sale of apartments		(13,556)	(7,304)	(58,172)
Gain (loss) from sale of apartments		(13,556)	997	14,376
Other income		-	-	500
Equity in earnings (losses) of companies accounted at equity		859	(2,083)	262
Gain from realization of investment in a company accounted at equity		-	-	2,011
General and administrative expenses	19b	(13,119)	(11,547)	(13,325)
General and administrative expenses relating to inventory of buildings under construction and real estate inventory		(1,669)	(1,502)	(1,840)
Operating profit before change in value of investment property, net		22,307	34,942	52,089
Appreciation (impairment) of investment property, net	8	(158,872)	111,603	83,221
Operating income (loss) before finance expenses		(136,565)	146,545	135,310
Finance expenses net of exchange rate effect and currency hedging transactions	19c	(10,880)	(10,635)	(15,037)
Exchange rate effect, CPI and currency hedging transactions	19d	(20,301)	(10,023)	3,728
Change in fair value of financial instruments, credit losses and others	19e	(9,533)	(28,949)	1,286
Other expenses, net	10a	(21,135)	-	-
Income (loss) before taxes on income		(198,414)	96,938	125,287
Taxes on income (tax benefit)	16	21,220	(24,362)	(27,594)
Net and comprehensive income (loss) for the year		(177,194)	72,576	97,693
Net and comprehensive income (loss) attributable to:				
Equity holders of the Company		(170,558)	72,676	92,695
Non-controlling interests		(6,636)	(100)	4,998
		(177,194)	72,576	97,693
Net earnings (loss) per share attributable to equity holders of the Company (in Euro) - basic and diluted	20	(22.06)	9.40	11.99

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, 2020	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
Total net income and comprehensive income	-	-	-	-	-	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

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, 2022	77	144,237	(746)	(531)	530,385	202,868	876,290	35,145	911,435
Total net and comprehensive loss	-	-	-	-	-	(170,558)	(170,558)	(6,636)	(177,194)
Classification in accordance with Dutch law (see Note 18d)	-	-	-	-	(179,429)	179,429	-	-	-
Balance as of December 31, 2022	77	144,237	(746)	(531)	350,956	211,739	705,732	28,509	734,241

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2022	2021	2020
	Euros in thousands		
Cash flows from operating activities:			
Income (loss) for the year	(177,194)	72,576	97,693
Adjustments to reconcile net income to net cash provided by operating activities:			
Adjustments to profit and loss:			
Finance expenses, net	31,812	22,305	12,223
Decrease (increase) in fair value of financial instruments	7,808	28,926	(2,019)
Appreciation (impairment) of investment property, net	158,872	(111,603)	(83,221)
Deferred taxes	(20,813)	12,142	13,923
Income tax paid	(15,052)	(5,526)	(10,197)
Loss from realization of investment in a company accounted at equity	-	-	(2,011)
Equity in losses (earnings) of companies accounted at equity	(859)	2,083	(262)
	161,768	(51,673)	(71,564
Cash flows from operating activities before changes in asset and liability items	(15,426)	20,903	26,129
Changes in operating asset and liability items:			
Decrease (increase) in restricted deposits, tenants and trade receivables financial assets and other receivables	(3,586)	(4,620)	(1,930)
Increase (decrease) in accounts payable	11,844	7,610	9,728
	8,258	2,990	7,798
Net cash provided by operating activities before activity in real estate assets and liabilities	(7,168)	23,893	33,927
Change in advances and income receivable from apartment purchasers	-	2,819	2,949
Decrease (increase) in inventory of buildings under construction and real estate inventory	6,599	(6,680)	14,950
Net cash provided by (used in) operating activities	(569)	20,032	51,826

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2022	2021	2020
	Euros in thousands		
Cash flows from investing activities:			
Investment in investment property – income generating assets	(14,218)	(17,180)	(16,504)
Investment in investment property – real estate rights and investment property under construction	(12,724)	(29,901)	(3,237)
Return on investment (investment) in companies measured at equity	2,928	(6,559)	4,836
Proceeds from sale of investment property, net	18,741	27,728	55,501
Proceeds from sale of subsidiaries, net (a)	126,101	9,261	-
Cash and cash equivalents of a newly consolidated subsidiary (b)	-	1,114	-
Withdrawal (placement) of restricted deposits, net	1,238	(2,505)	50,650
Interest from deposits	408	-	-
Sale of derivatives	-	-	3,131
Net cash provided by (used in) investing activities	122,474	(18,042)	94,377
Cash flows from financing activities:			
Interest paid	(21,196)	(9,488)	(13,717)
Distribution and payment to non-controlling interests	-	-	(5,700)
Loan granted to others	-	(11,429)	-
Purchase of rights from non-controlling interests	-	(6,571)	-
Receipt of long-term bank loans	40,375	60,059	18,959
Receipt of loan from controlling shareholder	150,000	-	-
Repayment of loan from controlling shareholder	-	-	(44,200)
Issuance of debentures, net	162,518	-	-
Repayment of debentures	(62,660)	(11,298)	(25,706)
Repayment of long-term bank loans	(203,278)	(33,216)	(85,434)
Net cash provided by (used in) financing activities	65,759	(11,943)	(155,798)
Change in cash and cash equivalents	187,664	(9,953)	(9,595)
Balance of cash and cash equivalents at the beginning of the year	24,861	34,814	44,409
Cash of disposal group held for sale	(2,048)	-	-
Balance of cash and cash equivalents at the end of the year	210,477	24,861	34,814

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended December 31,		
		2022	2021	2020
		Euros in thousands		
(a)	Proceeds from sale of subsidiaries, net			
	Assets and liabilities of consolidated subsidiaries as of date of sale:			
	Investment property	240,000	12,369	-
	Leasing liabilities	-	(3,126)	-
	Cash and cash equivalents	2,451	-	-
	Inventory of real estate	-	-	143,004
	Working capital, net	(2,513)	14	284
	Other liabilities	(22,875)	-	-
	Loans from banks, net	(63,968)	-	(127,512)
	Deferred taxes, net	(26,994)	4	2,037
	Assets, net	126,101	9,261	17,813
	Less investment balance in a company accounted at equity	-	-	(17,813)
		126,101	9,261	-
(b)	Cash and cash equivalents of a newly consolidated subsidiary			
	Assets and liabilities of the consolidated subsidiary as of date of purchase (date of consolidation):			
	Inventory of real estate	-	(164,638)	-
	Restricted cash	-	(3,317)	-
	Deferred tax asset	-	(2,037)	-
	Loans from banks, net	-	145,185	-
	Interest payable	-	595	-
	Assets, net	-	(24,212)	-
	Less investment balance in a company accounted at equity	-	25,326	-
		-	1,114	-
(c)	Noncash significant activities			
	Classification of real estate inventory to investment property	13,863	-	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 residential income-generating 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 21. The Company's shares and bonds are traded on the Tel Aviv Stock Exchange.
In April 2018, the control in the Company was purchased by ADLER Real Estate AG (ADLER).

In December, 2021, LEG Grundstucksverwaltung GmbH ("LEG") which is a subsidiary of LEG Immobilien AG acquired from ADLER 6.7% of the share capital and voting rights in the Company. In addition, ADLER undertook to participate in any tender offer which may be initiated by LEG for the balance of the ordinary shares of the Company held by Adler, provided that such tender offer is made by September 30, 2022 at a minimum price per share determined in the agreement between the parties as above amounting to EUR 157 per share. In addition, in January 2022, LEG acquired an additional 27.77% of the Company's shares which were held by the non-controlling interests in the Company. In the reported period, LEG continued to purchase the Company's shares, so that as of the date of signing the report, LEG holds approximately 35.66% of the Company's shares. It should be noted that on August 4, 2022, the Company learned that LEG decided not to publish a tender offer for the purchase of the remaining shares of the Company and accordingly will not exercise ADLER's obligation towards it. It is indicated that on September 30, 2022 such option expired.

Material events in the reported period

Lowering the Company's rating, the implications on the Company's financial position and management plans in this regard

As of December 31, 2022, the Company (consolidated) has a negative working capital of EUR 25,961 thousand. In the reporting period and thereafter, the Company has taken several measures aiming to improve the Company's liquidity level:

In March, 2022, the Company completed a private placement by expanding bonds (Series B) and raised an amount of approximately NIS 576 million (approximately EUR 163.5 million) at convenient and favorable conditions for the Company compared to the existing loan which was designated to repay a loan in connection with the Gerresheim project which was paid on June 1, 2022. For further details in connection with the issuance of said bonds, see Note 11e below;

On May 13, 2022, the Company entered into agreement with international banking corporation to obtain a credit in the amount of EUR 30 million. For further details regarding the credit facility and its designation, see Note 11c1 below. It is indicated that the Company did not need to utilize the credit facility and cancelled it on January 31, 2023 on its own volition.

On May 19, 2022, the Company entered into agreement with ADLER, the controlling shareholder to obtain a credit facility in a total amount of EUR 200 million where on May 23, 2022 the amount of EUR 100 million was received in the Company's account.

Note 1: - General (Cont.)

In addition, on August 13, 2022, the Company entered into credit facility modification agreement with ADLER, the main purpose of which is to update the availability period of the credit facility. On September 23, 2022, the Company drew down an additional amount of EUR 50 million.

After the report date, the Company addressed the controlling shareholder with a request to prolong the maturity date of part of the credit line amount that was extended to the Company. In response, the controlling shareholder agreed to enter into agreement with the Company to amend the credit line agreement, the purpose of which is the possibility of the Company to extend the maturity date of EUR 70 million on account of the credit amount taken by the Company as mentioned, for a period of 6 months (i.e. until June 30, 2024) , in exchange for raising the interest rate to a 3-month Euribor rate in addition to margin reflecting the market conditions prevailing at that time, provided that such margin will not be below 200 basis (the prolonged amount will start accruing interest in the amount of the updated interest amount effective January 1, 2024) as well as providing a security that will reflect a sufficient value to be determined based on the Company's most recent financial statements to be published until that date, which will guarantee LTV ratio of 50% as of the date of providing the security which will be reasonably agreed upon by the parties until December 31, 2023. The entry into force of the aforementioned agreements was approved by the Company's audit committee and board of directors on March 29 and 31, 2023 (respectively) and is subject to the approval of the Company's general meeting.

For further details regarding the credit facility its designation and extension of its availability see Note 12 below.

On September 8, 2022, Maalot S&P announced the lowering of the Company's rating to 'ilBBB-' and lowering the rating of the Company's bond series to 'ilBBB+' following its assessment that the Company has limited access to financing sources and its liquidity is weak. Also, the ratings remained on credit watch with negative consequences. As a result, and in accordance with the terms of the trust deeds of the Company's bonds, there was an additional increase of 0.5% in the interest rate on the bonds (series B and series C). This increase was added to the previous interest rate increase of 0.25% that occurred in May, 2022 (for details regarding all of the Company's ratings in 2022 see Note 18e below). As a result of such interest increase, the Company recorded additional financing expenses in the period of EUR 0.7 million.

On December 9, 2022, in accordance with the agreements between the Company and a financial corporation, the Company extended the repayment date of one of its loans by 3 years. The amount of the loan that was extended is about EUR 29.2 million (out of a total loan of about EUR 44.9 million). For more details, see Note 11C(2) below.

On December 30, 2022, the Company completed the sale of residential real estate assets located in Leipzig at an asset value of approximately EUR 240.0 million. The transaction is a "share transaction" and the Company received the full consideration of approximately EUR 126.1 million. For further details see Note 8f(4) below).

After the date of the report, on January 31, 2023, the sale of another property from the Company's income generating commercial real estate portfolio in the city of Ludwigsburg was completed for a total of approximately EUR 12.8 million.

Note 1: - General (Cont.)

After the date of the report, on March 27, 2023, the Company entered into an agreement with the lending banking corporation, the purpose of which was to prolong the maturity date of part of an existing loan of the Company, in the amount of approximately EUR 41.5 million. According to the terms of the loan, the maturity date of about EUR 34.5 million of the loan amount will be prolonged by two years, so that it will apply on March 31, 2025. Accordingly, the Company repaid the remaining part of the loan, in the amount of about EUR 7 million, on March 29, 2023. The rest of the terms of the loan remain without substantial changes, with the exception of a change in interest rate, which for the extension period will be 5.51%.

In addition, the Company is examining the sale of additional assets from both the income generating and development portfolios in order to meet the Company's liquidity needs. In respect of such assets the Company has entered into agreements with brokers who will work to collect indications with respect to demand and price.

In the Company's estimate, in light of the nature of the assets, the Company's board of directors anticipates that if necessary and a binding decision is made by the Company's board of directors to carry out the aforementioned sale, the Company will be able to complete the sale of the aforementioned assets during 2023.

In addition, the Company works to enter into agreements to extend the maturity dates of the existing loans and is examining to obtain financing from other financing parties and continues to obtain long term financing from banking corporations and other financial corporations and through the capital market, and taking into account the state of the real estate market in Germany and the capital market in Germany and around the world. Also, on November 28, 2022, the Company published a shelf prospectus

Note 1: - General (Cont.)

In view of the uncertainty coupled with the date and scope of the Company's asset realization and the completion of refinancing the existing loans as above, the Company examined several scenarios for the purpose of assessing the ability of the Company to cope with the economic consequences of the foregoing. As per the estimate of the Company's board of directors and management, which reviewed, based on management forecasts, the Company's ability to meet its financial covenants and liabilities including in stress conditions and the actions the Company took in connection with the financial structure of its operations including in view of the actions detailed above, the Company anticipates that it will continue to operate in the foreseeable future.

NOTE 2: - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

a. Definitions

In these financial statements -
(1) The Company - hereinafter Brack Capital Properties NV.
(2) The Group – the Company and its subsidiaries.
(3) Subsidiaries - companies, including partnerships, whose reports are fully consolidated, directly or indirectly, with the Company's reports.
(4) Investees - subsidiaries and companies, including a partnership or joint venture, in which the Company's investment is included, directly or indirectly, in the financial statements at equity.
(5) Joint arrangements - arrangements in which the Group has joint control which was achieved by a contractual agreement that requires unanimous agreement regarding the activities that significantly affect the returns of the arrangement.
(6) Related party - as defined in International Accounting Standard (2009) 24 regarding related parties.
(7) interested parties - as defined in paragraph (1) of the definition of "interested party" in a corporation in section 1 of the Securities Law, 1968.

b. 1. 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 31, 2023.

NOTE 2: - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Cont.)

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)

c. 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:

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.

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.

NOTE 2: - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Cont.)

3. Functional and presentation currency

The presentation currency of the financial statements is Euro. The Group determines for each company in the Group, including companies presented at equity method, what is the functional currency of each company. The functional currency of all group companies is the Euro.

4. Transactions, assets and liabilities in foreign currency

Transactions denominated in a currency other than 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 fair value are translated into the functional currency using the exchange rate prevailing at the date when the fair value was determined.

5. Index-linked monetary items:

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

6. 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.

7. 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.

NOTE 2: - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Cont.)

8. 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.

9. 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.

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).

NOTE 2: - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Cont.)

d. 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 loss of control, the Group derecognizes the subsidiary's assets and liabilities, any non-controlling rights and other components of capital attributed to the subsidiary. If the Group is left with any investment in the former subsidiary, then the remaining investment is measured according to its fair value at the time of loss of control. The difference between the consideration and the fair value of the investment balance and the derecognized balances is recognized in profit and loss in the income or other expenses section.

Starting from that date, the remaining investment is treated at equity method or as a financial asset in accordance with the provisions of IFRS 9, according to the degree of influence of the Group in the related company.

The amounts recognized in equity through other comprehensive income with respect to that subsidiary are reclassified to profit or loss or retained earnings, in the same manner as would have been required if the subsidiary had realized the related assets or liabilities on its own.

e. 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.

NOTE 2: - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Cont.)

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. 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.

h. 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.

i. 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.

j. Financial instruments

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.

NOTE 2: - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Cont.)

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.

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.

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.

NOTE 2: - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Cont.)

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.

Measurement of expected credit losses
Expected credit losses throughout the life of the instrument are expected credit losses resulting from all possible failure events throughout the life of the financial instrument. Expected credit losses in a 12-month period are the part of the expected credit losses resulting from possible failure events during a 12-month period from the reporting date. The maximum period that is taken into account in the assessment of expected credit losses is the maximum contractual period over which the group is exposed to credit risk.

The expected credit losses are capitalized according to the effective interest rate of the financial asset.

3. Derecognition of financial assets

Financial assets are derecognized when the Group's contractual rights to the cash flows from the financial asset expire, or when the Group transfers the rights to receive the cash flows from the financial asset in a transaction in which all the risks and benefits from ownership of the financial asset have been substantially transferred.

If the Group retains substantially all the risks and benefits arising from the ownership of the financial asset, the Group continues to recognize the financial asset.

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.

NOTE 2: - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Cont.)

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.

The terms are materially different if the discounted present value of the cash flows under the new terms, including any fees paid, less any fees received and discounted using the original effective interest rate, differs by at least ten percent from the discounted present value of the remaining cash flows of the original financial liability.

In addition to the aforementioned quantitative test, the group examines, among other things, whether there have been changes in various economic parameters inherent in the exchanged debt instruments. Therefore, as a general rule, exchanges of index-linked debt instruments for non-index-linked instruments are considered exchanges with substantially different conditions even if they do not meet the quantitative test performed above.

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.

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.

NOTE 2: - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Cont.)

k. 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.

l. 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.

m. Borrowing costs in respect of qualifying assets:

The Group capitalizes borrowing costs that are attributable to the construction of qualifying assets.

NOTE 2: - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Cont.)

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.

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.

n. Noncurrent asset or group of assets and liabilities held for sale

Noncurrent 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. In addition, the company tests the impairment of assets and liabilities held for sale similar to the all of the Company's assets and according to the relevant standards.

o. 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. The Group offsets current tax asset and liabilities if there is an enforceable legal right to offset current tax asset and liabilities and there is an intention to eliminate current tax assets and liabilities on a net basis or that the current tax assets and liabilities are settled at the same time.

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.

p. 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.

5. 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.

q. 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.

The Company recognizes its revenues on a gross basis.

r. 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.

s. 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).

t. 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:

NOTE 2: - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Cont.)

1. 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.

2. 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.

3. Warranty – provision for warranty is recognized when the products or service for which the warranty was given were sold. The provision is based on historical data and the weighting of all possible results in their probabilities.

u. Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly relating to the issuance of ordinary shares and warrants to shares plus tax effect, are presented as deduction from equity. Incremental costs directly relating to expected issuance of an instrument to be classified as equity instrument are recognized in deferred expenses in the statement of financial position. The costs are deducted from equity upon initial recognition of equity instruments or amortized as finance expenses in profit or loss when the issuance is no longer expected to take place.

v. Treasury shares:

When share capital is recognized in equity that was re-purchased by the Group, consideration amount was paid, including direct costs net of tax effect it is presented as a deduction from equity. The repurchased shares are classified as treasury shares. When treasury shares are sold or reissued, the consideration amount is recognized as increase in equity and the surplus from the transaction is recognized in premium and a shortage from the transaction is reduced from retained earnings.

NOTE 2: - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Cont.)

w. 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.

x. 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".

In accordance with the amendment, companies are required to disclose their material accounting policies in lieu of the requirement to present their material accounting policies. According to the amendment, information about the accounting policy is material if, when it is taken into account together with other information provided in the financial statements, it can reasonably be expected that it will influence decisions that the users of the financial statements make based on those reports. The amendment to IAS 1 even clarifies that information about the accounting policy may be material if, without it, the users of the financial statements would be prevented from understanding other material information in the financial statements. In addition, the amendment clarifies that there is no need to disclose information about accounting policies that are not material

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.

NOTE 2: - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Cont.)

y. 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").

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.

Amendment to IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Costs for maintaining a contract

According to the amendment, in examining whether a contract is onerous, the costs for maintaining a contract that must be taken into account are costs that relate directly to the contract, which include the following costs:

Incremental costs; and the allocation of other costs directly related to the performance of a contract (such as depreciation expenses of fixed assets used to fulfill this contract and other additional contracts).

The amendment will be applied retrospectively as of January 1, 2022, for contracts for which the entity has not yet completed its obligations. When implementing the amendment, the Company adjusted the opening balance of the surplus at the time of first application, at the level of the cumulative effect of the amendment and did not re-present the comparative figures.

NOTE 3: - CASH AND CASH EQUIVALENTS

	December 31,	
	2022	2021
	Euros in thousands	
Cash on hand (1)	210,155	24,640
Short-term deposits (2)	322	221
	210,477	24,861

(1) As of December 31, 2022, the Company's balance is approximately € 482 thousand denominated in NIS (2021- approximately € 821 thousand denominated in NIS).

(2) As of December 31, 2022, short-term deposits do not bear annual interest.

NOTE 4: - RESTRICTED DEPOSITS FINANCIAL ASSETS AND OTHER RECEIVABLES

	December 31,	
	2022	2021
	Euros in thousands	
Deposits and restricted bank accounts (1)	18,909	18,514
Prepaid expenses	93	1,173
Institutions	-	1,038
Receivables in respect of sale of investment property	-	300
Receivables in respect of interest on a granted loan (2)	1,628	3,255
Loan granted to others (3)	11,490	-
Other receivables and debit balances	234	1,700
	32,354	25,980

(1) As of December 31, 2022, 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).
(3) Loan granted for purchasing non-controlling interest in Grafental. For additional details see Note 17c(4).

NOTE 5: - TENANTS AND TRADE RECEIVABLES, NET

	December 31,	
	2022	2021
	Euros in thousands	
Open debts and accrued income	8,430	8,573
Less - allowance for credit losses	(6,263)	(6,932)
	2,167	1,641

NOTE 5: - TENANTS AND TRADE RECEIVABLES, NET (Cont.)

The following is the movement in allowance for credit losses:

	December 31, 2022	December 31, 2021
	Euros in thousands	
Balance as of January 1	6,932	7,706
Changes during the year		
Allowance during the year	884	686
Recognition of bad debts that were written off	(1,553)	(1,460)
Balance as of December 31	6,263	6,932

NOTE 6: - INVENTORY OF BUILDINGS UNDER CONSTRUCTION AND INVENTORY OF REAL ESTATE

As of December 31, 2022, inventory of real estate refers mainly to Gerresheim project in Düsseldorf, Germany.

a. Composition of inventory of real estate– noncurrent assets

	December 31, 2022	December 31, 2021
	Euros in thousands	
Cost of real estate	175,917	180,462
Costs of development, taxes and fees	13,615	16,296
Finance costs capitalized to real estate	30,376	18,769
Impairment of inventory (*)	(13,557)	-
	206,351	215,527

(*) in the reported period, the Company recognized impairment of inventory of EUR 13.6 million which derives fully from the land on which stage K of the Grafental project is planned to be built.

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).

NOTE 6: - INVENTORY OF BUILDINGS UNDER CONSTRUCTION AND INVENTORY OF REAL ESTATE (Cont.)

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.

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 in scopes 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 and amounted as of December 31, 2020 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.

NOTE 6: - INVENTORY OF BUILDINGS UNDER CONSTRUCTION AND INVENTORY OF REAL ESTATE (Cont.)

To the Board's estimation, and based on the information provided to it by the competent authorities in Germany, the approval was expected to be received during the second half of 2022 but as of the report signature date, such approval was not yet received. 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 which effects 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 place of the Buyer.

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.

NOTE 6: - INVENTORY OF BUILDINGS UNDER CONSTRUCTION AND INVENTORY OF REAL ESTATE (Cont.)

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 in the reported period the agreement was finally cancelled. 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 in the amount of EUR 3.3 million.

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.

On September 14, 2022, the Company advised that it was brought to the attention of the board of directors that the municipality of Dusseldorf decided to establish a pre-emptive right (Vorkausfrechtssatzung) in connection with the area where the Company's Gerresheim project is located. The aforementioned pre-emptive right will come into effect upon its actual establishment and its public announcement (Bekanntmachung).

On November 24, 2022, it was brought to the attention of the Company's board of directors that difficulties arose in the negotiations with the municipality of Dusseldorf in connection with the approval of the land zoning plan (Zoning Plan) for the Gerresheim project, which may lead to a further delay in receiving the permit or thwart its receipt at all. As of the report publication date, the Company's board of directors instructed the management to establish a team that will examine the Company's possible actions, among other things, in accordance with the Company's general strategy to examine the sale of additional assets from all parts of its asset portfolio.

NOTE 7: - INVESTMENTS AND LOANS IN COMPANIES ACCOUNTED AT EQUITY

Information on jointly controlled company measured at equity

As of December 31, 2022

Name of company/partnership	Country of incorporation	Principal place of business	Nature of relationship
Brack capital (Chemnitz) BV	The Netherlands	Germany	Ownership (1)

As of December 31, 2021

Name of company/partnership	Country of incorporation	Principal place of business	Nature of relationship
Brack capital (Chemnitz) BV	The Netherlands	Germany	Ownership (1)

(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 Company holds the asset which was sold on July 27, 2022 for EUR 2.9 million. It is indicated that the Company received the full amount due to high shareholders' loan which was granted to the asset company in the past.

NOTE 8: - INVESTMENT PROPERTY - RIGHTS IN REAL ESTATE AND INCOME GENERATING ASSETS

a. Composition and movement

	December 31,	
	2022	2021
	Euros in thousands	
Balance as of January 1	1,416,330	1,286,346
changes during the year (see also section f)		
Purchases and additions during the year	26,942	58,846
Realization of investment property	(2,690)	-
Classification of real estate inventory to investment property	13,863	-
Realization of investment property from deconsolidation of sold subsidiaries	(240,000)	(12,369)
Classification of asset as held for sale	(125,927)	(30,100)
Fair value adjustment	(128,095)	113,607
Balance as of December 31	960,423	1,416,330

NOTE 8: - INVESTMENT PROPERTY - RIGHTS IN REAL ESTATE AND INCOME GENERATING ASSETS (Cont.)

	December 31,	
	2022	2021
	Euros in thousands	
Investment property - real estate rights and investment property under construction	35,300	99,100
Investment property - income generating assets	925,123	1,317,230
Balance as of December 31	960,423	1,416,330

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 while 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,	
	2022	**2021**
Lands for betterment, Düsseldorf, Germany *		
Expected sale price per sq.m (in Euro)	9,650	9,351
Expected construction costs per sq.m (in Euro)	5,851	5,037
Income-generating residential real estate		
Discount rate (%) **	4.79	4.72
Cap rate (%) **	3.30	3.27
Long-term vacancy rate (%)	2.05	1.82
Representative monthly rental fees per sq. m. (in Euros)	7.74	7.51

Income-generating commercial real estate

	December 31,	
	2022	**2021**
Discount rate (%) **	7.42	7.14
Cap rate (%)**	6.71	6.21

*) Represents the valuation data of the land in Grafenberg neighborhood, Dusseldorf. Land value as of December 31, 2022 amounted to € 34.9 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 14.

Sensitivity analysis

Based on NOI of €50.5 million (standardized NOI) any change of 25 points at the capitalization rate (Cap rate) over fair value adjustment is € 42.9 million.

e. Regarding charges see Note 17a.

f. Sales of investment property during the year

1. On May 31, 2022, the sale of an additional asset from the commercial income generating portfolio in the city of Neckarsulm was sold in return for EUR 16.5 million which was classified as an asset held for sale as of December 31, 2021.

2. On September 14, 2022, the Company advised that the Company's board of directors instructed the Company's management, among other things, to promote the sale of part of the Company's property portfolio, aiming, among other things, to adapt the Company's property portfolio to the changes occurring in the European real estate market, to improve the Company's cash position and reduce its leverage. As of the report date, the Company is examining the sale of additional assets from both the income generating and development portfolios in order to meet the Company's liquidity needs. To this end, the Company entered into agreement with various brokers for the purpose of examining the sale of all assets in the Company's development portfolio, where the scope of the assets the Company will sell from the aforementioned portfolio depends on the Company's liquidity needs, as they will be at that time.

3. On December 13, 2022, the sale of an additional asset from the commercial income generating portfolio in the city of Geislingen was completed in return for EUR 2.7 million.

4. On December 30, 2022, the sale of residential properties located in the city of Leipzig was completed according to an asset value of approximately EUR 240.0 million. The assets were held by 3 asset companies, which were held by a subsidiary of the Company, whose shares are held by the company (89.8%) and by the controlling shareholder of the Company, ADLER Real Estate AG (indirectly) (10.2%). The buyer in the transaction is Tristan Capital Partners, a company based in London engaging in real estate investment management. The buyer is a third party that is not related to the Company or its controlling shareholder. The transaction is a "share transaction" in which the Company sold the entire issued and paid-up share capital of the asset companies.

   The cash consideration resulting from the transaction is EUR 126.1 million, which was paid to the subsidiary in cash on December 30, 2022.

NOTE 8: - INVESTMENT PROPERTY - RIGHTS IN REAL ESTATE AND INCOME GENERATING ASSETS (Cont.)

g. Annual rental revenues from investment property

The Company owns an income generating residential real estate where most of its lease agreements are for an indefinite period. As of December 31, 2022, the Company has residential lease agreements which generated an annual rental income of € 56.7 million. In addition, the Company has an income generating commercial real estate consisting of assets leased to third parties generating € 3.1 million during the year.

h. Completion of residential projects and their rental

1. During March 2022, the Company completed the construction of residential project for rent in Aachen and commenced renting it out to tenants in supervised rental. Following the fact that the Company fully met the conditions of the financing loan (NRW) for projects in supervised rental in Dusseldorf, the Company received a benefit in the amount of approximately EUR 2.6 million which is 25% of the balance of the original loan that was taken. The benefit will be recognized in the Company's financial statements throughout the loan period. It should be noted that upon completion of the construction of the project, the Company classified the project from 'investment property - rights to land and investment property under construction' to 'investment property – income generating assets'.

2. During September, 2022, the Company completed the construction of residential project for rent in Grafental (Stage I) and commenced renting it to the various tenants. It should be noted that the project, which during its construction was classified in part as 'investment property- rights to land' and in the other part as 'real estate inventory' is now classified to 'investment property- income generating assets'. It should be noted that following the completion of construction and the change in classification as stated above, the Company recognized a profit from the project's valuation of approximately EUR 9.5 million.

NOTE 8: - INVESTMENT PROPERTY - RIGHTS IN REAL ESTATE AND INCOME GENERATING ASSETS (Cont.)

i. Assets and liabilities of disposal groups held for sale

Further to Note 1a and 8f above and in accordance with the decision of the Company's management, the assets were classified as part of disposal groups held for sale. As of December 31, 2022, the balance of assets and liabilities classified as disposal groups held for sale is as follows:

	December 31, 2022
Assets of disposal groups held for sale:	
Investment property – income generating assets	138,657
Trade receivables and other receivables	3,118
Cash and cash equivalents	2,048
	143,823
Liabilities of disposal groups held for sale:	
Loans from banks	60,184
Deferred taxes	5,206
Other accounts payable	1,390
	66,780

NOTE 9: - OTHER ACCOUNTS RECEIVABLE AND OTHER FINANCIAL ASSETS

	December 31	
	2022	**2021**
	Euros in thousands	
Long term loan granted	-	11,449
Others	175	177
	175	11,626

NOTE 10: - OTHER ACCOUNTS PAYABLE AND OTHER FINANCIAL LIABILITIES

	December 31,	
	2022	**2021**
	Euros in thousands	
Provision for payment of real estate transfer tax (RETT) for LEG transaction (a)	17,634	-
Trade payables	220	603
Deposits from tenants	8,139	8,590
Expenses payable for completed projects	-	744
Expenses payable in respect of sale of real estate	-	2,150
Other payables and other financial liabilities	-	3,781
	25,993	15,868

NOTE 10: - OTHER ACCOUNTS PAYABLE AND OTHER FINANCIAL LIABILITIES (Cont.)

(a) Following the completion of the purchase of the Company's shares by LEG on January 6, 2022 and despite the fact that the Company is in no way a party to the transaction, the Company incurred real estate transfer tax liability (RETT). As a result, the Company recognized a provision in its financial statements in the amount of approximately EUR 20.4 million. During the fourth quarter of 2022, the Company paid an amount of approximately EUR 1.4 million following a payment demand received from the tax authorities. As a result of the payment as well as the update of the provision in the Company's books, as of the report date the amount of the provision in the Company's books is about EUR17.6 million.

NOTE 11: - LOANS FROM BANKS AND DEBENTURES

a. Composition

	interest rate as of December 31, 2022	December 31, 2022	December 31, 2021
	%	Euros in thousands	
Loans at variable interest from banks presented at amortized cost	(*)	-	42,693
Loans at fixed interest from banks presented at amortized cost	(**)	312,254(****)	557,961
Debentures linked to CPI (sections d and (f) – amortized cost	(***)	167,718(*****)	72,349
Loan from controlling shareholder		151,330	-
		631,302	673,003

(*) interest rate for loans at fixed interest: 1.20% - 5.50%.

(**) interest rate on bonds: 4.04%-4.05%. Principal and interest are linked to Israeli CPI. Debentures are traded on TASE.

(***) for further details regarding the loan received from the controlling shareholder see Note 12 below.

(****) out of this amount, a total of EUR 99.8 thousand is presented as current maturity.

(****) out of this amount, a total of EUR 62.9 thousand is presented as current maturity.

NOTE 11: - LOANS FROM BANKS AND DEBENTURES (Cont.)

b. Movement:

	December 31, 2022	December 31, 2021
	Euros in thousands	
Balance as of January 1	673,003	500,004
Receipt of loans, net (see section c below)	40,376	60,059
Expansion of B bond series	162,518	-
Repayment of debentures	(62,660)	(11,298)
Repayment of loans	(203,278)	(33,216)
New consolidation (deconsolidation) (*)	(63,968)	145,185
Classification of loans to liabilities from disposal groups held for sale	(60,184)	-
Cost of receiving loans amortizations and others	4,781	3,892
Receipt of a loan from controlling shareholder	150,000	-
Exchange differences	(10,616)	8,377
Balance as of December 31	629,972	673,003

(*) For details regarding deconsolidation of the loan that finances the residential assets in Leipzig that were sold see appendix A of the above cash flows.

c. Taking loans during the year

1. On May 13, 2022, the Company entered into an agreement with an international banking corporation, with which it has not previously entered into an agreement, to receive a credit facility in the amount of approximately EUR 30 million. The credit facility will be provided to the Company until the middle of the first quarter of 2023 (with an extension option by about two months), and was expected to be repaid in one payment at the end of the credit period, namely in the middle of the first quarter of 2023. It should be noted that the Company did not need to use the credit facility and therefore cancelled it on its own initiative.

2. In August 2022, the Company signed a 3-month extension with the bank that finances one of the Company's loans in the amount of approximately EUR 45.3 million, which was expected to be repaid on August 30, 2022. In November 2022, the Company extended the loan by an additional month. On December 9, 2022, the Company completed a transaction aiming to refinance a part of such loan. According to agreements between the Company and the financing corporation the loan maturity date was extended by three years such that will be in December 2025. The extended loan amount is EUR 29.2 million (out of a loan of EUR 44.9 million). The remaining terms of the loan remained without material changes other than change in interest rate which in respect of the extension period will be 5.5%.

3. On September 28, 2022, the Company entered into an agreement with a bank to extend one of the Company's existing loans in a total amount of EUR 42 million as of the date of the agreement. the loan which was expected to be paid on September 30, 2022, was extended by 6 months and is expected to be paid on March 31, 2023. For details regarding the re-extension of the loan after the report date see section 23(2) below.

NOTE 11: - LOANS FROM BANKS AND DEBENTURES (Cont.)

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).

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. It is indicated that following the lowering of the Company's ratings in 2022 (see Note 18e) the annual interest for series B debentures was updated to 4.04%. 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").

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

As of December 31, 2022 the par value balance of the debentures (Series B) is NIS 424,294 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.

1. 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%.

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 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.

   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.

   c. 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 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, 2022, the Company is in compliance with said financial covenants.

b. 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%. It is indicated that following the lowering of the Company's ratings in 2022 (see Note 18e) the annual interest for series C debentures was updated to 4.05%.
   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).

NOTE 11: - LOANS FROM BANKS AND DEBENTURES (Cont.)

As of December 31, 2022, the par value balance of the debentures (Series C) is NIS 137,297 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.

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.

    c. 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 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, 2022, 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 e and f above.

As of December 31, 2022, the Company complies with all of the financial covenants as set forth.

NOTE 12: - LOANS FROM CONTROLLING SHAREHOLDER

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

The credit facility will be provided to the Company for the purpose of refinancing the Company's financial liabilities which are due to be repaid during 2022 and 2023 payment of the Company's tax liability (as specified in Note 10a above) and financing expenses in connection therewith, and those only. It is indicated that during the reporting period the Company has drawn down EUR 150 million from the credit facility. It is indicated that on August 13, 2022, further to the approval of the audit committee and board of directors, the Company entered into credit facility modification agreement the principles of which are:

- The purpose of the credit facility: the credit facility will also be provided to the Company for the purpose of refinancing a financial liability of the Company which is supposed to be repaid during 2023.

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

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

NOTE 12: - LOANS FROM CONTROLLING SHAREHOLDER (Cont.)

After the report date, the Company addressed the controlling shareholder with a request to prolong the maturity date of part of the credit line amount that was extended to the Company. In response, the controlling shareholder agreed to enter into agreement with the Company to amend the credit line agreement, the purpose of which is the possibility of the Company to extend the maturity date of EUR 70 million on account of the credit amount taken by the Company as mentioned, for a period of 6 months (i.e. until June 30, 2024) , in exchange for raising the interest rate to a 3-month Euribor rate in addition to margin reflecting the market conditions prevailing at that time, provided that such margin will not be below 200 basis (the prolonged amount will start accruing interest in the amount of the updated interest amount effective January 1, 2024) as well as providing a security that will reflect a sufficient value to be determined based on the Company's most recent financial statements to be published until that date, which will guarantee LTV ratio of 50% as of the date of providing the security which will be reasonably agreed upon by the parties until December 31, 2023. The entry into force of the aforementioned agreements was approved by the Company's audit committee and board of directors on March 29 and 31, 2023 (respectively) and is subject to the approval of the Company's general meeting.

NOTE 13: - OTHER FINANCIAL ASSETS AND LIABILITIES

	December 31	
	2022	2021
	Euros in thousands	
Presented in noncurrent assets:		
Non-marketable financial asset measured at fair value through profit or loss (1)	779	6,819
Non marketable financial assets measured at fair value through profit or loss (2)	4,508	6,525
Financial liabilities for hedging EUR/ILS exchange rate (3)	(20,770)	-
Financial liability for benefit received	(2,515)	-
	(17,998)	13,344
	(17,998)	13,344

(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. As of the date of signing the report, said shareholder no longer holds control of ADLER. In 2021 and 2022, 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 € 0.8 million as of December 31, 2022 grossing up a loss for the Company of € 34.2 million. It is indicated that trading of this share was discontinued on September 26, 2022.

NOTE 13: - OTHER FINANCIAL ASSETS AND LIABILITIES (cont.)

(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), to 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 4.5 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.

(3) In May 2022, the Company entered into several hedging transactions to hedge its expected NIS cash flow for repaying its future bonds. In the reported period, the Company recognized financing expenses in the amount of EUR 20.1 million following revaluation of the liability to EUR 20.1 million in respect of those hedging transactions. It is indicated that these hedging transactions are not treated as accounting hedging.

NOTE 14: -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, 2022:

	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	12,730	-	21,270	34,000
Income generating residential real estate	-	125,927	903,855	1,029,781
Land for betterment and real estate right (Note 8)	-	-	35,300	35,300
Other financial assets: (Note 14a)				
Financial assets measured at fair value through profit or loss	-	-	5,287	5,287

NOTE 14: - FAIR VALUE MEASUREMENT (Cont.)

	Fair value hierarchy			
	Level 1	Level 2	Level 3	Total
	Euros in thousands			
Liabilities measured at fair value:				
Financial liabilities for hedging the EUR/ILS exchange rate	-	(20,770)	-	(20,770)

NOTE 15: - FINANCIAL INSTRUMENTS

a. Classification of financial assets and financial liabilities

	December 31,	
	2022	2021
	Euros in thousands	
Cash and receivables at amortized cost		
Cash and cash equivalents	210,477	24,861
Restricted deposits financial assets and receivables (1)	32,261	24,806
Tenants and trade receivables, net	2,167	575
Other non-current receivables and restricted deposits	55	67
	244,960	50,309
Financial instruments (fair value)		
Investments in financial assets measured at fair value through profit or loss	5,287	13,344
Financial liabilities for hedging purposes	(20,770)	(249)
	(15,483)	13,095

NOTE 15: - FINANCIAL INSTRUMENTS (Cont.)

	December 31,	
	2022	2021
	Euros in thousands	
Financial liabilities at amortized cost		
Debentures	(167,718)	(72,349)
Credit from banks	(312,254)	(600,653)
Other accounts payable (2)	(18,010)	(20,943)
Loan from controlling shareholder	(151,330)	-
	(649,312)	(693,945)

(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 in the amount of EUR 167.8 million. In order not to be exposed to changes in the EUR/ILS exchange rate, during May, 2022, the Company entered into several hedging transactions with a financial entity for the purpose of hedging its projected ILS cash flow for future bond payments.

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 e 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.

NOTE 15: - 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 15: - 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, 2022, 52.68% of the Group's debt will be redeemed within under a year (2021 – 39.93%) (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. For further details, see Note 1 regarding the extension of the loans.

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, 2022

	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	25,768	-	-	-	-	-	25,768
Loans from banking corporations (1)	147,732	21,454	36,203	27,866	6,190	156,711	396,156
Debentures (1)	69,111	73,631	16,429	15,960	-	-	175,131
Loan from controlling shareholder	152,000	-	-	-	-	-	152,000
	394,611	95,085	52,632	43,826	6,190	156,711	749,055

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

(1) The balance of loans from banking corporations and debentures includes interest payments.

NOTE 15: - FINANCIAL INSTRUMENTS (Cont.)

e. Fair value

The following table demonstrates the carrying amount and fair value, for disclosure purpose only, of the groups of financial instruments that are not presented in the financial statements at fair value:

As of December 31, 2022

	Carrying amount in the statement of financial position	Fair value
	Euros in thousands	
Financial liabilities		
Debentures and interest payable on debentures	168,410	155,934
Bank loans at a fixed interest rate	312,397	277,074

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
Bank loans at a fixed interest rate	557,961	567,889

Management estimated that the balance of cash and cash equivalents, short term deposits, trade receivables, trade payables, overdrafts, shareholders' loan and other current liabilities 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 15: - FINANCIAL INSTRUMENTS (Cont.)

f. Sensitivity tests relating to changes in market factors

	December 31,	
	2022	2021
	Euros in thousands	
	Income (expense)	
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)
Interest decrease of 200 base points *)	-	-
For Swap		
Interest increase of 200 base points	(942)	-
Interest decrease of 200 base points	942	-
For debentures		
CPI increase of 3%	(4,902)	(2,196)
CPI decrease of 3%	4,902	1,842
EURO/NIS exchange rate increase of 5%	-	3,576
EURO/NIS exchange rate decrease of 5%	-	(3,576)

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.

NOTE 15 : - 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 liabilities	Total liabilities deriving from financing activity
	EUR in thousands				
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 and CPI linkage	-	-	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)
Cash flow	162,903	(150,000)	(99,857)	-	(86,954)
Effect of exchange rate changes and CPI linkage	-	-	4,488	-	4,488
Deconsolidation (New consolidation)	63,968	-	-	-	63,968
Classification to liabilities from disposal groups held for sale	60,184	-	-	-	60,184
Other changes	1,344	(1,330)	-	-	14
Balance as of December 31, 2022	(312,254)	(151,330)	(167,718)	-	(631,302)

NOTE 16: - 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 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 (*)	15.0 – 25.8
Germany (**)	15.825 – 31.225

*) The tax rate in Holland on taxable income up to EUR is 15% while tax rate of taxable income over EUR 395 thousand is 25.8%.

**) 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 or a German company 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.

b. Tax assessments

Final tax assessments

The Company was issued final tax assessments in the Netherlands until and including 2018. Some subsidiaries that are tax assessed in the Netherlands were issued final tax assessments until and including 2021 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 2021. The assessments that were issued to the Company until and including 2017 are deemed final due to the statute of limitations.

NOTE 16: - 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, 2022 approximately € 69,615 thousand. In respect of these losses, deferred tax assets have been recognized in the financial statements in the amount of approximately € 15,718 thousand.

d. Deferred taxes

	December 31,	
	2022	2021
	Euros in thousands	
Deferred tax liabilities		
Inventory of real estate, investment property and others	(100,024)	(149,700)
Deferred tax assets		
Losses carried forward for tax purposes	15,718	15,639
Others	-	39
	15,718	15,678
Deferred tax liabilities, net	(84,306)	(134,022)
Deferred taxes are presented in the statement of financial position as follows:		
Non-current assets	236	5,371
Non-current liabilities	(84,542)	(139,393)
	(84,306)	(134,022)

NOTE 16: - TAXES ON INCOME (Cont.)

The change in deferred taxes in the reported periods is composed as follows:

	Year ended December 31,	
	2022	2021
	Euros in thousands	
Deferred tax liabilities		
Inventory of real estate, investment property and others	(32,456)	31,335
Deferred tax assets		
Losses carried forward for tax purposes	(78)	(11,230)
Others	40	(26)
	(38)	(11,256)
Deferred tax expenses (income), net	(32,494)	20,079

The deferred taxes on investment property 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 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 16: - TAXES ON INCOME (Cont.)

Taxes on income included in the statements of profit or loss

	Statement of profit or loss		
	Year ended December 31,		
	2022	2021	2020
	Euros in thousands		
Deferred taxes, see also d. above	(32,494)	20,079	13,923
Current taxes and taxes in respect of previous years	11,274	4,283	13,671
Tax expenses (income)	(21,220)	24,362	27,594

d. 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,		
	2022	2021	2020
	Euros in thousands		
Income (loss) before taxes on income	(198,414)	96,938	125,287
Statutory tax rate in the Netherlands	25%	25%	25%
Tax (tax benefit) calculated using statutory tax rate	(49,603)	24,235	31,322
Deferred tax assets created in other tax rate and others, net	17,161	(1,822)	(5,824)
Taxes for previous periods	11,222	1,949	2,096
Taxes on income (tax benefit)	(21,220)	24,362	27,594

NOTE 17: - CONTINGENT LIABILITIES, COMMITMENTS, LIENS AND GUARANTEES

a. <u>contingent liabilities, liens and guarantees</u>

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 the conditions for receiving the building permits for stages J and K (which have not yet been received) for the Grafental project (Grafental OST land), the Company paid an amount of EUR 7.8 million for the municipality of Düsseldorf. This amount is held as a guarantee by the municipality, in order to ensure the Company's ability to build public areas as part of the project. 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 481.2 million (2021 - EUR 674.9 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. <u>Claims</u>

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 possible lawsuits.

NOTE 17: - CONTINGENT LIABILITIES, COMMITMENTS, LIENS AND GUARANTEES (Cont.)

c. Commitments

1. 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.

2. 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, -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. On May 8, 2022, the Company's general meeting approved the Company's revised remuneration policy, and on November 8, 2022, the Company's general meeting approved another amendment to the Company's remuneration policy

3. 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.

NOTE 17: - CONTINGENT LIABILITIES, COMMITMENTS, LIENS AND GUARANTEES (Cont.)

4. 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, 2022 under restricted deposits, financial assets and other receivables in 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 18: - EQUITY

a. Composition of share capital

	December 31, 2022 and 2021	
	Authorized	**Issued and paid-up**
Ordinary shares of € 0.01par value each	22,500,000	7,730,875 (*)

(*) excluding treasury shares – see Note 18c 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, 2022 is EUR 211.7 thousand.

NOTE 18: - EQUITY (Cont.)

e. The Company's rating

On February 15, 2022, S&P Maalot announced that the Company's ratings are included in the credit watch with negative consequences due to the weakening of ADLER Group credit quality and including its ratings in the credit watch with negative consequences.

On May 16, 2022 Maalot S&P announced the lowering of the Company's rating to 'ilA-' following the weakening of the credit quality of the controlling shareholder ADLER and these ratings remained in credit watch with negative consequences. As a result, and in accordance with the terms of the trust deeds of the Company's bonds, there was an increase of 0.25% in the interest rate on the bonds (series B and series C).

On September 8, 2022 Maalot S&P announced the lowering of the Company's rating to 'ilBBB-' and lowering the rating of the Company's bond series to 'ilBBB+' following its assessment that the Company has limited access to funding sources and its liquidity is weak. Also, the ratings remained in credit watch with negative consequences. As a result, and in accordance with the terms of the trust deeds of Company's bonds, there was an additional 0.5% increase in the interest rate on the bonds (series B and series C). It is indicated that this increase was added to interest increase that took place in May 2022.

NOTE 19: - SUPPLEMENTARY INFORMATION TO ITEMS OF STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended December 31,		
	2022	2021	2020
	Euros in thousands		
a. Cost of maintenance of rental properties:			
Salaries, electricity, water and gas	2,529	1,675	1,646
Maintenance and repairs	4,834	6,382	6,493
Land taxes	192	592	569
Insurance	169	27	43
Doubtful accounts and bad debts	884	686	1,217
Marketing	399	437	462
Others	1,095	429	1,176
	10,102	10,228	11,606
b. General and administrative expenses			
Property management, salary expenses and others	5,670	5,223	5,642
Expenses for sale transactions of assets not yet realized	232	426	1,698
Legal and other professional services	4,449	3,424	3,617
Travel expenses, rent and office maintenance and others	2,768	2,474	2,368
	13,119	11,547	13,325

NOTE 19: - SUPPLEMENTARY INFORMATION TO ITEMS OF STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Cont.)

	Year ended December 31,		
	2022	**2021**	**2020**
	Euros in thousands		
c. Finance expenses excluding the effect of exchange rate differences and currency hedging transactions			
Interest, bank charges and others			
Interest expenses on loans and debentures	(8,940)	(9,442)	(13,201)
Interest expenses in respect of a loan from the controlling shareholder	(1,499)	-	-
Bank charges, guarantee commission and others	(441)	(1,157)	(1,621)
Leasing finance expenses	-	(36)	(215)
	(10,880)	(10,635)	(15,037)
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	10,616	(8,275)	1,679
Linkage differences in respect of debentures	(9,816)	(1,748)	553
Gain (loss) from currency hedging transactions	(21,101)	-	1,496
	(20,301)	(10,023)	3,728
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	249	325	23
Gain (loss) from revaluation of financial asset measured at fair value through profit or loss (*)	(6,040)	(29,274)	438
Amortization of premium, finance costs for loans, bonds and others	(2,016)	-	825
Credit losses	(1,726)	-	-
	(9,533)	(28,949)	1,286

(*) Regarding a loss from revaluation of financial asset measured at fair value through profit or loss see Note 13(1).

NOTE 20: - NET EARNINGS PER SHARE

a. Details of number of shares used in calculating net earnings per share

	Year ended December 31,					
	2022		2021		2020	
	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	(170,558)	7,731	72,676	7,731	92,695

NOTE 21: - 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	-	Land undergoing betterment.
Residential development	-	Inventory of apartments under construction and inventory of real estate

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.

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 21: - OPERATING SEGMENTS (Cont.)

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, 2022					
Revenues from property rental	3,135	56,695	57	-	59,887
Revenues from property management and others	700	24,106	31	-	24,837
Property management expenses	(484)	(24,260)	(86)	-	(24,830)
Rental property maintenance expenses	(2,168)	(7,902)	(32)	-	(10,102)
Total rental and management revenues (expenses), net	1,183	48,639	(30)	-	49,792
Revenues from sale of apartments	-	-	-	-	-
Cost of sale of apartments	-	-	-	(13,556)	(13,556)
Gain from sale of apartments	-	-	-	(13,556)	(13,556)
Group's share in losses of companies accounted at equity	859	-	-	-	859
General and administrative expenses					(13,119)
Selling and marketing and general and administrative expenses attributed to inventory of buildings under construction and inventory of real estate					(1,669)
Appreciation (impairment) of investment property, net	(2,838)	(140,412)	(15,622)	-	(158,872)
Financial expenses, net					(40,714)
Other expenses, net					(21,135)
Income before taxes on income					(198,414)

NOTE 21: - OPERATING SEGMENTS (Cont.)

	Income-generating commercial real estate *	Income-generating residential real estate	Land for betterment	Residential development	Total
	Euros in thousands				
For the year ended December 31, 2021					
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

NOTE 21: - 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: - TRANSACTIONS WITH INTERESTED AND RELATED PARTIES

a. Transactions with interested and related parties

	Year ended December 31,		
	2022	2021	2020
	Euros in thousands		
Interest expenses for loan to controlling shareholder (1)	1,499	-	-

(1) for details regarding a loan that was received from the controlling shareholder see Note 12 above.

b. Benefits for key management personnel (including directors):

	Year ended December 31,					
	2022		2021		2020	
	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	885	2	245	2	305
Total benefits for directors	10	494	8	492	9	557

NOTE 23: - MATERIAL EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

1. After the date of the report, on January 31, 2023, the sale of another property from the Company's commercial income generating real estate portfolio in the city of Ludwigsburg was completed for a total of approximately EUR 12.8 million.

2. After the date of the report, on March 27, 2023, the Company entered into an agreement with the lending banking corporation, the purpose of which was to extend the repayment date of part of an existing loan of the Company in the amount of approximately EUR 41.5 million. According to the terms of the loan, the repayment date in the amount of approximately EUR 34.5 million of the loan amount will be extended by 24 months so that it will apply on March 31, 2025. Accordingly, the Company repaid the remaining part of the loan in the amount of approximately EUR 7 million on March 29, 2023. The remaining terms of the loan are without substantial changes, with the exception of a change in interest rate, which for the extension period will be 5.51%.

3. For details regarding the possibility of extending the credit line from the controlling shareholder, see Note 12 above.

Appendix of holdings

Material subsidiaries and partnerships

Name of entity	Country of incorporation	December 31, 2022	December 31, 2021
		% in equity	
Brack German Properties BV	The Netherlands	100	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	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	89.9
Brack Capital Germany XXVI BV (Netherlands)	The Netherlands	89.9	89.9
Grafental Mitte B.V	The Netherlands	89.9	89.9
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	-	-
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
BCRE Leipzig Wohnen Ost B.V.	The Netherlands	-	89.8

(1) jointly controlled

Appendix of holdings (Cont.)

	Country of incorporation	December 31, 2022	2021
		% in equity	
BCRE Leipzig Wohnen West B.V.	The Netherlands	-	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	Germany	100	100
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

BRACK CAPITAL PROPERTIES NV

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

AS OF DECEMBER 31, 2022

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, 2022 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.

Somekh Chaikin
KPMG Millennium Tower
17 Ha'arba'a Street, PO Box 609
Tel Aviv 61006, Israel
+972 3 684 8000

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, 2022 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, 2021 and for the year then ended was audited jointly by us and the previous auditors where our report dated March 22, 2022 included an unqualified opinion.

The Company's separate financial information for the year ended December 31, 2020 was audited by the previous auditors whose report dated 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.

Without qualifying our above opinion, we draw attention to Note 1 to the financial statements regarding the uncertainty concerning the realization of management's plans for repaying the Company's liabilities. As mentioned in the aforesaid note, management's plans include, inter alia, realizing assets of the Company and refinancing existing loans. In the opinion of the board of directors and management of the Company, the Company will carry out these plans and pay its liabilities as they come due.

Somekh Chaikin
Certified Public Accountants (Isr.)
March 31, 2023

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

	December 31, 2022	December 31, 2021
	Euros in thousands	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	34,994	1,060
Cash and cash equivalents in trust	39,095	5,358
Restricted deposits, financial assets and other receivables	211	197
Total current assets	74,300	6,615
NON-CURRENT ASSETS:		
Investment in investee	970,975	935,626
Investment in marketable financial asset measured at fair value through profit or loss	779	6,819
Total non-current assets	971,754	942,445
Total assets	1,046,054	949,060
Current Liabilities		
Current maturity of debentures	62,944	11,508
Other payables and other financial liabilities	8,299	421
Loan from controlling shareholder	151,330	-
Total current liabilities	222,573	11,929
Non-Current Liabilities		
Debentures	104,774	60,841
Financial liabilities	12,975	-
Total non -current liabilities	117,749	60,841
Total liabilities	340,322	72,770
Equity		
Share Capital	77	77
Premium on Shares	144,237	144,237
Treasury Shares	(746)	(746)
Other capital reserves	(531)	(531)
Statutory capital reserve	350,956	530,385
Retained earnings	211,739	202,868
Total equity	705,732	876,290
	1,046,054	949,060

March 31, 2023			
Date of approval of the financial statements	Thomas Zinnocker Chairman of the board of directors	Thierry Beaudemoulin CEO	Eran Edelman CFO

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

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

	Year ended December 31,		
	2022	2021	2020
	Euros in thousands		
Administrative and general expenses	(2,963)	(2,434)	(2,361)
Financial expenses, net	(40,157)	(41,744)	(650)
Equity in earnings (losses) of investees	(127,438)	116,854	95,706
Net and comprehensive income (loss)	(170,558)	72,676	92,695

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

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

	Year ended December 31,		
	2022	2021	2020
	Euros in thousands		
Cash flows from operating activities:			
Net income (loss) attributed to the Company's shareholders	(170,558)	72,676	92,695
Adjustments required to present net cash provided by operating activities:			
Adjustments to the profit or loss items:			
Financial expenses (income), net	31,254	41,164	(1,961)
Equity in losses (earnings) of investees	127,438	(116,854)	(95,706)
	158,692	(75,690)	(97,667)
Changes in assets and liabilities items:			
Decrease (increase) in other receivables and related parties	(14)	466	302
Increase (decrease) in other accounts payable and related parties	8	67	470
	(6)	533	772
Net cash used in operating activities	(11,872)	(2,481)	(4,200)
Cash Flows from investing activities			
Change in investment in investees and in cash and cash equivalents in trust, net	(196,524)	16,275	74,060
Decrease (increase) in restricted deposits	-	-	146
Interest received and exercise of derivatives	-	-	3,131
Net cash provided by (used in) investing activities	(196,524)	16,275	77,337

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

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

	Year ended December 31,		
	2022	**2021**	**2020**
	Euros in thousands		
Cash flows from financing activities			
Interest paid	(7,528)	(2,408)	(3,579)
Issuance of debentures, net	162,518	-	-
Receipt (repayment) of long term loans from controlling shareholder	150,000	-	(44,200)
Repayment of debentures	(62,660)	(11,298)	(25,706)
Net cash provided by (used in) financing activities	242,330	(13,706)	(73,485)
Change in cash and cash equivalents	33,934	88	(348)
Balance of cash and cash equivalents at the beginning of the year	1,060	972	1,320
Balance of cash and cash equivalents at the end of the year	34,994	1,060	972

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

1. 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 consolidated annual financial statements as of December 31, 2022 and for the year then ended and the related notes.

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 residential income-generating real estate. The Company is also engaged in real estate betterment and development of residential complex in Düsseldorf, Germany.

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

In April 2018, the control in the Company was purchased by ADLER Real Estate AG (ADLER).

In December, 2021, LEG Grundstucksverwaltung GmbH ("LEG") which is a subsidiary of LEG Immobilien AG acquired from ADLER 6.7% of the share capital and voting rights in the Company. In addition, ADLER undertook to participate in any tender offer which may be initiated by LEG for the balance of the ordinary shares of the Company held by Adler, provided that such tender offer is made by September 30, 2022 at a minimum price per share determined in the agreement between the parties as above amounting to EUR 157 per share. In addition, in January 2022, LEG acquired an additional 27.77% of the Company's shares which were held by the non-controlling interests in the Company. In the reported period, LEG continued to purchase the Company's shares, so that as of the date of signing the report, LEG holds approximately 35.66% of the Company's shares. It should be noted that on August 4, 2022, the Company learned that LEG decided not to publish a tender offer for the purchase of the remaining shares of the Company and accordingly will not exercise ADLER's obligation towards it. It is indicated that on September 30, 2022 such option expired.

Material events in the reported period

Lowering the Company's rating, the implications on the Company's financial position and management plans in this regard

As of December 31, 2022 the Company has a negative working capital of EUR 148,273 thousand on the Solo level.

In the reporting period and thereafter, the Company has taken several measures aiming to improve the Company's liquidity level:

Note 1: - General (Cont.)

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

On May 13, 2022, the Company entered into agreement with international banking corporation to obtain a credit in the amount of EUR 30 million. For further details regarding the credit facility and its designation, see Note 11c1 below. It is indicated that the Company did not need to utilize the credit facility and cancelled it on January 31, 2023 on its own volition.

On May 19, 2022, the Company entered into agreement with ADLER, the controlling shareholder to obtain a credit facility in a total amount of EUR 200 million where on May 23, 2022 the amount of EUR 100 million was received in the Company's account.

In addition, on August 13, 2022, the Company entered into credit facility modification agreement with ADLER, the main purpose of which is to update the availability period of the credit facility. On September 23, 2022, the Company drew down an additional amount of EUR 50 million.

After the report date, the Company addressed the controlling shareholder with a request to prolong the maturity date of part of the credit line amount that was extended to the Company. In response, the controlling shareholder agreed to enter into agreement with the Company to amend the credit line agreement, the purpose of which is the possibility of the Company to extend the maturity date of EUR 70 million on account of the credit amount taken by the Company as mentioned, for a period of 6 months (i.e. until June 30, 2024) , in exchange for raising the interest rate to a 3-month Euribor rate in addition to margin reflecting the market conditions prevailing at that time, provided that such margin will not be below 200 basis (the prolonged amount will start accruing interest in the amount of the updated interest amount effective January 1, 2024) as well as providing a security that will reflect a sufficient value to be determined based on the Company's most recent financial statements to be published until that date, which will guarantee LTV ratio of 50% as of the date of providing the security which will be reasonably agreed upon by the parties until December 31, 2023. The entry into force of the aforementioned agreements was approved by the Company's audit committee and board of directors on March 29 and 31, 2023 (respectively) and is subject to the approval of the Company's general meeting.

On September 8, 2022, Maalot S&P announced the lowering of the Company's rating to 'ilBBB-' and lowering the rating of the Company's bond series to 'ilBBB+' following its assessment that the Company has limited access to financing sources and its liquidity is weak. Also, the ratings remained on credit watch with negative consequences. As a result, and in accordance with the terms of the trust deeds of the Company's bonds, there was an additional increase of 0.5% in the interest rate on the bonds (series B and series C). This increase was added to the previous interest rate increase of 0.25% that occurred in May, 2022. As a result of such interest increase, the Company recorded additional financing expenses in the period of EUR 0.7 million.

Note 1: - General (Cont.)

On December 9, 2022, in accordance with the agreements between the Company and a financial corporation, the Company extended the repayment date of one of its loans by 3 years. The amount of the loan that was extended is about EUR 29.2 million (out of a total loan of about EUR 44.9 million).

On December 30, 2022, the Company completed the sale of residential real estate assets located in Leipzig at an asset value of approximately EUR 240.0 million. The transaction is a "share transaction" and the Company received the full consideration of approximately EUR 126.1 million.

After the date of the report, on January 31, 2023, the sale of another property from the Company's income generating commercial real estate portfolio in the city of Ludwigsburg was completed for a total of approximately EUR 12.8 million.

After the date of the report, on March 27, 2023, the Company entered into an agreement with the lending banking corporation, the purpose of which was to prolong the maturity date of part of an existing loan of the Company, in the amount of approximately EUR 41.5 million. According to the terms of the loan, the maturity date of about EUR 34.5 million of the loan amount will be prolonged by two years, so that it will apply on March 31, 2025. Accordingly, the Company repaid the remaining part of the loan, in the amount of about EUR 7 million, on March 29, 2023. The rest of the terms of the loan remain without substantial changes, with the exception of a change in interest rate, which for the extension period will be 5.51%.

In addition, the Company is examining the sale of additional assets from both the income generating and development portfolios in order to meet the Company's liquidity needs. In respect of such assets the Company has entered into agreements with brokers who will work to collect indications with respect to demand and price.

In the Company's estimate, in light of the nature of the assets, the Company's board of directors anticipates that if necessary and a binding decision is made by the Company's board of directors to carry out the aforementioned sale, the Company will be able to complete the sale of the aforementioned assets during 2023. In addition, the Company works to enter into agreements to extend the maturity dates of the existing loans and is examining to obtain financing from other financing parties and continues to obtain long term financing from banking corporations and other financial corporations and through the capital market, and taking into account the state of the real estate market in Germany and the capital market in Germany and around the world. Also, on November 28, 2022, the Company published a shelf prospectus.
In view of the uncertainty coupled with the date and scope of the Company's asset realization and the completion of refinancing the existing loans as above, the Company examined several scenarios for the purpose of assessing the ability of the Company to cope with the economic consequences of the foregoing. As per the estimate of the Company's board of directors and management, which reviewed, based on management forecasts, the Company's ability to meet its financial covenants and liabilities including in stress conditions and the actions the Company took in connection with the financial structure of its operations including in view of the actions detailed above, the Company anticipates that it will continue to operate in the foreseeable future.

Brack Capital Properties N.V.
Chapter D - Additional Details about the Corporation

Regulation 10a Quarterly Condensed Consolidated Statements of Profit or Loss (EUR thousands):

	2022				
	Q1	**Q2**	**Q3**	**Q4**	**Total for four quarters**
Revenues from rental of properties	14,906	14,880	14,825	15,276	59,887
Revenues from property management and others	5,924	6,155	5,959	6,799	24,837
Property management expenses	(6,122)	(5,870)	(5,841)	(6,997)	(24,830)
Cost of maintenance of rental properties	(2,461)	(2,804)	(2,412)	(2,425)	(10,102)
Rental and management revenues, net	12,247	12,361	12,531	12,653	49,792
Revenues from sale of apartments	-	-	-	-	-
Cost of sale of apartments (impairment loss of inventory)	-	(10,868)	-	(2,688)	(13,556)
Gain from sale of apartments	-	(10,868)	-	(2,688)	(13,556)
Equity in earnings of companies accounted at equity	-	859	-	-	859
General and administrative expenses	(2,913)	(2,886)	(3,764)	(3,556)	(13,119)
General and administrative expenses attributed to inventory of building under construction and real estate inventory	(554)	(324)	(386)	(405)	(1,669)
Operating profit (loss) before change in value of investment property, net	8,780	(858)	8,381	6,004	22,307
Appreciation (impairment) of investment property, net	-	12,482	(96,039)	(75,315)	(158,872)
Operating profit (loss)	8,780	11,624	(87,658)	(69,311)	(136,565)
Financing expenses excluding the impact of exchange rate differences and currency hedging transactions	(2,948)	(3,214)	(2,133)	(2,585)	(10,880)
Impact of exchange rate, index and currency hedging transactions, net	(769)	(17,538)	66	(2,060)	(20,301)
change in fair value of financial instruments, loans and others	1,428	(8,326)	(626)	(2,009)	(9,533)

Other expenses, net	(22,224)	509	102	478	(21,135)
Income (loss) before taxes on	(15,733)	(16,945)	(90,249)	(75,487)	(198,414)
Tax benefit	3,126	343	14,441	3,310	21,220
Net income (loss)					
	(12,607)	(16,602)	(75,808)	(72,177)	(177,194)
Net income (loss) attributable to:					
Shareholders of the Company	(12,667)	(16,249)	(72,204)	(69,438)	(170,558)
Non-controlling interests	60	(353)	(3,604)	(2,739)	(6,636)

<u>Regulation 10C</u> Use of proceeds from securities

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 10.2 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, 2022 (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, 2022 (USD thousands)
Brack German Properties BV	9,000,000	1,978,261	EUR 0.01	970,975	100%	100%	100%	-
Glasmacherviertel GmbH & Co. KG	500	500	EUR 1	197,281	100%	100%	100%	-

2

<u>Regulation 13</u> Income of Material Subsidiaries and Associated Companies

Company name	As of December 31 2022			
	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	54	-	(716)	(716)
Glasmacherviertel GmbH & Co. KG	-	-	-	-

<u>Regulation 20</u> 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.

<u>Regulation 21</u> 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 May 8, 2022, the Company's Remuneration Committee and Board of Directors approved the Company's' amended Remuneration Policy. For further details, see the Company's immediate report dated May 8, 2022 (Reference No.: 2022-01-055303), which is hereby included by reference.

   On November 8, 2022, the Company's general meeting approved another amendment to the Company's remuneration policy. For more details, see the Company's immediate reports from October 4 and November 8, 2022 (reference number: 2022-01-100740 and 2022-01-134668, respectively), which are included herein by way of reference ("Remuneration Policy").

2. The following details the amounts paid by the Company in 2022 as recognized in the financial statements for 2022, to each of the five highest compensated individuals among the Group's senior officers:

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	-	262	307	-	-	-	-	46	-	615
Gary Wildbaum	Controller	Full	-	140	126	-	-	-	-	3	-	269
Board members[1]		-	-	494	-	-	-	-	-	-	-	494

[1] 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"). In light of Mr. Edelman's skills and the important role he plays in the management of the Company, several updates were made during 2022 to Mr. Edelman's employment agreement, as follows:

(1) 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 for an amended employment agreement, for a period of nine (9) months starting on January 1, 2022 until September 30, 2022, within which Mr. Edelman was entitled to an increase in the annual base salary up to the maximum possible under the Company's remuneration policy, a signing bonus, principle eligibility for target-based compensation, a discretionary bonus and a one-time bonus (all subject to the decision of the remuneration committee and the Company's board of directors and in accordance with the Company's remuneration policy), and the section on retirement bonus and the conditions for the change of control in connection with him was amended.

(2) In accordance with the approval of the amendment of the Company's remuneration policy by the general meeting on November 8, 2022, on September 30 and November 4, 2022, an additional amendment to the employment agreement with Mr. Edelman was recommended and approved by the remuneration committee and the Company's board of directors (subject to approval of the amended remuneration policy by the general meeting), and against the backdrop of changes that occurred in the Company's financial situation and Mr. Edelman's important role in the Company during the aforementioned period, it was decided to update Mr. Edelman's terms of employment, including for the purpose of the fixed remuneration and grants to which Mr. Edelman may be entitled including a grant upon change of control.

In accordance with the above, Mr. Edelman's terms of employment for 2022 and the terms of employment to which he is entitled as of the date of the report 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 in the amount of the maximum salary possible under the Company's remuneration policy as it was at any time and as it is as of the publication date of this report (namely, for the period between January 1, 2022 and until September 30, 2022 an amount of EUR 20,833 per month; and for the period between October 1, 2022 and until December 31, 2022 an amount of EUR 25,000 per month).

3.1.2 Grants: in accordance with the terms of the Company's remuneration policy, Mr. Edelman may be entitled to the following grants:

(a) Annual grant; an annual grant in an amount not to exceed twelve (12) annual salaries that will consist of a **discretionary grant** (up to 3 monthly salaries) and **a target-based grant** (up to 9 monthly salaries). following the changes that occurred in the market in general and in the Company, in particular, the remuneration committee and the board of directors determined that the target-based grant to which Mr. Edelman may be entitled for 2022 will be based on the following targets: (i) economic targets: (1) EBITDA or Rental Growth and Average Vacancy targets; (ii) performance targets: raising bonds, obtaining credit line and extending the Company's existing loans due in 2022.

Mr. Edelman met the targets. and, accordingly, Mr. Edelman was paid an annual grant in the amount of EUR 262.5 thousand which includes a discretionary grant (in the amount of 3 monthly salaries) and a target-based grant in the amount of 9 monthly salaries (pro-rata to Mr. Edelman's actual annual salary for the 2022 as detailed in section 3.1.1 above.

On September 30, 2022, the remuneration committee and the board of directors determined that the target-based grant to which Mr. Edelman may be entitled for 2022 will be based on the following targets:

(b) Annual retention grant: annual retention grant in the amount of 6 monthly salaries (EUR 90 thousand), to be paid to Mr. Edelman in two equal payments and on two dates (end of December 22; and end of April 23), subject to his continued tenure in the Company until the relevant date, as the case may[2] be. Mr. Edelman was paid an annual retention grant in the amount of EUR 45 thousand for 2022.

Also, to the extent that Mr. Edelman will not be entitled to a one-time grant (as specified in subsection (c) below) nor to a change of control grant (as specified in subsection (d) below) until April 2024, Mr. Edelman will be entitled to an additional retention grant in the amount of EUR 75,000-100,000, as will be determined by the remuneration committee and the Company's board of directors.

(c) One-time grant: On September 30, 2022, the remuneration committee and the Company's board of directors determined that upon the occurrence of one of the following events, Mr. Edelman will be entitled to a one-time grant in the amount of 24 monthly salaries: (i) for the sale of at least 60% of the Company's property portfolio[3]; or (ii) to the extent that the Company achieves a significant financial improvement, such as: financial stability for a period of at least two years, Mr. Edelman was not entitled to a one-time grant in 2022.

(d) Change of control grant: Upon the occurrence of a change of control event in the Company (as defined in the Company's remuneration policy), Mr. Edelman will be entitled to a change of control payment in the amount of 32 annual salaries (EUR 800 thousand) ("the change of control ceiling") to be paid in two installments - the first upon receipt of a notary's approval for the agreement which means a change of control event in the Company (as defined in the company's remuneration policy) and the second after 6 months from the first stage.

[2] It is clarified that as long as the Company terminates Mr. Edelman's employment with the Company before April 2023, Mr. Edelman will be entitled to the full annual retention grant.
[3] In such a case, the one-time grant will be paid in two equal payments: one at the time of signing the agreement in connection with the sale (or a similar event) and the other at the end of 6 months from the date of the first payment for said sale.

Notwithstanding the foregoing, it is clarified that Mr. Edelman will be entitled to either a one-time grant (as detailed in subsection (c) above) or a change of control grant. To the extent that a one-time grant is paid to Mr. Edelman before a change of control grant, the amount of the one-time grant paid to Mr. Edelman will be reduced in practice from the change of control grant to which Mr. Edelman will be entitled, so that in any case Mr. Edelman will not be paid an amount for the one-time grant and the change of control grant that exceeds the total of the change of control ceiling.

3.1.3 Conditions for termination of office - early notice period and adjustment grant in accordance with the Company's remuneration policy and the limits set forth therein.

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: one time grant of EUR 70 thousand.

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[4]for their service in 2022 was EUR 500 thousand, of which a total of EUR 187 thousand was paid to external directors of the Company and an amount of EUR 313 thousand was paid to directors who are not external directors in accordance with the 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 in 2022, the Companies Regulations (Rules regarding Remuneration and Expenses for an External Director) (Temporary Order), -2022, ("Corona Remuneration Regulations"), were published 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

[4] See Regulation 21 (2) above.

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.

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")[5].

It should be noted that beginning at the end of 2021 and during the first half of 2022, LEG Grundstücksverwaltung GmbH ("LEG") completed the purchase of the Company's shares including from ADLER, the controlling shareholder in the Company and by several OTC transactions, so that at the time of publication of the report, LEG owns approximately 35.66% of the Company's shares. For further details regarding the purchase of the Company's shares by LEG through OTC transaction see section 1.3 of Chapter A of this report. As part of the purchase of shares from ADLER, ADLER committed to participate in any tender offer that may be initiated by LEG, for the remainder of the Company's ordinary shares held by ADLER, provided that the aforementioned tender offer is made by September 30, 2022 and accordingly LEG was expected to be the controlling shareholder therein. For further details regarding said transaction see section 1.3 of Chapter A of this report.

On August 3, 2022, the Company learned that **LEG decided not to publish a tender offer for the purchase of the remaining shares of the Company and accordingly will not fulfill ADLER's obligation towards it and as of the publication date of this report, ADLER is the controlling shareholder in the Company**. For more details, see the company's immediate

[5] 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 31.12.2022, 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 31.12.2022, there are three 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: The vote in ADLER Group: Aggregate Holdings Invest S.A., Luxembourg (controlled, indirectly, by Gunther Walcher), which holds 6.10% of the capital rights and 6.10% of the voting rights in ADLER Group, Kanzelhöhe GmbH, Germany (controlled indirectly by Gerda Caner), which holds 7.44% of the capital rights and 7.44% of the voting rights in Adler Group and Vonovia SE, which holds 20.49% of the capital rights and 20.49% of the voting rights in Adler Group. Regarding the shareholders in ADLER and ADLER Group, it will be noted that the above figures are based on the amount of voting rights as delivered 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 detailed above, since the last time details were provided to ADLER and ADLER Group and from ADLER and ADLER Group to the company, since the relevant shareholders are not required to report a change in voting rights as long as they have not reached the required threshold In order to provide notice of the change in voting rights.

report dated August 3, 2022 (reference number: 2022-01-080532), which is included herein by way of reference. It should be noted that on September 30, 2022 the aforementioned option expired.

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 2022 or later at the end of 2022 and up to the date of filing this report, or that are in effect on the date of issuing the report:

Transactions that are listed in Section 270(4) of the Companies Law

1. Credit facility agreement - on May 19, 2022, following the approval of the audit committee and the Company's board of directors, the Company entered into an agreement with the controlling shareholder ADLER, in an agreement according to which ADLER will provide the Company with a credit facility in the total amount of EUR 200 million (the "credit facility agreement"); On August 13, 2022, following the approval of the audit committee and the Company's board of directors, the Company entered into an amendment to the aforementioned credit facility agreement with ADLER, the controlling shareholder, according to which the repayment date of the credit facility will be extended until the end of December 2023, and a certain update will be made to the terms of the credit facility repayment. The credit facility was provided to the Company for the purpose of refinancing the Company's financial obligations which are due to be repaid during 2022, the payment of the Company's tax liability and related financing expenses, and only these.

   The credit facility agreement and the amendment thereto were approved by the audit committee and the Company's board of directors, in accordance with regulation 1(5) of the Companies' Regulations (Relief in Transactions with Interested parties), 2000 (the " Relief Regulations"), as a transaction in the ordinary course of the Company's business, under market conditions and which does not harm the good of the Company. For more details regarding the approval of the credit facility, its amendment and the reasons of the audit committee and the board of directors, see the Company's immediate reports from May 19, May 23, August 14 and September 27, 2022 (reference number: 2022-01-061300, 2022-01-050802, 2022-01-102571 and 2022-01-098262, respectively), which are hereby included by reference.

   As of the date of the report and its publication, the Company took an amount of EUR 150 million from the credit facility. For more details regarding the credit facility and its terms, see Section 1.12.2C of Chapter A of this report and Note 12 to the financial statements attached as Chapter C of this report.

2. Engagement for purchase of non- controlling interests in subsidiaries; transaction for sale of asset company - on May 9, 2019, the audit committee and the Company's board of directors approved the engagement of the Company and a subsidiary of ADLER, the controlling shareholder of the Company, in connection with the exercise of the Company's right of refusal/first offer, in such a way that a subsidiary of ADLER will acquire 10.1% of the total rights in the relevant property companies in accordance with regulation 1(4) of the relief regulations. For more details, see note 18(5) to the Company's financial statements for 2021 and the Company's immediate report dated May 12, 2019 (reference number: 2019-01-04008), which is included herein by reference.

   On December 30, 2022, after the approvals of the Company's board of directors and the audit committee were received in accordance with regulation 1(4) of the relief regulations, the Company (through a subsidiary in which ADLER holds minority holdings as mentioned above) entered into a binding agreement and completed the sale of assets the value of which in the Company's books (as of the quarter the third of 2022) represented about 13% of the total value of the Company's assets. For additional details regarding the aforementioned transaction, see Section 1.1.4.1A of Chapter A of this report and Note 8F(4) to the Company's financial statements attached as Chapter C of this report, as well as the Company's immediate report from January 1, 2023 (reference number: 2023-01-000007), which is hereby included by reference.

Transactions that are not listed in Section 270(4) of the Companies Law

3. 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.

4. 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).

   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 1 million, so it is not expected to materially affect the Company's profitability, assets or liabilities.

5. Exemption, insurance and indemnification arrangements

   For details on exemption, insurance and indemnification arrangements, see Regulation 29A below.

<u>Regulation 24</u> 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 5, 2023 (Ref. No.: 2023-01-003678), which is included herein by way of reference.

<u>Regulation 24a</u> Registered capital, issued capital and convertible securities

For details regarding the Company's securities, see the Company's immediate report dated January 1, 2023 (reference no: 2023-01-000612), which is included herein by way of reference.

<u>Regulation 24b</u> Register of Shareholders of the Company

For details regarding the Company's shareholders register, see the Company's immediate report dated January 1, 2023 (reference no: 2023-01-000612), which is included herein by way of reference.

<u>Regulation25a</u> Registered address

Company Name: Brack Capital Properties N.V Registered address: Herengracht 456, Amsterdam 1017CA , the Netherlands E-mail:g.wildbaum@bcp-nv.com Phone: 0031-20-240-4330 Fax :0031-20-240-4339	**Address in Israel for service of process** Herzog Fox & Neeman Law Offices 6 Itzhak Sade, Herzog Fox Neeman Tower Tel Aviv Phone: 03-6922020 Fax: 03-6966464

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Regulation 26: **The Directors of the Company as of the report signing date** [6]

Name	Thomas Zinnocker (Chairman of the Board)	Patrick Burke	Thomas Echelmeyer	Thilo Schmid	Ron Hadassi	Liselot Dalenoord	Taco Tammo Johannes de Groot
English name as it appears on passport	Thomas Werner Ferdinand Zinnöcker	Patrick Burke	Thomas Josef Echelmeyer	Thilo Ger Schmid	Ron Hadassi	Elisabeth (Antoinette) van der Kuijlen-Dalenoord	Taco Tammo Johannes de Groot
ID number	L3MX70YCW	520587847	L731638KV	L4V4RKFLP	059258269	NV4K3J637	IW7BRCF88
Date of Birth	28.05.1961	12.02.1974	18.11.1960	09.03.1965	24.03.1965	08.11.1974	20.02.1963
Address for service of legal process	Herzog Tower, 6 Yitzhak Sadeh St. Tel Aviv 6777506, Israel	17 Dover Park Drive, London SW155BT, UK	Herzog Tower, 6 Yitzhak Sadeh St. Tel Aviv 6777506, Israel	Herzog Tower, 6 Yitzhak Sadeh St. Tel Aviv 6777506, Israel	13 Igal Yadin st. Hod Hasharon Israel 45314	Herzog Tower, 6 Yitzhak Sadeh St. Tel Aviv 6777506, Israel	Herzog Tower, 6 Yitzhak Sadeh St. Tel Aviv 6777506, Israel
Citizenship	German	British	German	German	Israeli	Dutch	Dutch
Membership of a board of directors' committee or committees	No	Audit committee	No	No	Audit Committee, Remuneration Committee, Financial Statements Review committee	Audit committee	Audit Committee, Remuneration Committee, Financial Statements Review committee
Is he an external director or independent director; Does he have accounting and financial	Ordinary director with accounting and financial expertise	Independent director with accounting and financial expertise	Ordinary director with accounting and financial expertise	Ordinary director with professional competence	External director with accounting and financial expertise	Independent director	External director with accounting and financial expertise and professional competence

[6] It should be noted that during the reported period, Machiel Hoe (independent director), Jeroen Dorenbos (independent director) Noa Shacham (external director) John Rouweler (external director) and Thierry Beaudemoulin 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 1.11.2 of chapter A attached to this report.

expertise or professional competence - as defined in the Companies Law							
Is the director an employee of the Company, its subsidiary, its affiliated company or an interested party therein?	Yes – director in the controlling shareholder, ADLER	No	Yes – CFO in the controlling shareholder, ADLER	Yes – director in the controlling shareholder, ADLER and in a related company, Consus	No	No	No
Date of commencement of service	01.12.2022	02.07.2018	01.12.2022	01.12.2022	01.05.2021	08.05.2022	06.03.2023
Education	Diplom-Kaufman (MBA) – University of Colonge.	Bachelor in Economics Institut Le Rosey, Rolle, Switzerland 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	Certified Public Accountant (Wirschaftsprufer) – Ministry of Economic Affairs and Technology of North Rhine-Westphalia. (until 2023) Tax Consultant (Steuerberater) – Finance Ministry of North Rhine-Westphalia. Diplom-Kaufman – Westfalische Wihelms Universitat, Munster Abitur (A-Levels) – Leibniz-Gymnasium,	General matriculation standard.	Tel Aviv University, B.A in Economics, Political Science. Tel Aviv University, L.L.B (1995). Tel Aviv University, M.B.A, Specialized in finance and marketing. BAR admission-1995.	LL.M Master of Law, Civil Law - University of Amsterdam MRE, Master in Real Estate - Amsterdam School of Real Estate Bc, Bachelor Management, Economics and Law (Real Estate) - Hanzehogeschool van Groningen	Master degree in Dutch Law - University of Utrecht, Rijksuniversiteit Utrecht. Master degree in Real Estate (MRE) - Amsterdam School of Real Estate, Universiteit van Amsterdam.

			Gelsenkirchen-Buer.					
Employment in the past 5 years	2014-2020 – Chairman of the Board at Institute for Corporate Governance in the German Real Estate Industry. 2006-2021 – Member of the Board at ZIA German Property Federation (Immobilienverband ZIA). 2016-2021 – CEO at Ista International. Since 2013 - Member of the Board at trustees of Familienstiftung Becker & Kries Since 2020 - Member of the Board of directors at Adler Group S.A.	Co-Founder, Managing Director, Compliance Officer of Consortium Capital Group since 2009	2007-2017 – CFO at GWH Immobilien Holding GmbH. 2017-2019 – CFO at A&O Holding GmbH & Co KG. 2020-2021 – Interim Manager and Consultant at Independent February-August 2021 – Senior Strategy Finance Adviser at FTI Touristik GmbH 2021-2022 – Interim Manager and Consultant at Independent. June-August 2022 – CFO-Interim at ADLER Group S.A. Since September 2022 – CFO at Adler Group S.A	2013-2018 – Member of the Supervisory Board at Adler Real Estate AG, Berlin. 2021-2022 – Member of the Board at Whitebox Services AG, Wollerau (CH). Since 1999 – Investment Manager at Care4 AG, Switzerland. Since 2013 – Member of the Supervisory Board at Adler Real Estate AG, Berlin. Since 2015 – Member of	Chairman (2014) and CEO (2018) of Elbit Imaging ltd Chairman of Elbit Medical Technologies since 2014 and CEO of this company since April 2020. Executive director of Plaza Centers NV. Finance and banking lecturer at the Hebrew University and the College of Management Academic Studies. Brookland Upreal Limited- trustee since February 2019 -Starwood West Limited- trustee since July 2020	Croon, Wolte & Dros – Commerce Department Manager. (2021-current) Royal Institute of Charted Surveyors – Director Benelux (2018-2021) Equity Estate – Deal & Assert Manager (2017-2018)	2021-today – Ad Interim CEO at Urban Interest B.V. 2011-2020 – CEO/Chairman of the Board of Vastned Retail NV

	Since 2022 - Member of the supervisory Board of ADLER Real Estate Aktiengesellschaft Since 2022 - Chairman of the supervisory Board at Consus Real Estate AG.			the Board of Directors at DTH Sarl. (formerly STH S.A), Luxemburg. Since 2017 – Member of the Board at Yeditepe Marina Yatırım Turizm IAS, Istanbul. Since 2018 – Deputy Chairman at Adler Real-Estate AG Berlin. Since 2020 – Member of the Board at Adler Group Luxembourg. Since 2022 – Member of the Supervisory Board at Consus Real			

				Estate AG, Berlin. Since 2022 – Member of the Advisory Board at Jedox GmbH (formerly Jedox AG), Freiburg in Breisgau.			
Director of the following companies	Adler Group S.A. Consus Real Estate AG	Consortium Capital Ltd., Consortium Maritime Trading Ltd., HERO Club Ltd., HERO events Ltd. and HERO Partners Ltd.		Adler Group S.A, Consus Real Estate AG, Adler Real Estate AG, DTH sarl, Luxemburg, Yeditepe Marina, Istanbul.	-Shufersal LTD- Director since June 2022 - Inter Gamma Investment company Ltd- Director since August 2022 -Bareket- Director since June 2021 -Qualitau LTD- Director since June 2020 -Bazan Group- Director since June 2021 -Carmel group Ltd- Director since 2014 -Iskoor –(private company)- Director since 2019 Liguy Hadassi	-	Tritax EuroBox Plc, London

					Management and Investments Ltd. (Private family company)- managing partner since 2009		
Family relationship with another interested party in the Company	None	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 according to Section 92(a)(12)	Yes	Yes	Yes	No	Yes	No	Yes

<u>Regulation 26a</u> Senior officers as of the report signing date which details were not indicated under Regulation 26 above:

Name	Thierry Beaudemoulin	Eran Edelman	Gary Wildbaum	Irina Ben-Yakar (internal auditor as of the report signing date) [7]	Hila Barr Hoisman (internal auditor as of the report publication date)
English name as it appears on a passport	Thierry Beaudemoulin	Eran Edelman	Gary Wildbaum	Irina Ben-Yakar	Hila Barr-Hoisman
ID number	130475H00396	021613633	015511181	304669864	025626151
Date of Birth	07.05.1971	16.06.1985	29.9.1983	08.01.1973	26.12.1973
The position that he fulfills in the Company, its subsidiary, in its affiliated company or an interested party therein	CEO	CFO	Controller	Internal auditor	Internal auditor
Date of commencement of service	01.12.202	01.06.2021	19.11.2019	25.05.2011	06.03.2023
Education	Master in urban planning and Economics - IEP Paris	CPA Bachelor in Accounting and Economics (Hebrew University – Jerusalem)	CPA, Bachelor in Business Administration majoring in Accounting (Interdisciplinary Center Herzliya), MBA from CEU.	Bachelor in Accounting (College of Management) CPA	Bachelor in Accounting and Marketing (Hebrew University, Jerusalem) MBA graduate (Hebrew University, Jerusalem)

[7] It should be noted that in accordance with the decision of the audit committee and the board of directors dated February 20 and 21, 2023, respectively, starting from March 6, 2023, the company's internal auditor is Ms. Hila Barr-Hoisman, who replaced Irena Ben-Yakar.

Employment in the past 5 years	Joint CEO ADLER Group Joint CEO Adler Real Estate CEO of Covivio Germany	Head of the finance department – Adler Group SA (2017-2021) CPA Professional department KPMG (2014-2017)	Auditor at KPMG Budapest Office – specializing in the audit of real estate Companies (2011-2015) Assistant to CFO and controller in the company since 2015	Partner in the CPA firm of Brightman Almagor Zohar & Co.	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		No	No	No	No

Independent Authorized Signatories of the Company

Regulation 26b

As of the report publication date, the Company does not have independent signatories, as defined in section 37 (d) of the Securities Law.

Regulation 27

Auditors of the Company:

In Israel
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 January 27, 2022 see immediate report of December 23, 2021 regarding the summoning of the meeting (Reference No. 2021-01-184119) and immediate report of January 27, 2022 regarding the results of the meeting (Reference No. 2022-01-012430) included herein by way of reference.

2. For details regarding the decisions of a special general meeting of the Company's shareholders from May 8, 2022, see immediate reports from March 30, 2022, regarding the summoning of the meeting (reference number: 2022-01-039265) and immediate report from May 8, 2022, regarding the results of the meeting (reference number: 2022-01-055303), which are included by reference.

3. For details regarding the resolutions of the annual and special shareholders' meeting of November 8, 2022, see the immediate report of October 4, 2022, regarding the summoning of the meeting (reference number: 2022-01-100740) and the immediate report of November 8, 2022, regarding the results of the meeting (reference number: 2022-01-134668), which are included by reference.

4. For details regarding the resolution of a special general meeting of the shareholders, after the date of the report, from March 6, 2022, see the immediate report from January 25, 2023, regarding the summoning of the meeting (reference number: 2023-01-011517) and the immediate report from March 6, 2023, regarding the results of the meeting (reference number: 2023-01-020368), which are included by reference.

Regulation 29a

Exemption, insurance or indemnification of officers as defined in the Companies Law, in force at the reporting date

On August 31 and September 1, 2022, 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 serves as the Company's CEO and as of the approval date served also as director in the Company), under insurance policy in accordance with regulation 1b1 of the relief regulations and the remuneration policy that was approved by the general meeting in accordance with section 267a(b) of the Companies' Law on May 8, 2022.

In addition, the Company's directors and senior officers serving in the Company [8]are entitled to be included in the exemption and indemnification arrangements customary in the Company. On July 4, 2012, the general meeting of the Company's shareholders approved (after approval by the Audit Committee and the Board of Directors from March 2012 (to issue indemnification letters on behalf of the Company) (including to all Board members) which include the Company's commitment to indemnify them 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 Company 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 November 8, 2022 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 2021 according to Dutch law.

For more details, see the Company's immediate report regarding the summoning of an annual and special general meeting dated October 4, 2022 (reference number: 2022-01-100740), which is included by reference.

Brack Capital Properties N.V.

Names of signatories:	**Position**	**Signature**
Thomas Zinnocker	Chairman of the board of directors	
Thierry Beaudemoulin	CEO	

March 31, 2023

[8] excluding Mr. Thierry Beaudemoulin, CEO and director in the Company.