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 a period of three months, ending March 31, 2020 (hereinafter: "the Reported Period", or, "the Report Period", in accordance with the Securities Regulations (Periodic and Immediate Reports – 1970, the Reports' Regulations).

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

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

In this report:

"The report date" or "the date of the report" refers to March 31, 2020.

"Report signing date" or "the date of signing the report" refers to May 14, 2020.

"The reported quarter" or "the reporting period" refers to the first quarter of 2020.

The review presented below is limited in scope, relating to material events and changes that occurred in the state of the Company's affairs during the report period, the impact of which is material and should be reviewed together with the Company's periodic report for 2019; including the financial statements, and the Company's board of directors' report, as of December 31, 2019, published on March 18, 2020 (reference number: 2020-01-026409) (2019 Periodic Report).

Preamble

Below are the Company's principal results for three months ending March 31, 2020.

1. **Profitability** – In the first quarter of 2020, the Company's net loss attributed to the Company's shareholders amounted to approximately EUR 10.6 million, compared to loss of EUR 8.4 in the corresponding quarter last year. It should be indicated that the Company recognized a loss of EUR 11.1 million during the quarter due to a significant decrease in the fair value of the Company's investment in marketable securities and loss of EUR 8.4 million from investment property revaluations due to the crisis in capital markets stemming from the spread of the Corona virus. Excluding these losses, the Company would have ended the first quarter with a profit. For details regarding the spread of the Corona virus and its effect on the Company's operations in the reported period see Section 10.5 below.

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

   - **Income-producing real estate -** in the first quarter of 2020, the FFO amounted to EUR 6.6 million compared to EUR 9.2 million in the corresponding quarter last year; The contribution of the residential income producing activity amounted to EUR 6.2 million and the contribution of the commercial income producing activity amounted to EUR 0.4 million in the reported quarter[1].

   - **Residential development activity** - in the first quarter of 2020, the contribution of the Grafental project amounted to a profit of EUR 2.9 million (consolidated). In the reported period, the Company recognized the cumulative sale of 89 residential units in Stage E of the project, according to a weighted performance rate of 94.8%, compared to a cumulative sale of all 89

[1] For details on the Company's contractual agreements to sell part of the Company's commercial real estate assets and the Company's strategy in this regard, see sections 4 and 8 below. The sale of the Company's income producing commercial real estate assets is expected to reduce the Company's rental income in the operating segment, along with further improvement of its cash position and the Company's leverage ratio, as set forth in Section 4 below.

residential units of the stage at a weighted performance rate of 36.8% as of March 31, 2020 and in cumulative sale of all 89 residential units in Stage G at a weighted performance rate of 89.4%.

2. Operating segments – key operational data[2]

2.1 Residential development segment – Grafental project[3]

Stage	Number of flats	Expected revenues (EUR in millions)	Expected income (EUR in millions)	Developer's profit [4] (in percentage)	Sales (in percentage)	Revenue recognition % as of the report date
E	89	49.6	12.0	32%	100%	89.1%
G	89	53.7	11.2	26%	100%	78.5%
H	96	58.0	10.0	21%	95.8%	0%
Total	**274**	**161.3**	**33.2**	**26%**	**98.6%**	**58.8%**

2.2 Income-producing real estate[5]

Zoning	Area ('000 square meters)	NRI Return[6]	ERV Return[7]	Actual NOI return[8]	NOI return according to ERV[9]	Occupancy rate
Residential	712	5.1%	5.8%	4.5%	5.1%	95%
Commercial	133	7.8%	8.1%	5.1%	5.4%	88%
Total	**846**	**5.5%**	**6.1%**	**4.5%**	**5.2%**	**94%**

* Excluding an asset in associate with an area of 7,000 sqm. Excluding an asset with an area of 6.9 thousand Sqm that is not rented for renovation purposes.

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

Residential real estate: In the first quarter of 2020, the organic rent growth amounted to 2.6% compared to the corresponding quarter of 2019. As of the date of signing the report the average rent is 6.50 EUR per Sqm. The ERV in new rentals in the residential market is 15% higher than the average rent.

---

[2] As of the report date.
[3] Data according to 100%, the effective corporation's share in the project, is 82.51%.
[4]Total expected revenues from the sale of flats, minus total development cost of flats, including land cost.
[5] Assets consolidated in the Company's financial statements, including assets for which binding sale agreements were signed; see immediate report dated June 30, 2019 (Reference number 055230-01-2019) which is included by way of reference.
[6] Data from April 2020 on an annual basis, divided by the carrying value.
[7] Estimated rental value – the expected annual return, provided that all assets are leased in full occupancy in return for the rental fees prevailing in the market excluding income producing asset of 113 units in the Grafental project, Dusseldorf.
[8] Data from April 2020 on an annual basis, divided by the carrying value.
[9] Actual NOI plus the difference between actual rental fees and the ERV, divided by the carrying values.

3 Balance sheet structure and financial solvency

3.1 **Equity and NAV**: The equity attributed to the Company's shareholders amounted to approximately EUR 701.4 and the NAV[10] amounted to EUR 792.4 million, as of the report date.

3.2 **Debt ratios**: The LTV ratio[11] is 39.53% as of the report date. The EBITDA ratio to interest expenses (from only the income producing portfolio, excluding operating income from development activity) was 3.58 in the first quarter of 2020.

3.3 **Liquidity**: Cash balances (consolidated) amounted to approximately EUR 39.6 million as of the report date.

3.4 **Financing**: The Company (consolidated) has bank loans with a total balance of EUR 486.6 million, at an average annual interest of 1.66%[12] and duration of 4.57 years. The Company has bonds at a total balance of EUR 99.9 million at an average annual interest of 3.52% and duration of 3.19 years. For additional details regarding the Company's bonds see Part B, "Specific Disclosure for Bond Holders. For details regarding the loan from the controlling shareholder, see section 10.3 to this report. For details regarding early repayment initiated by the Company of bonds (Series A) after the report date, see section 10.4 to this report.

4 Concise description of the Corporation and its business environment

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

Further to that what is stated in the Company's periodic report for 2019 and the Company's previous reports[13], in connection with the Company's strategy refocus, agreement and completion of transactions for selling part of its businesses, the Company is continuing to examine, as of the report date as well, the possibilities of refocusing its business strategy in the income producing and residential development real estate segment, including selling additional assets from its commercial real estate portfolio.

---

[10] EPRA NAV – for details regarding the index and the calculation manner see section 9.4 of part A below.

[11] Net debt to total real estate assets.

[12] The average annual interest rate of the Company, as well as the average duration of the Company's loans, were calculated excluding the bank loan financing Gerresheim, following the projected sale transaction. This loan bears annual interest of 4% linked to 3 month Euribor interest rate and its repayment date is June 27, 2020. See section 1.1.3.1 (c) of Chapter A of the Periodic Report for 2019 regarding the agreement for selling the land in Gerresheim.

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

For additional details regarding such activities and the Company's strategy for 2019, see sections 1.1.3.1 and 1.20 of Chapter A of the periodic report for 2019. For details regarding such activities in the reported period see section 8 below.

For details regarding the spread of the Corona virus and its effect on the Company's operations in the reported period see Section 10.5 below.

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

4.1 **Residential income-producing real-estate -** As of the report signing date, the Group owns 12,069 apartments with a total leasing area of approximately 712,000 m^2**.** For details regarding the spread of the Corona virus and its effect on the Company's operations in the reported period see Section 10.5 below.

4.2 **Commercial income-producing real-estate -** As of the report signing date, the Group owns 14 commercial income-producing properties in the commercial segment (commercial and offices) with an overall leasing area of approximately 133,000 m^2, including assets for which the Company has entered into a binding sale contract dated June 30, 2019, as specified in section 8 below (excluding an asset of associate with an area of 7,000 square meters and excluding an asset with an area of 6.9 thousand Sqm that is not rented for renovation purposes). The annual rental is EUR 12.9 million and rental duration with anchor tenants is 5 years. For details regarding the spread of the Corona virus and its effect on the Company's operations in the reported period see Section 10.5 below.

For details regarding the income-producing real estate, see section 1.6 to Chapter A of the periodic report for 2019.

4.3 **Residential Real Estate Under Development** - For details regarding the marketing, sales, handovers and performance of Stage E (89 units), Stage F (112 units), stage G (89 units) in the Grafental project and Stage H (96 units) in Dusseldorf, as well as for additional dedtails regarding the Company's additional projects, see Chapter A of the periodic report for 2019.
For further details regarding the marketing and performance status of the project's stages under construction, see the tables below. For details regarding the spread of the Corona virus and its effect on the Company's operations in the reported period see Section 10.5 below.

Project marketing								
	Stage E				Stage G			
	2020		2019	2018	2020		2019	2018
	As of the report signing date	Q1	2019	2018	As of the report signing date	Q1	2019	2018
Flats (#)	89	89	89	86	89	89	86	27
Flats – total monetary consideration (including for parking, EUR in thousands)	49,563	49,563	49,563	47,961	53,689	53,689	51,169	14,301
Flats (square meters)	9,999	9,999	9,999	9,688	9,534	9,534	9,103	2,536
Average price per sqm (EUR) (including consideration for parking)	4,957	4,957	4,957	4,951	5,631	5,631	5,621	5,639
Reservations (reservations) as of the report signing date								
Flats (#)	89				89			
Flats – total monetary consideration (including for parking, EUR in thousands)	49,563				53,689			
Flats (square meters)	9,999				9,534			
Average price per sqm (EUR)	4,957				5,631			
Signed agreements and cumulative reservations up to the report signing date:								
Flats (#)	89				89			
Flats – total monetary consideration (including for parking, EUR in thousands)	49,563				53,689			
Flats (square meters)	9,999				9,534			
Average price per sqm (EUR)	4,957				5,631			
Marketing rate of the project %								
	As of the report signing date	31.3.20	31.12.19	31.12.18	As of the report signing date	31.3.20	31.12.19	31.12.18
Marketing rate on the last date of the period -signed agreements and reservations	100%	100%	100%	96.8%	100%	100%	95.3%	21.2%
Advances from tenants								
	As of the report signing date	31.3.20	31.12.19	31.12.18	As of the report signing date	31.3.20	31.12.19	31.12.18
Advances from tenants (EUR in thousands)	46,910	42,720	40,648	11,657	46,880	41,297	34,150	-
Rate of Advances from tenants (%)	%94.6	%86.2	%60.1	%17.8	%87.3	%76.9	%63.6	-
Spaces for which agreements and reservations were not yet signed, as of the report signing date								
Flats (#)	-				-			
Flats – total expected monetary consideration (including parking, EUR in thousands)	-				-			
Flats (square meters)	-				-			
Average price per sqm (EUR)	-				-			
Total cumulative cost attributed to spaces, in respect of which binding agreements were not yet signed in the statement of financial position (consolidated) (EUR in thousands)	-				-			

Project marketing				
Stage H				
	2020		2019	2018
	As of the report signing date	Q1	2019	2018
Flats (#)	95	92	58	-
Flats – total monetary consideration (including for parking, EUR in thousands)	57,403	55,604	33,957	-
Flats (square meters)	9,705	9,402	5,786	-
Average price per sqm (EUR) (including consideration for parking)	5,915	5,914	5,869	-
Reservations (reservations) as of the report signing date				
Flats (#)	-			
Flats – total monetary consideration (including for parking, EUR in thousands)	-			
Flats (square meters)	-			
Average price per sqm (EUR)	-			
Signed agreements and cumulative reservations up to the report signing date:				
Flats (#)	95			
Flats – total monetary consideration (including for parking, EUR in thousands)	57,403			
Flats (square meters)	9,705			
Average price per sqm (EUR)	5,915			
Marketing rate of the project %				
	As of the report signing date	**31.3.20**	**31.12.19**	**31.12.18**
Marketing rate on the last date of the period -signed agreements	98.9%	95.8%	58.5%	-
Marketing rate on the last date of the period -signed agreements and reservations	98.9%	95.8%	58.5%	-
Advances from tenants				
	As of the report signing date	**31.3.20**	**31.12.19**	**31.12.18**
Advances from tenants (EUR in thousands)	-	-	-	-
Rate of Advances from tenants (%)	-	-	-	-
Spaces for which agreements and reservations were not yet signed, as of the report signing date				
Flats (#)				
Flats – total expected monetary consideration (including parking, EUR in thousands)	-			
Flats (square meters)	-			
Average price per sqm (EUR)	-			
Total cumulative cost attributed to spaces, in respect of which binding agreements were not yet signed in the statement of financial position (consolidated) (EUR in thousands)	-			

	-			

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

5.1 Projected revenues

	Stage E	Stage F	Stage G	Stage H
Total expected revenues	49,564	28,925	53,689	58,029
Advances from apartment purchasers, as of the report date	42,720	-	41,297	-
Total expected cost, including land (EUR in thousands)	37,560	25,445	42,457	48,063
Completion rate (engineering/monetary), excluding land (%)	95.9%	91.6%	89.4%	34.4%
Total expected developer's profit[14]	12,004	3,480	11,232	9,965
Total developer's profit recognized in the Company's financial statements (consolidated) cumulatively, as of the report date	10,696	-	8,819	-
Rate of expected developer's profit (%)	32%	13.7%	26.5%	20.7%
Expected completion date	Q2 2020	Q2 2020	Q2 2020	Q2 2021

[14] with respect to Stage F, it represents the expected value of the stage, designated for rental, as an income-producing asset after its completion. It should be indicated that this stage was classified in the Company's financial statements as investment property – income producing assets.

5.2 Costs

		Stage E			Stage F		
		Q1 2020	2019	2018	Q1 2020	2019	2018
Costs invested	Cumulative costs for land, at the end of the period	9,648	9,648	9,648	3,500	3,500	3,500
	Cumulative costs for development, taxes and fees	3,079	3,007	1,828	2,276	2,250	1,610
	Cumulative construction costs	23,676	20,178	5,454	17,820	17,138	5,664
	Cumulative financing costs (capitalized)	-	-	-	-	-	-
	Total cumulative cost	**36,403**	**32,833**	**16,930**	**23,596**	**22,888**	**10,774**

		Stage G			Stage H		
		Q1 2020	2019	2018	Q1 2020	2019	2018
Costs invested	Cumulative costs for land, at the end of the period	11,500	11,500	10,500	14,119	14,119	14,119
	Cumulative costs for development, taxes and fees	2,677	2,317	1,249	1,373	1,236	-
	Cumulative construction costs	25,000	23,571	3,963	10,290	6,747	-
	Cumulative financing costs (capitalized)	-	-	-	-	-	-
	Total cumulative cost	**39,177**	**37,388**	**15,712**	**25,782**	**22,102**	**14,119**

		Stage E			Stage F		
		Q1 2020	2019	2018	Q1 2020	2019	2018
Costs not yet invested	Costs for land not yet invested (estimate)	-	-	-	-	-	-
	Costs for development, taxes and fees not yet invested (estimate)	651	744	1,904	1,181	1,207	1,848
	Construction costs not yet invested (estimate)	506	4,004	18,726	668	1,110	12,824
	Cumulative costs for financing expected to be capitalized in the future (estimate)	-	-	-	-	-	-
	Total costs not yet invested	**1,157**	**4,748**	**20,630**	**1,849**	**2,317**	**14,672**

		Stage G			Stage H		
		Q1 2020	2019	2018	Q1 2020	2019	2018
Costs not yet invested	Costs for land not yet invested (estimate)	-	-	-	-	-	-
	Costs for development, taxes and fees not yet invested (estimate)	769	1,832	2,196	2,041	2,178	3,413
	Construction costs not yet invested (estimate)	2,511	3,940	23,548	20,240	23,783	30,951
	Cumulative costs for financing expected to be capitalized in the future (estimate)	-	-	-	-	-	-
	Total costs not yet invested	**3,280**	**5,772**	**25,744**	**22,281**	**25,961**	**34,364**

It should be stressed that the expected developer's profitability in respect to Stage F is the expected profitability assuming that the asset (subsidized rental apartments and affordable housing under controlled rental) will be sold as an income producing property upon the completion of construction, and therefore cannot be compared to the developer's profitability in stages in which Condo apartments are being built for free sale in the market.

5.3 The expected revenues cash flow and developer's profit, not yet recognized in the Company's financial statements from stages in progress and from stages under the approved urban scheme, the performance of which was not yet commenced in the Grafental project:

From sold apartments (EUR in thousands)

Data according to 100%. The corporation's effective portion in the project – 84.98%	Revenue not yet recognized	Cash flow not yet recognized	Developer's profit not yet recognized
Stages in progress (stages E, G and H)	66,412	25,111	13,414

From apartments not yet sold (EUR in thousands)

Data according to 100%. The corporation's effective portion in the project – 84.98%	Revenue not yet recognized	Cash flow not yet recognized	Developer's profit not yet recognized
Stage in progress (H)	2,425	915	416

6. **Land in Dusseldorf for development** - The Company owns 3 land complexes in Dusseldorf, Germany, undergoing advanced procedures to change the zoning from offices/industry to residential. For details regarding the Company's progress in the land zoning changes in Dusseldorf, and for additional details, see Chapter A of the periodic report for 2019.

6.1 The following is a tabular summary of expected revenue, cash flow and developer's profit expected from the land in Dusseldorf [15] real estate inventory in Dusseldorf, and inventory of buildings under construction without the asset in a joint venture in Aachen without a parcel of land in the Gerresheim neighbourhood[16]:

Data according to 100%. The corporation's effective portion in Grafental project 84.98% (EUR in thousands)	Revenue not yet recognized	Cash flow not yet recognized	Developer's profit not yet recognized
Apartments for rental, under rent control, in planning stages under urban schemes of Grafental-Mitte/Ost	126,081	73,985	26,952
Condo apartments for free sale in planning stages under the urban schemes of Grafental Mitte/Ost and Grafenberg	270,681	118,175	37,255
Total	**396,762**	**192,160**	**64,207**

The information described above in connection with (1) stages E, G and H in progress and (2) the land development in Dusseldorf, inventory of buildings under construction under the urban schemes of Grafental Mitte/Grafental Ost Grafenberg and the change of their zoning (including the expected dates of completion of Grafental Ost) regarding the total expected sales, the expected developer's profit and expected cash flow before taxes is forward looking information, not fully under the Company's control, and the actual materialization of such change of zoning, either in whole or in part, is uncertain.

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

It is uncertain whether the change of zoning will take place and/or be consummated, as said consummation is subject to the planning and construction procedures required under German law, the consummation of

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

[16] For details on the Company's agreement to sell 75% of its holdings in the Company holding the Gerresheim property, see section 1.1.3.1 (c) of Chapter A of the 2019 Periodic Report and the Company's immediate report dated May 15, 2020 Reference number 048417-01-2020.

which is not controlled by the Company. In addition, in the event that approvals are received and the Company decides to establish the projects independently, leading to project execution, changes in circumstances (including - without derogating from the generality of the foregoing – decrease in demand for flats in Dusseldorf and/or a decrease in market prices of flats in Dusseldorf, or increase in construction (or other costs) and/or the creation of special conditions) may significantly change the Company's estimates detailed above, which may have a material impact on the expected revenues from the projects, including their overall profitability.

It should be stressed that the expected developer's profitability in respect of rent-controlled apartments is the expected profitability assuming that the asset (subsidized rental apartments and affordable housing under rent control) will be sold as an income producing asset upon completion of construction ranging around 14%-16% and is not comparable to the developer's profitability in stages in which the Condo apartments are being built for free sale in the market.

7. Financial Position:

Assets	March 31, 2020	March 31, 2019	December 31, 2019	Explanation for the change
	EUR in thousands			
Current assets				
Cash and cash equivalents	39,526	13,187	44,409	See details in the statement of cash flow as part of the Company's financial statements, attached to this report.
Balances receivable from banks	3,144	422	-	
Restricted deposits, financial assets, and other receivables	15,346	19,210	68,356	
Income receivable from the sale of apartments	10,687	3,863	7,464	
Tenants and trade receivables, net	2,013	1,685	505	
Inventory of buildings under construction	29,262	26,640	29,311	
Total current assets	**99,978**	**65,007**	**150,045**	
Assets of disposal groups held for sale	51,282	183,702	199,426	Decrease derives from control transfer in the sub subsidiary (see Note 10.2).
Non-current assets:				
Investments and loans accounted at equity	25,635	8,297	7,699	Increase derives from control transfer in the sub subsidiary (see Note 10.2).
Investments in financial assets, measured at fair value through profit or loss	31,092	30,687	42,149	Decrease in the value of the Company's holdings of its marketable shares.
Inventory of real estate	46,396	220,188	71,768	Decrease derives from classification of inventory to investment property due to commencement of rentals in Stage F.
Investment property – real estate rights	62,298	64,683	62,218	
Investment property – income-producing assets	1,143,165	1,232,791	1,123,350	Increase derives from classification of inventory to investment property due to commencement of rentals in Stage F.
Restricted deposits for investments in assets	6,368	5,798	6,168	
Other receivables, fixed assets and other financial assets	332	1,153	328	
Deferred taxes	119	2,225	33	
Total non-current assets	**1,315,405**	**1,565,822**	**1,313,713**	
Total assets	**1,466,265**	**1,814,531**	**1,663,184**	

Liabilities	March 31, 2020	March 31, 2019	December 31, 2019	Explanation for the change
	EUR in thousands			
Current liabilities				
Current maturities of loans from banking corporations	46,692	91,208	57,275	
Current maturities of debentures	25,535	17,929	25,780	
Loans for financing inventory of buildings under construction	11,587	-	5,747	
Accounts payable and other financial liabilities	26,035	20,936	23,963	
Advances from apartment purchasers	4,722	312	1,143	
Total current liabilities	**114,571**	**130,385**	**113,908**	
Liabilities of disposal groups held for sale	20,182	125,640	148,211	Decrease derives from control transfer in the sub subsidiary (see Note 10.2).
Non-current liabilities:				
Loans from banks	414,352	561,661	415,904	
Loans from the controlling shareholder	-	-	44,762	Loan received from the controlling shareholder and repaid in full during the first quarter of 2020. For further details, see section 10.3 below.
Debentures	73,867	94,819	74,639	
Leasing liabilities	3,010	3,041	3,010	
Other financial liabilities	394	406	404	
Deferred taxes	102,049	105,523	108,909	
Total noncurrent liabilities	**593,672**	**765,450**	**647,628**	
Total liabilities	**728,425**	**1,021,475**	**909,747**	
Equity				
Equity attributable to equity holders of the company	701,428	686,292	712,034	
Non-controlling interests	36,412	106,764	41,403	Decrease derives from the payment of EUR 5.7 million to non-controlling interests in the first quarter of 2020.
Total equity	**737,840**	**793,056**	**753,437**	
Total liabilities and equity	**1,466,265**	**1,814,531**	**1,663,184**	

8. Activity Results[17]:

	Three months ending March 31		Year ending December 31	Explanation for the change
	2020	2019	2019	
	EUR in thousands			
Revenues from rental of properties	15,897	20,017	73,771	The decrease in revenues, cost of revenues and gross profit derives from sale of assets during 2019, as part of a refocusing the Company's strategy as detailed in section 4 above.
Revenues from property management and others	6,188	6,520	25,904	
Property management expenses	(6,154)	(6,514)	(25,899)	
Cost of maintenance of rental properties	(3,010)	(2,987)	(12,296)	
Rental and management revenues, net	**12,921**	**17,036**	**61,480**	
Revenues from sale of apartments	12,336	6,759	70,029	
Cost of sale of apartments	(9,454)	(5,147)	(56,999)	
Income from the sale of apartments	**2,882**	**1,612**	**13,030**	
General and administrative expenses	(3,297)	(3,003)	(16,138)	
General and administrative expenses attributed to inventory of apartments under construction and inventory of real estate	(705)	(560)	(1,986)	
selling and marketing expenses	(35)	(85)	(375)	
Increase (decrease) in the value of investment property, net	(10,935)	(394)	13,338	The loss derives mainly from investment property revaluation
Operating profit	**831**	**14,606**	**69,349**	
Financing expenses excluding the effect of exchange rate differences, CPI, and hedging transactions, net	(5,541)	(4,413)	(19,090)	
Effect of exchange rate differences, CPI, and currency hedging transactions, net	2,553	(3,365)	(8,976)	
Change in fair value of financial instruments, loans and other (including early repayment costs of loans)	(11,245)	(13,679)	(11,291)	The loss derives mainly from decrease in value of the Company's holdings in its marketable shares.
Equity in losses of companies accounted at equity	-	-	(107)	

[17] Excluding a loss of approximately EUR 11.1 million due to a significant decrease in the fair value of the Company's investment in marketable securities and a loss of EUR 8.4 million from investment property revaluation due to the crisis in the capital markets caused from the spread of the Corona virus, as of the report date, there are no significant effects on the Company's results of operations. Therefore, the Company did not recognize the need to split the results of operations between the period before imposing the restrictions due to the virus and the period after the restrictions. See Section 10.5 below for more details.

Income (loss) before taxes on income	**(13,402)**	**(6,851)**	**29,885**	
Taxes on income	3,505	(553)	(12,258)	
Net income (loss), reported	**(9,897)**	**(7,404)**	**17,627**	
Net income (loss) attributed to:				
Company shareholders	(10,606)	(8,352)	18,318	
Non-controlling interests	709	948	(691)	

9. Financing sources, liquidity and Cash flows:

	Three months ending March 31		Year ending December 31	Explanation for the change
	2020	2019	2019	
	EUR in thousands			
Cash flows provided by operating activities (Cash flows used in operating activities)	5,311	750	37,508	See statement of cash flows
Cash flows provided by investing activities (Cash flows used in investing activities)	51,611	(5,343)	89,948	The increase stems from receiving a portion of the sale proceeds in the Gerresheim transaction. For further details, see Section 10.2 below.
Cash flows provided by financing activities (Cash flows used in financing activities)	(61,805)	(9,358)	(110,185)	The amount derives mainly from full repayment of shareholders' loan in the first quarter of 2020. For further details, see Section 10.3 below.

9.1 Access to financing sources:

9.1.1 As of the report date, the Company finances its current operations mainly from cash flows received from the Company's subsidiaries from their current activities, and from bank financing and debentures raised by the Company. In addition, the Company has the right to withdraw a loan extended to the Company by the Company's largest shareholder, ADLER Real Estate ("ADLER"). For further details, see section 8.2 below as well as the immediate report of the Company dated May 11, 2019 and July 14, 2019 (Reference: 040008-01-2019 and 060426-01-2019, respectively) which are hereby included by way of reference (the "**Qualifying Credit Facility**"). In 2019, the Company has withdrawn EUR 44.2 million from the qualifying credit facility and in the reported period paid the entire amount as early repayment, such that as of the report publication date, the Company's unutilized balance of the qualifying credit facility is EUR 55.8 million.

9.1.2 For details regarding the transactions for selling part of its income-producing and development real estate assets, see section 1.1.3.1 of Chapter A to the 2019 periodic report.

9.1.3 For further details regarding the refinancing of the Company's loans, see section 2.1.3.1 of Chapter A to the 2019 periodic report.

9.1.4 For further details regarding the Company's compliance with financial covenants and liabilities, see section 9.1.3.1 of Chapter A to the 2019 periodic report.

9.1.5 For further details regarding the agreement for sale of the land in Gerresheim, see section 11.2 below.

It should be indicated that due to the Corona crisis, the Company examined several different scenarios and performed stress testing in order to assess the Company's ability to cope with the economic consequences of the Corona crisis. In the Company's estimation, the Corona crisis will not impair its ability to meet its obligations, inter alia, in view of the focus of the Company's activity in the residential development sector as well as contracts into which the Company has entered recently.

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

For further details regarding the financing sources of the group see section 1.12 of Chapter A to the 2019 periodic report and Note 11 to the consolidated financial statements of the group for 2019.

The Company's estimates of the effects of the Corona crisis and its ability to cope with the economic implications of the Corona crisis constitute forward-looking information as defined in the Securities Law, -1968. These estimates may not be realized or realized differently from the Company's estimates, partly because of circumstances that are not controlled by the Company, including changes in virus infection trends, the state of global capital markets and German government assistance to individuals and companies affected by the virus.

Examination of warning signs

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

The main considerations underlying the Board of Directors' decision were, among other things, as per the estimate of the Company's Board of Directors the fact that the Company, if required, has high access to additional sources of financing, including the ability to increase credit lines and use the unutilized credit lines and borrowings, raise capital (while paying attention to the Company's high access to capital markets) refinancing options under favorable terms, the right to receive proceeds in significant scope from uncompleted transactions for selling assets, the option for selling assets (including as part of the Company's actions to sell a certain portion of the Company's assets and business within the refocusing of the Company's strategy in accordance with section 4 above, collateral release and more. In addition, the Company holds shares of a publicly-traded company incorporated in Germany whose shares are traded on the Regulated Unofficial Frankfurt Stock Exchange, which is one of the leaders in German residential real estate development market, the value of which on the report date was EUR 24.6 million, which the Company estimates that such shares can be sold or otherwise utilized as the Company may be required.

The Company's Board of Directors also considered the economic implications of the spread of the Corona pandemic (Covid-19) on the Company's operations, inter alia, in accordance with various scenarios presented to the Company's Board of Directors in connection with the Company's ability to meet its obligations under stress conditions, as well as the projected effects on the Company's operations if the crisis continues. For further details on the Company's estimates and the impact of the Corona crisis on the Company's operations, see Section 10.5 below.

After considering all of the above matters, the Company's Board of Directors has determined that, while taking into account the various financing options outlined above and the refocusing actions of the Company's businesses and agreements as specified in section 4, and in view of the projected cash flows from the Company's commitments in asset sale agreements as described in section 1.1.3 of Chapter A to the 2019 period report, the existence of warning signs do not indicate a liquidity problem in the corporation.

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

9.2 FFO (Funds from Operations):

The FFO index is calculated as the net profit (loss) attributed to the Company's shareholders **from the income generating activity, only excluding the income from the sale of apartments in the Grafental project** (for further details on this project, see section 1.8 of Chapter A in the periodic report for 2019), 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 for the residential project in Grafental (as the revenues in respects to this project are not taken into account in the FFO), changes in fair value recognized for financial instruments, deferred taxes, and non-controlling interests for the above items.

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

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

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

	Three months ending March 31, 2020	Three months ending March 31, 2019	Year ending December 31, 2019
Net profit (loss) attributed to the Company's shareholders	(10,606)	(8,352)	18,318
Adjustments for net profit			
A. Adjustments for revaluations			
Decrease (increase) in the value of investment property and adjustments of liability value relating to investment property	10,313	188	(16,388)
Revaluation of loans and interest swap transactions at fair value	12,608	13,679	8,914
b. Adjustments for non-cash items			
Revaluation of loans, indexing, and non-cash exchange rate differences and hedging transactions	(636)	3,581	10,667
Interest component in hedging transactions	-	264	1,451
Deferred tax expenses and taxes for prior years	(3,866)	(477)	10,927

B. one-off items / new activities / ceased activities / other			
Professional services, one-off adjustments and others	490	524	5,271
Adjustments related to associates and non-controlling interests	-	-	378
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	777	1,161	4,211
Adjustments for sale of apartments	(2,449)	(1,371)	(11,073)
Total of adjustments to net profit	17,237	17,549	14,358
F.F.O	**6,631**	**9,197**	32,676

As mentioned above, in the three months ended March 31, 2020, the FFO totalled EUR 6.6 million. As per the Company's estimate, the FFO's representative annual level, considering the events that occurred this quarter, will amount to approximately EUR 26.4 million.

It is proper to indicate that the sharp decline in the FFO level during the current quarter compared with the corresponding quarter of 2019 is due entirely to the sale of the Company's commercial real estate portfolios, in line with the refocusing of the Company's strategy for the commercial and development income producing and real estate activity, which contributed, among other things, to considerable decline in the leverage level of the Company.

The estimates above, set forth by the Company in regards to the FFO's representative annual level, include 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; the state of the commercial real estate market and the residential real estate market in Germany.

9.3 EPRA NAV Index – Net Asset Value (EUR in millions):[19]

The EPRA NAV is an index purported to show the net asset value of a real estate company according to the status paper of EPRA - European Public Real Estate Association. The EPRA NAV reflects the net asset value of the Company, assuming that the assets are held for the long term and therefore certain adjustments are required, such as neutralizing deferred taxes deriving from revaluation of investment property, and neutralizing the fair value of derivative financial instruments. Furthermore, the adjustments made by the Company under this index include the addition of profits that were not yet recognized in the statements in regards to apartments under construction that were sold in the Grafental project (stages E and G).

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

The Company clarifies that the EPRA NAV index data does not represent a valuation, nor does it represent a substitute of the data contained in the financial statements. It is further clarified that this data is not audited by the Company's auditors.

[19] see footnote 17 above.

The following is the calculation of the EPRA NAV index and the adjusted EPRA NAV index of the Company:

	March 31, 2020	March 31, 2019	December 31, 2019
Equity attributed to the Company's shareholders	701.4	686.3	712.0
Plus deferred taxes for EPRA adjustments (net of non-controlling interest)	83.1	104.2	89.7
Net of the fair value of derivative financial instruments, net (net of non-controlling interest)	0.1	0.2	0.1
Plus profits that were not yet recognized in regards to apartments that were sold and are under construction	7.8	8.4	6.7
EPRA NAV –Net Asset Value	**792.4**	**799.1**	**808.5**

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

10.1 Entering into a transaction for selling an additional part of the Company's commercial real estate assets: On June 28, 2019, the Company entered into a transaction to sell assets from the Company's commercial income-producing real estate portfolio. For further details regarding this transaction, see the Company's immediate report of June 30, 2019 (Reference No. 055230-01-2019) and December 31, 2019 (Reference number 000471-01-2020), which is brought herein by way of reference. As a result of the aforementioned contract, the Company recognized a loss of EUR 9 million as result of the difference between the proceeds of the sale and the value of assets and liabilities presented in the Company's reports, and an additional loss of EUR 4 million due to costs that the Company is expected to bear, mainly due to estimated transaction costs and estimated costs of repairs agreed with the property buyer; this loss was recognized in the Company's financial statements for 2019 as part of changes in the fair value of investment property, net, and as part of the tax benefit item (income taxes). As of the report date, the transaction was not yet completed for some of the Company's assets in the cities of Witten, Bad Aibling and Vilshofen and they were recognized in the Company's financial statements as held for sale. For further details, see Section 1.1.3.1 (b) of Chapter A to the 2019 periodic report and Note 5 (2) to the Company's financial statements attached to this report.

10.2 Entering into transaction for selling a parcel of land in Gerresheim - On September 22, 2019, the Company entered into an agreement with a third-party buyer and real estate investor focusing on real estate projects in Germany for selling 75% of its holdings in Glasmacherviertel GmbH & Co KG, a wholly owned subsidiary of the Company, which owns the Gerresheim development project, for a consideration reflecting a property value at completion of € 375 million. The completion of the transaction contingent upon acceptable prerequisites as customary in development real estate transactions.

For further details regarding the transaction, see the Company's immediate report dated September 23, 2019 (Reference # 098212-01-2019) which is hereby included by way of reference.

On December 26, 2019, an amended agreement was signed, whereby the consideration payment mechanism was adjusted as follows: at the signing date of the amended agreement, the sub-subsidiary was paid EUR 132 million, originating from a new bank loan the sub-subsidiary has taken, 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 transaction, less transaction costs, was paid to the Company in cash by the sub-subsidiary and held in a restricted account until the approval of the German competition authorities is received. After the approval of the German competition authorities is received, this amount is expected to be released to the Company.

The loan taken on the date of the amended agreement, bears annual interest of 4% above the Euribor interest for 3 months payable on June 27, 2020. On February 28, 2020, the approvals of the German competition authorities were granted for the transaction and accordingly on March 31, 2020 the transfer of the consideration's first part of EUR 36 million was completed.

The consideration balance will be paid to the Company in three instalments accordance with the fulfilment of the transaction terms (the main of which is the publication of a zoning plan and obtaining building permits as detailed in the agreement).

For further details regarding the Gerresheim transaction including with respect to each of the payments, payment terms and the parties' rights to rescind the agreement, see the Company's immediate report dated May 15, 2020 Reference (048417-01-2020)

Since the payment of the consideration balance to the Company is contingent upon events that are not under the full control of the Company (such as obtaining building permits etc.) the Company has not yet recognized a profit from the sale transaction. In addition, following the transfer of 75% of the Company's shares to the purchaser and the loss of accounting control over the sub subsidiary, the accounting treatment of the holding balance in the sub subsidiary is according to the equity method of accounting. For further details, see the Company's immediate reports of December 29, 2019 and March 31, 2020 (Reference No. 114996-01-2019 and 033495-01-2020, respectively), which are brought herein by way of reference.

10.3 **Receiving a loan from the largest shareholder:** On May 9, 2019, the Company's audit committee and Board of Directors approved the obtainment of a credit facility of up to EUR 100 million from ADLER, the controlling shareholder of the Company out of which EUR 44.2 million was withdrawn. In January and March 2020, the Company repaid the entire debt to the largest shareholder such that as of the report date, no debt balance remained to the controlling shareholder. For further details regarding the transaction approval manner, see the Company's immediate report of July 14, 2019 and May 11, 2019 (Reference No. 060426-01-2019 and 0040008-01-2019, respectively) and regulation 22 to additional details attached as Chapter D to 2019 periodic report which are included by way of reference.

10.4 **Early and full Bond Repayment (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 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. For further details regarding the transaction, see the Company's immediate reports of March 31, 2020 and April 20, 2020 (Reference No. 033975-01-2020 and 039519-01-2020, respectively).

10.5 **Outbreak of the Corona virus**

Following the outbreak of the Corona Virus (COVID-19) in China in December 2019, and spreading to many other countries in early 2020, there has been a decline in economic activity in many regions of the world including Israel and Germany. The spread of the virus has, among other things, disrupted the supply chain, a decrease in the volume of global transport, traffic and employment restrictions imposed by the Israeli government and many governments worldwide, as well as declines in the value of financial assets and commodities in markets in Israel and around the world.

In addition, in accordance with the instructions of the German, Dutch and Israeli governments, the activity of business establishments was restricted or prohibited, the presence of manpower in workplaces was significantly restricted, education systems were locked down and restrictions were imposed on the option of going out from homes.

The Company's risks and exposures

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

It should be indicated that the Corona crisis and the related economic crisis may create an exposure for the Company mainly in the income producing real estate sector, both in view of the impact of the Corona crisis on daily business activity in Germany and the ability of businesses to continue their operations and pay rental fees and (to a lesser extent) in view of harm to income of private tenants, including their ability to meet their obligations to the Company and pay rental and/or the Company's ability to find tenants for vacant spaces. In addition, the Company has an exposure also in the real estate development sector since the impact of the economic crisis on global economy and on Germany in particular, may have an effect on the demand for apartments cause a decrease in the value of the apartments for sale and/or decrease in the sales rate of apartments. As of this date, the end of the spread of the virus cannot be expected as well as the end of the economic crisis in Germany, the Netherlands and Israel and throughout the world and its full impact on the Company's operations cannot be expected.

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

The Company's revenues were not significantly harmed, among other things, in view of recent actions taken by the Company that focused its activities on residential properties, which reduced the Company's exposure to commercial tenants as well as the German government's assistance to commercial tenants. However, during the quarter, the Company recognized a loss of EUR 11.1 million following a significant decrease in the fair value of the Company's investment in marketable securities and a loss of EUR 8.4 million from investment property revaluations due to the crisis in capital markets from the spread of the Corona virus. Excluding these losses, the Company would have ended the first quarter with a profit.

The spread of the Corona virus and the decline in economic activity as described above affected the company's operations and results as detailed below:

- During the reported period, there were significant declines in the fair value of the Company's investments in marketable securities. For information on the fair value of the Group's investments, see Note 3 to the Company's financial statements regarding financial instruments.

- During the reported period, the financial situation of various tenants was harmed, leading to difficulties in paying rent and management fees, delaying the renewal of rental agreements and finding tenants for vacant spaces mainly in the commercial real estate sector. As of the report publication date, the Company is negotiating to defer payments in negligible scope. In the area of residential development real estate, there is no significant impact on the prices of apartments at this time.

- In addition, during the reported period and mainly taking into account the Corona crisis and its effect on the commercial real estate, there was a change in discount rates used to measure the fair value of real estate assets investment properties of the company. As a result, fair value of investment properties was impaired and a loss from change in fair value of investment property in the amount of EUR 8.4 million was recognized.

- The Company estimates that as of March 31, 2020, no material change occurred in the fair value of real estate assets in the sectors of residential income producing, residential development and lands for improvement.

The Company estimates that the spread of the Corona virus and its effects will worsen over time, which could have significant negative effects on global economy and, as a result, on the markets in which the Company operates and its areas of activity and results. However, in the Company's estimate, the recent measures taken to reduce the Company's leverage rate, focus its residential activities as well as the Company's geographical and sectoral distribution, ranking, location and occupancy levels, the Company's exposure to the Corona crisis and/or significant instability decreases and it has the means to cope with the economic crisis properly.

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

The Company's estimates of the consequences of the Corona crisis and the effects of the measures taken by the Company to reduce the Company's leverage and which allow proper coping with the economic crisis constitute forward-looking information as implied in the Securities Law, 1968. These estimates may not be realized or realized differently from the Company's estimates. This, among other things, is due to circumstances beyond the Company's control, including changes in virus infection trends, the state of global capital markets, worsening or continuing of the economic crisis due to the virus outbreak and German government assistance to individuals and companies affected by the virus.

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

Part B – Specific Disclosure for Bond Holders

11. 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 A)[20]	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	Yes
Date of issue	March 1, 2011	May 21, 2013	July 22, 2014
Date of expanding series	June 19, 2012; November 6, 2012	February 4, 2014	April 4, 2016
Par value on the date of issue (thousands NIS)	200,000	175,000	102,165
Par value on the date of expanding series (thousands NIS)	240,000; 400,000	240,000	160,180
Par value as at 31.03.2020 (thousands NIS)	57,280	180,000	147,104
Linked par value as at 31.03.2020 (thousands NIS)	60,372	182,301	147,104
Sum of cumulative interest plus linkage differentials (thousands NIS) as at 31.03.2020	613	1,499	946
Value in financial statements as at 31.03.2020 including interest payable (thousands NIS)	60,866	182,806	147,084

[20] on April 20, 2020, early and full redemption of the Company's bonds (Series A) was carried out. For further details, see section 8.6 above.

Value at the stock exchange as at 31.03.2020 (thousands NIS)	60,637	179,982	133,864
Type and rate of interest	4.8% (annual, linked, fixed rate), subject to adjustments in case of changes in the rating of the bonds (Series A) and/or non-compliance with the financial covenants as specified in Sections 2.7.12.8 and 2.7.12.9 of the shelf prospectus dated May 24, 2012 as amended on May 9, 2013 and as amended on July 14, 2014 (the shelf prospectus)	3.29% (annual, linked, fixed rate), subject to adjustments in case of changes in the rating of the bonds (Series B) and/or non-compliance with the financial covenants as specified in Sections 2.8.4.12 and 2.8.4.13 of the shelf prospectus	3.30% (annual, linked, fixed rate), subject to adjustments in case of changes in the rating of the bonds (Series C) and/or non-compliance with the financial covenants as specified in Sections 2.8.4.12 and 2.8.4.13 of the shelf prospectus
Dates of paying principal	Payable in 7 annual instalments on July 14 of each year 2014 to 2020 (inclusive,) as such that each of the first six instalments will constitute 14.28% of the principal of the total par value of the bonds (Series A), and the last instalment will constitute 14.32% of the total par value of bonds (Series A).	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 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 on July 20, 2015.
Dates of paying interest	Payable on July 14 and January 14 of each year 2011 to 2020 (inclusive).	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, 2011 in respect of January 2011.	Linked (principal and interest) to the consumers' price index published on May 15, 2013 in respect of April 2013.	Linked (principal and interest) to the consumers' price index published on July 15, 2014 in respect of June 2014.
Are they convertible?	No	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 A), as it chooses, until the date of the final repayment of the bonds (Series A), according to the decisions of the Company's Board of Directors. For further details, please see Section 2.7.3 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 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	No

12. Rating:

On March 30, 2020, Maalot S & P announced the ratification of the rating (ilAA- / stable). For the updated rating report see the Company's immediate report dated March 30, 2019 (reference no: 028237- 01- 2020) which is included herein by way of reference.

13. 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[21], including at the end of the Report Period, when the Company complied with all the financial covenants prescribed in the deed of trust of February 24, 2011 (as amended on October 30, 2012 and January 29, 2017) between the Company and Reznik Paz Nevo Trust Ltd, the trustee for the bond holders (series A) and in the deed of trust dated May 9, 2013 (as amended on January 29, 2017 and July 3, 2017) between the Company and Reznik Paz Nevo Trust Ltd, the trustee for the bond holders (series B), and in the deed of trust for bond holders dated July 14, 2014 (as amended on January 29, 2017 and July 3, 2017) 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%[22]:

The Company's equity, which is attributed to the majority shareholders at the Report Period, namely, as of March 31, 2020, is EUR 701.4 million.

The financial debt, net, according to solo reports of the Company, as of the same date, is EUR 72.8 million.

Therefore, the ratio of the Company's equity to the financial debt, net, according to solo reports as of the end of the Report Period, namely, as of March 31, 2020, is approximately 963.54%.

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 A):

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

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

The number of charged shares of Brack Capital German Properties B.V., a subsidiary (100%) of the Company (hereinafter: "**BGP**") as of March 31, 2020: 943,804 shares.

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

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

The total issued share capital of BGP as of March 31, 2020 and as of the signing date of the report: 1,978,261.

The rate of charged shares out of the issued capital share of BGP as of March 31, 2020: 47.7%.

BGP's equity attributed to its shareholders, as appears in the Company's financial statements as of March 31, 2020 EUR 747,010 thousand.

The EUR/NIS representative exchange rate known, published by the Bank of Israel, on the signing date of the report: NIS 3.8229.

The value of the charged shares: NIS 1,362,441 thousand.

Net debt: NIS 60,985 thousand.

Accordingly, the ratio between the charged shares' value to net debt, as of the end of the Report Period, is approximately 2,234%, therefore the Company meets this ratio as well.

With respect to the bond holders (Series B):

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

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

The number of charged shares of BGP as of March 31, 2020: 640,027.

The total issued share capital of BGP as of March 31, 2020 and the signing date of the report: 1,978,261.

The rate of charged shares out of the issued capital share of BGP as of March 31, 2020: 32.4%.

BGP's equity, attributed to its shareholders, as appears in the Company's financial statements as of March 31, 2020: EUR 747,010 thousand.

The EUR/NIS representative exchange rate known, published by the Bank of Israel, as of the signing date of the report: NIS 3.8229.

The value of the charged shares: NIS 923,919 thousand.

Net debt: NIS 183,799 thousand.

Accordingly, the ratio between the charged shares' value to net debt, as of the end of the Report Period, is approximately 503%, therefore the Company meets this ratio as well.

With respect to the bond holders (Series C):

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

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

The number of charged shares of BGP as of March 31, 2020: 394,430.

The total issued share capital of BGP as of March 31, 2020 and the signing date of the report: 1,978,261 .

The rate of charged shares out of the issued capital share of BGP as of March 31, 2020: 19.9%.

BGP's equity, attributed to its shareholders, as appears in the Company's financial statements as of March 31, 2020: EUR 747,010 thousand.

The EUR/NIS representative exchange rate known, published by the Bank of Israel, as of the signing date of the report: NIS 3.8229

The value of the charged shares: NIS 569,385 thousand.

Net debt: NIS 147,895 thousand.

Accordingly, the ratio between the charged shares' value to net debt, as at the end of the Report Period, is approximately 385%, 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 A deed of trust - the equity attributed to the majority shareholders shall not fall below EUR 80 million; and pursuant to Series B and C deeds of trust – the equity 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 701.4 million.

b. **Restrictions on dividend distribution:** Under the Series A deed 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 80 million, pursuant to the Series A deed of trust. As of the report date, the equity attributed to the majority shareholders is EUR 701.4 million.

   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 701.4 million and the debt ratio to CAP is 42.04% (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 90% pursuant to the Series A deed of trust and shall not exceed 75% pursuant to 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	99,402
Financial liabilities of the subsidiaries	-
Other liabilities according to solo reports	487,310
Net of cash, cash equivalents and deposits	40,003
Net of debt in respect of inventory of apartments under construction	11,587
Net financial debt – consolidated	535,122
CAP[23]	
Equity including non-controlling interests	737,840
Net financial debt, consolidated	535,122
Deferred loans of the Company	-
CAP	1,272,962

Therefore, **this ratio is 42.04%**, whereas according to the deeds of trust such a ratio should be lower than 90% for Series A and lower than 75% for Series B and C.

[23] 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.

14. 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 A, 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 2019 attached as Chapter B to the periodic report of the Company for 2019 (reference number 026409-01-2020) which included herein by way of reference (2019 periodic report).

It should be noted that after the report date, and following the early and full redemption of the Company's bonds (Series A) as described in Section 8.4 above, on April 20, 2020, the Company addressed the trustee for the bondholders (Series A), requesting to release and remove the charges registered to secure the Company's liabilities in connection with the bonds (Series A), in accordance with the terms of the trust deed

15. Attaching the financial statements of BGP:

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

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

The following is data as of March 31, 2020, with respect to the assets and liabilities of the Group which are not included in the consolidated statements of the pledged investee company, compared to the assets and liabilities of the pledged investee and the total consolidated balance sheet:

Data as of March 31, 2020 (EUR in thousands)	The Company Consolidated	Assets/liabilities In the pledged investee company	Assets/liabilities In unpledged companies
Total assets	1,466,265	1,411,720	54,545
Current assets and held for sale	150,860	120,913	29,947 *
Noncurrent assets	1,315,405	1,290,807	24,598
Total liabilities	728,425	628,298	100,127
Current liabilities and held for sale	134,753	108,493	26,260 **
Noncurrent liabilities	593,672	519,805	73,867 ***
Non- controlling interests	36,412	36,412	-
Total equity	701,428	747,010	(45,582)
Rate of assets out of the total assets in the balance sheet	100%	96%	4%
Rate of liabilities out of the total liabilities in the balance sheet	100%	86%	14%
Rate of equity out of the total equity in the balance sheet	100%	106%	(6%)

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

Names of signatories	Position	Signature
Patrick Burke	Chairman of the Board of Directors	___________________
Tomas de Vargas Machuca	CEO	___________________

May 14, 2020

BRACK CAPITAL PROPERTIES N.V.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2020

UNAUDITED

IN THOUSANDS OF EUROS

Table of Contents

\- - - - - - - - - - -

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

Introduction

We have reviewed the accompanying financial information of Brack Capital Properties N.V. and its subsidiaries (hereinafter – the Group), which includes the condensed consolidated statement of financial position as of March 31, 2020 and the condensed consolidated statements of profit or loss and other comprehensive income, changes of equity and cash flows for the three-month period ending that date. The Board of Directors and Management are responsible for preparing and presenting financial information for these interim periods in accordance with IAS 34, Interim Financial Reporting, and are responsible for preparing financial information for these interim periods in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.Our responsibility is to express our conclusions with regard to the financial information for these interim periods, based on our review.

Scope of the Review

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

Conclusion

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

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

May 14, 2020 Amit, Halfon, CPAs

www.ahcpa.co.il e-mail: office@ahcpa.co.il 6125030-03 פקס: 6123939-03 טל: 5320047 רח' אריאל שרון 4, גבעתיים

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31, 2020	March 31, 2019	December 31, 2019
	(Unaudited)		(Audited)
	€ in thousands		
Current Assets			
Cash and cash equivalents	39,526	13,187	44,409
Balances receivable from banks	3,144	422	-
Restricted deposits, financial assets and other receivables	15,346	19,210	68,356
Income receivable in respect of sale of apartments	10,687	3,863	7,464
Tenants and trade receivables, net	2,013	1,685	505
Inventory of buildings under construction	28,862	26,640	29,311
	99,578	65,007	150,045
Assets of disposal groups held for sale	51,282	183,702	199,426
Non-Current Assets			
Investments and loans in companies accounted at equity	25,635	8,297	7,699
Investment in financial assets measured at fair value through profit or loss	31,092	30,687	42,149
Inventory of real estate	46,396	220,188	71,768
Investment property – real estate rights	62,298	64,683	62,218
Investment property – income generating assets	1,143,165	1,232,791	1,123,350
Restricted deposits for investments in assets	6,368	5,798	6,168
Other accounts receivable, fixed assets and other financial assets	332	1,153	328
Deferred taxes	119	2,225	33
	1,315,405	1,565,822	1,313,713
	1,466,265	1,814,531	1,663,184

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31, 2020	March 31, 2019	December 31, 2019
	(Unaudited)	(Unaudited)	(Audited)
	€ in thousands		
Current Liabilities			
Current maturities of loans from banks	46,692	91,208	57,275
Current maturities of debentures	25,535	17,929	25,780
Loans for financing inventory of buildings under construction	11,587	-	5,747
Accounts payable and other financial liabilities	26,035	20,936	23,963
Advances from apartment purchasers	4,722	312	1,143
	114,571	130,385	113,908
Liabilities of disposal groups held for sale	20,182	125,640	148,211
Non-Current Liabilities			
Loans from banks	414,352	561,661	415,904
Debentures	73,867	94,819	74,639
Loans from controlling shareholder	-	-	44,762
Leasing liabilities	3,010	3,041	3,010
Other financial liabilities	394	406	404
Deferred taxes	102,049	105,523	108,909
	593,672	765,450	647,628
Equity Attributable to Company Shareholders			
Share capital	77	77	77
Premium on shares	144,237	144,237	144,237
Treasury shares	(746)	(746)	(746)
Other capital reserves	1,512	1,512	584
Statutory capital reserve	360,321	379,154	359,944
Retained earnings	196,955	162,058	207,938
Total equity attributable to Company shareholders	701,428	686,292	712,034
Non-controlling interests	36,412	106,764	41,403
Total equity	737,840	793,056	753,437
	1,466,265	1,814,531	1,663,184

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

May 14, 2020			
Date of approval of the financial statements	Patrick Burke Chairman of the Board of Directors	Tomas de Vargas Machuca CEO	Thomas Stienlet CFO

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

	Three months ended March 31, 2020	Three months ended March 31, 2019	Year ended December 31, 2019
	(Unaudited)	(Unaudited)	(Audited)
	€ in thousands (except per share amounts)		
Revenues from rental of properties	15,897	20,017	73,771
Revenues from property management and others	6,188	6,520	25,904
Property management expenses	(6,154)	(6,514)	(25,899)
Cost of maintenance of rental properties	(3,010)	(2,987)	(12,296)
Rental and management revenues, net	12,921	17,036	61,480
Revenues from sale of apartments	12,336	6,759	70,029
Cost of sale of apartments	(9,454)	(5,147)	(56,999)
Gain from sale of apartments	2,882	1,612	13,030
General and administrative expenses	(3,297)	(3,003)	(16,138)
General and administrative expenses relating to inventory of buildings under construction and real estate inventory	(705)	(560)	(1,986)
Selling and marketing expenses	(35)	(85)	(375)
Operating profit before change in value of investment property	11,766	15,000	56,011
Appreciation (impairment) of investment property, net	(10,935)	(394)	13,338
Operating income	831	14,606	69,349
Finance expenses excluding the exchange rate effect, CPI and currency hedging transactions	(5,541)	(4,413)	(19,090)
Exchange rate effect, CPI and currency hedging transactions, net	2,553	(3,365)	(8,976)
Change in fair value of financial instruments loans and others (including early repayment costs of loans)	(11,245)	(13,679)	(11,291)
Equity in losses of companies accounted at equity	-	-	(107)
Income (loss) before taxes on income	(13,402)	(6,851)	29,885
Tax benefit (taxes on income)	3,505	(553)	(12,258)
Total net and comprehensive income (loss) for the period	(9,897)	(7,404)	17,627
Net and comprehensive income (loss) attributable to:			
Equity holders of the Company	(10,606)	(8,352)	18,318
Non-controlling interests	709	948	(691)
	(9,897)	(7,404)	17,627
Net earnings (loss) per share attributable to equity holders of the Company (in Euro):			
Basic and diluted net income (loss)	(1.37)	(1.08)	2.37

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity Attributable to Company Shareholders								
	Share Capital	Premium on Shares	Treasury Shares	Other capital reserves	Statutory Capital Reserve	Retained Earnings	Total	Non-Controlling Interests	Total Equity
	Unaudited								
	€ in thousands								
Balance as of January 1, 2020 (audited)	77	144,237	(746)	584	359,944	207,938	712,034	41,403	753,437
Total net and comprehensive income (loss)	-	-	-	-	-	(10,606)	(10,606)	709	(9,897)
Classification as per provisions of Dutch law	-	-	-	-	377	(377)	-	-	-
Distribution and payment to non-controlling interests	-	-	-	-	-	-	-	(*) (5,700)	(5,700)
Balance as of March 31, 2020 (unaudited)	77	144,237	(746)	584	360,321	196,955	701,428	36,412	737,840

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share Capital	Premium on Shares	Treasury Shares	Other capital reserves	Statutory Capital Reserve	Retained Earnings	Total	Non-Controlling Interests	Total Equity
	Unaudited								
	€ in thousands								
Balance as of January 1, 2019 (audited)	77	144,237	(746)	1,512	378,756	170,808	694,644	105,816	800,460
Total net and comprehensive income (loss)	-	-	-	-	-	(8,352)	(8,352)	948	(7,404)
Classification as per provisions of Dutch law	-	-	-	-	398	(398)	-	-	-
Balance as of March 31, 2019 (unaudited)	77	144,237	(746)	1,512	379,154	162,058	686,292	106,764	793,056

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity Attributable to Company Shareholders								
	Share Capital	Premium on Shares	Treasury Shares	Other capital reserves	Statutory Capital Reserve	Retained Earnings	Total	Non-Controlling Interests	Total Equity
	Unaudited								
	€ in thousands								
Balance as of January 1, 2019 (audited)	77	144,237	(746)	1,512	378,756	170,808	694,644	105,816	800,460
Total net and comprehensive income (loss)	-	-	-	-	-	18,318	18,318	(691)	17,627
Classification as per provisions of Dutch law	-	-	-	-	(18,812)	18,812	-	-	-
Purchase of rights from non-controlling interests	-	-	-	(928)	-	-	(928)	(63,722)	(64,650)
Balance as of December 31, 2019 (audited)	77	144,237	(746)	584	359,944	207,938	712,034	41,403	753,437

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended March 31, 2020	Three months ended March 31, 2019	Year ended December 31, 2019
	Unaudited	Unaudited	Audited
	€ in thousands		
Cash flows from operating activities:			
Net income (loss)	(9,897)	(7,404)	17,627
Adjustments to reconcile net income to net cash provided by operating activities:			
Adjustments to profit and loss:			
Depreciation	27	30	100
Financial expenses, net	4,054	16,844	38,062
Decrease (Increase) in fair value of financial instruments	9,537	4,897	(832)
Decrease (Increase) in value of investment property, net	10,935	394	(13,338)
Deferred taxes, net	(8,051)	2,483	7,685
Equity in losses of companies accounted at equity	-	-	107
	16,502	24,648	31,784
Cash flows from operating activities before changes in asset and liability items	6,605	17,244	49,411
Changes in asset and liability items:			
Decrease (increase) in tenants, restricted deposits and other receivables and related parties	(3,228)	306	(1,055)
Increase (decrease) in accounts payable	3,102	(8,437)	(2,673)
	(126)	(8,131)	(3,728)
Net cash provided by operating activities before activity in real estate assets and liabilities	6,479	9,113	45,683
Change in advances and income receivable from apartment purchasers	356	(528)	(2,688)
Increase in inventory of buildings under construction and real estate inventory	(1,524)	(7,835)	(5,487)
Net cash provided by operating activities	5,311	750	37,508

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended March 31, 2020	Three months ended March 31, 2019	Year ended December 31, 2019
	Unaudited	Unaudited	Audited
	€ in thousands		
Cash Flows from investing activities			
Investment in investment property	(4,265)	(4,768)	(18,115)
Investment in companies measured at equity	-	(599)	(109)
Proceeds from sale of investment property, net	4,110	-	89,714
Proceeds from sale of subsidiaries, net (a)	-	-	64,094
Withdrawal (placement) of restricted deposits, prepaid transaction costs and withdrawal (placement) of long-term deposits in banks, net	51,766	24	(46,576)
Sale of derivatives	-	-	940
Net cash provided by (used in) investing activities	51,611	(5,343)	89,948
Cash flows from financing activities			
Interest paid	(4,490)	(4,303)	(17,069)
Purchase of rights from non-controlling interests	-	-	(64,650)
Distribution and payment to non-controlling interests	(5,700)	-	-
Receipt of long-term loans, net	3,873	-	339,279
Receipt (repayment) of long term loans from controlling shareholder, net	(44,200)	-	44,200
Repayment of debentures	-	-	(18,679)
Repayment of long-term loans	(11,288)	(5,055)	(393,266)
Net cash used in financing activities	(61,805)	(9,358)	(110,185)
Change in cash and cash equivalents	(4,883)	(13,951)	17,271
Balance of cash and cash equivalents at the beginning of the period	44,409	27,138	27,138
Balance of cash and cash equivalents at the end of the period	39,526	13,187	44,409

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended March 31,		Year ended December 31,
	2020	2019	2019
	Unaudited		Audited
	€ in thousands		
(a) Proceeds from sale of subsidiaries			
Assets and liabilities of the subsidiaries as of the date of sale:			
Investment property	-	-	180,603
Working capital (except cash and cash equivalents)	-	-	663
Loans from banks, net	-	-	(97,754)
Deferred taxes, net	-		(12,924)
Assets, net	-	-	70,588
Net of investment balance presented as financial asset	-	-	(6,494)
	-	-	64,094
(b) Additional information			
Taxes paid	1,334	6,651	9,010
(c) Material non cash activities			
Classification of real estate inventory to investment property	26,080	-	-

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1: - General

a. General description of the Company and its activity

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

In 2010, the Company issued shares through IPO in the stock exchange in Israel.

In April 2018, the Company was informed that the control of the Company was purchased by ADLER Real Estate AG (ADLER). ADLER intends to use its influence as controlling shareholder subject to the provisions of any law so as to examine the option of re-focusing the Company's strategy including the option of selling a certain part of the Company's assets and businesses. As of the approval date of the financial statements, the Company continues to examine the options of focusing its business strategy including the commencement of actions for selling part of its businesses (some of which were completed in 2019 and 2020).

b. These Financial Statements have been prepared in a condensed format as of March 31, 2020 and for the three-month period then ended (hereinafter – the Consolidated Interim Financial Statements). These Statements should be read in conjunction with the annual financial statements as of December 31, 2019 and for the year then ended and the accompanying notes (the consolidated annual financial statements).

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

Note 2: - Significant accounting policies

a. Preparation format of the Interim Consolidated Financial Statements

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

b. Use of estimates and judgments

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

Note 2: - Significant accounting policies (Cont.)

During the three-month period ending March 31, 2020, the Company reviewed the accounting treatment for the loss of control of the sub- subsidiary in Germany (see Note 5 (3) and determined that the investment balance in that company (25%) should not be revalued to fair value, considering the fact that such asset company is not a business.

c. Initial adoption of new standards, amendments to standards and interpretations

Amendment to IFRS 3 "Business Combinations" ("definition of business")

The amendment prescribes that in order to be considered a "business," the acquired assets and activities must include, at minimum, an input and a material process that together contribute significantly to the ability to generate output. The amendment omits the need to examine whether market participants are capable of replacing missing inputs or processes and continue to generate outputs and omits from the definition of "business" and "outputs" reduced costs or other economic benefits and focuses on products and services provided to customers.

The amendment also adds a fair value concentration test whereby a business is not involved if the entire fair value of the purchased assets, gross, is concentrated in a single identified asset or in a group of similar identified assets.

The amendment applies to business combinations and property acquisitions whose acquisition date is January 1, 2020.

The adoption of the amendment had no effect on the Group's financial statements.

d. New standards not yet adopted

Amendment to IAS 1, Presentation of Financial Statements: Classification of Current or Non-Current Liability

The amendment replaces certain classification requirements of current or non-current liabilities. For example, under the amendment, a liability will be classified as non-current when the entity has the right to defer payment for a period of at least 12 months after the reporting period, which is of "Substance" existing at the end of the reporting period, and this is in lieu of the requirement for an "unconditional" right. According to the amendment, a right exists as of the reporting date only if an entity meets the conditions for deferring payment as of that date. In addition, the amendment clarifies that the right of conversion of a liability will affect the entire classification of the instrument as current or non-current unless the conversion component is equity.

The amendment will take effect during reporting periods beginning on January 1, 2022, (as of the approval date of the statements, it is proposed to postpone such adoption for a year). early adoption is permitted. The amendment will be applied retrospectively, including amending comparative figures.

The Company has not yet begun to examine the implications of adopting the amendment on the financial statements.

Note 3: - Financial instruments

a. Financial instruments not measured at fair value

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

	March 31, 2020		March 31, 2019		December 31, 2019	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
	Unaudited				Audited	
	€ in thousands					
Financial liabilities:						
Debentures and interest payable in respect of debentures	100,464	96,014	113,664	124,892	101,326	111,429

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

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

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

Note 3: - Financial instruments (Cont.)

b. Financial instruments measured at fair value

Classification of the financial instruments according to fair value hierarchy

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

	March 31, 2020		
	Level 1	Level 2	Level 3
	Unaudited		
	€ in thousands		
Assets:			
Financial assets measured at fair value through profit or loss	24,598	-	6,494
Liabilities:			
Interest swap agreements	-	(671)	-

	March 31, 2019		
	Level 1	Level 2	Level 3
	Unaudited		
	€ in thousands		
Assets:			
Derivative financial instruments	1,332	-	-
Marketable financial asset measured at fair value through profit or loss	30,687	-	-
Liabilities:			
Interest swap agreements	-	(655)	-

Note 3: - Financial instruments (Cont.)

	December 31, 2019		
	Level 1	Level 2	Level 3
		€ in thousands	
Assets:			
Derivative financial instruments	1,635	-	-
Financial assets measured at fair value through profit or loss	35,655	-	6,494
Liabilities:			
Interest swap agreements		(683)	

c. Valuation techniques

The following methods and assumptions were used to determine the fair values:

The fair value of financial instruments not traded in active market is determined using a valuation technique. Valuation techniques specific to financial instruments include:

- The fair value of interest swap contracts and CAP agreements is based on calculating the present value of the estimated future cash flows using observable return curves.

d. The following describes unobservable material data used in valuation:

	Valuation technique	unobservable material data	Range (weighted average)	Sensitivity of fair value to change in data
Interest swap transactions	DCF	Payment curve	Euribor curve for the transaction period	2% increase/decrease in Euribor curve will result in increase/decrease of up to € 2.1 million in fair value

Note 4: - Operating Segments

	Income-Generating Commercial Real Estate (*)	Income-Generating Residential Real Estate	Land for Betterment (*)	Residential development	Total
			€ in thousands		
For the Three-Month Period Ended March 31, 2020 (Unaudited)					
Revenues from sale of apartments	-	-	-	12,336	12,336
Cost of sale of apartments	-	-	-	(9,454)	(9,454)
Gain from sale of apartments	-	-	-	2,882	2,882
Revenues from property rental	2,673	13,136	88	-	15,897
Revenues from property management and others	440	5,707	41	-	6,188
Property management expenses	(436)	(5,680)	(38)	-	(6,154)
Rental property maintenance expenses	(1,279)	(1,588)	(143)	-	(3,010)
Total rental and management revenues, net	1,398	11,575	(52)	-	12,921
Administrative and general expenses					(3,297)
Selling and marketing expenses and administrative and general expenses attributed to inventory of buildings under construction and inventory of real estate					(740)
Decrease in value of investment property, net	(9,357)	(1,578)	-	-	(10,935)
Financial expenses, net					(14,233)
Loss before taxes on income					(13,402)

(*) Regarding assets designated for sale and assets sold in the reported period see Note 5 (2).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 4: - Operating Segments (Cont.)

	Income-Generating Commercial Real Estate	Income-Generating Residential Real Estate	Land for Betterment (*)	Residential development	Total
			€ in thousands		
For the Three-Month Period Ended March 31, 2019 (Unaudited)					
Revenues from sale of apartments	-	-	-	6,759	6,759
Cost of sale of apartments	-	-	-	(5,147)	(5,147)
Gain from sale of apartments	-	-	-	1,612	1,612
Revenues from property rental	7,538	12,434	45	-	20,017
Revenues from property management and others	1,366	5,139	15	-	6,520
Property management expenses	(1,377)	(5,128)	(9)	-	(6,514)
Rental property maintenance expenses	(830)	(2,096)	(61)	-	(2,987)
Total rental and management revenues, net	6,697	10,349	(10)	-	17,036
Administrative and general expenses					(3,003)
Selling and marketing expenses and administrative and general expenses attributed to inventory of buildings under construction and inventory of real estate	-	-	-	(645)	(645)
Increase (decrease) in value of investment property, net	739	(886)	(247)	-	(394)
Financial expenses, net					(21,457)
Loss before taxes on income					(6,851)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 4: - Operating Segments (Cont.)

	Income-generating commercial real estate	Income-generating residential real estate	Land for betterment	Residential development	Total
	Euros in thousands				
For the year ended December 31, 2019					
Revenues from sale of apartments				70,029	70,029
Cost of sale of apartments				(56,999)	(56,999)
Gain from sale of apartments				13,030	13,030
Revenues from property rental	23,414	50,083	274		73,771
Revenues from property management and others	4,866	20,985	53		25,904
Property management expenses	(4,897)	(20,963)	(39)		(25,899)
Rental property maintenance expenses	(4,102)	(8,080)	(114)		(12,296)
Total rental and management revenues, net	19,281	42,025	174		61,480
General and administrative expenses					(16,138)
Selling and marketing and general and administrative expenses attributed to inventory of buildings under construction and inventory of real estate				(2,361)	(2,361)
Increase (decrease) in value of investment property, net	(37,293)	54,810	(4,179)		13,338
Financial expenses, net					(39,357)
Equity in losses of companies accounted at equity	(107)				(107)
Income before taxes on income					29,885

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

1. On May 9, 2019, the Company's audit committee and Board of directors approved to obtain a credit facility of EUR 100 million from ADLER, the controlling shareholder of the Company. From this facility as of December 31, 2019 EUR 44.2 million were withdrawn. The facility was granted for a two-year period at an interest of 2.58% per annum and the Company has early repayment right of the withdrawn funds without penalty. No financial covenants were set for the loan and no collaterals were provided by the Company. In January and March 2020, the Company repaid the entire debt to the controlling shareholder such that as of the report date, no debt balance is owed by the Company to the controlling shareholder

2. On June 28, 2019, the Company entered into an agreement for selling additional assets from the Company's commercial income producing real estate portfolio for EUR 128.6 million. As a result of the agreement, in 2019, the Company recognized a loss of EUR 9 million deriving from the adjustment of the value of the net assets and liabilities presented in the Company's financial statements to sale proceeds (net of transaction costs) and an additional loss of EUR 4 million, net of tax for costs the Company is expected to bear mainly for estimated repair costs agreed with the purchaser. On December 31, 2019, the sale of certain assets included in the transaction was finally completed. The remaining assets included in the transaction are expected to be sold in 2020.

   Accordingly, the assets and liabilities of the subsidiaries the sale of which was not yet completed finally were classified in the statement of financial position as of December 31, 2019 and March 31, 2020 as assets and liabilities of disposal group held for sale as follows:

	March 31, 2020
Assets classified as held for sale	EUR in thousands
Investment property held for sale	50,045
Trade receivables and other receivables	1,237
	51,282
Liabilities classified as held for sale	
Loans from banks	14,679
Accounts payable	5,271
Provision for deferred tax	232
	20,182

3. On September 22, 2019, the Company entered into an agreement with a third-party buyer who is unrelated to the Company and is real estate investor focusing on real estate projects in Germany to sell 75% of its holding in the sub- partnership, which holds the Gerresheim development project (a land with an area of 193 thousand square meters in Dusseldorf, Germany) for a consideration reflecting a value of EUR 375 million (for further details see Note 6b(2) to the Company's consolidated financial statements for 2019).

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

On December 26, 2019, an amended agreement was signed, whereby the consideration payment mechanism was adjusted as follows: at the signing date of the amended agreement, the sub-partnership was paid EUR 132 million, originating from a new bank loan the sub-partnership has taken (it is indicated that the Company guarantees 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 transaction, (less transaction costs) of EUR 36 million was paid to the Company in cash as the first payment in respect of the sale consideration as defined the amended agreement as aforesaid and held in a restricted account until the approval of the German competition authorities is received. The loan taken on the date of the amended agreement, bears annual interest of 4% above the Euribor interest for 3 months and is payable on June 27, 2020. As of the signing date of the financial statements, the sub-partnership works to refinance the loan. It. On February 28, 2020, the Company obtained the approval of the German Anti-Trust Authority and accordingly, on March 31, 2020, the transfer of the first part of the consideration in the amount of EUR 36 million was completed (originating in a loan taken by the asset company).

The consideration balance of EUR 120 million to EUR 175 million will be paid to the Company in three installments accordance with the fulfillment of the transaction terms (the main of which is the publication of a zoning plan and obtaining building permits in scopes as detailed in the agreement.

It should be noted that the agreement allows the Company to rescind the agreement under the conditions and circumstances contained in the agreement. In addition, the parties may rescind the agreement, among others, if the aforementioned performance conditions are not met at the dates stipulated in the agreement, as well as provisions regarding the rights of the parties to compensation in case of breach of the agreement by the other party (and particularly provisions regarding an agreed compensation to the Company in case of breach of agreement by the purchaser).

Since the first condition of the agreement as stated above – receiving the approval of the German competition authorities was fulfilled, 75% of the shares of the sub subsidiary were transferred to the purchaser and therefore the Company ceased to consolidate the financial statements of the sub subsidiary. The investment balance in the sub-subsidiary is presented in the section of investments and loans in companies accounted at equity amounting to EUR 17,936 thousand. As specified in Note 2b above, the Company determined that investment balance in associate is not revalued when loss of control in asset company is at hand. The consideration balance to the Company is contingent upon events that are not under the full control of the Company (such as obtaining building permits etc.) and therefore the Company has not yet recognized a profit from the sale transaction.

Below are assets and liabilities of the subsidiary as of the date of sale:

Inventory	143,004
Working capital	407
Loans from banks, net	(127,512)
Deferred taxes, net	2,037
Assets, net	17,936

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

4. On January 30, 2020, the Company sold an additional asset of its commercial income generating portfolio, totaling approximately EUR 4.1 million. As part of the Company's strategy of leverage reduction, the sale consideration balance was used to repay controlling shareholders' loan.

5. Following the outbreak of the Corona Virus (COVID-19) in China in December 2019, and its spread in early 2020 to many other countries, there has been a decline in economic activity in many regions of the world including Israel and Germany. The spread of the virus has, among other things, disrupted the supply chain, a decrease in the volume of global transport, traffic and employment restrictions imposed by the Israeli, German and Dutch governments and many governments worldwide, as well as declines in financial assets and commodities in markets in Israel and around the world. In addition, in accordance with the instructions of the German, Dutch and Israeli governments, the activity of business establishments was restricted or prohibited, the presence of manpower in workplaces was significantly restricted, education systems were locked down and restrictions were imposed on the option of going out from homes.

   The Company's risks and exposures

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

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

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

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

The Company's revenues were not significantly harmed, among other things, in view of recent actions taken by the Company that focused its activities on residential properties, which reduced the Company's exposure to commercial tenants as well as the German government's assistance to commercial tenants. However, during the quarter, the Company recognized a loss of EUR 11.1 million following a decrease in the fair value of the Company's investment in marketable securities due to the crisis in capital markets from the spread of the Corona virus and a loss from impairment of the Company's commercial assets of EUR 8.4 million, as aforesaid. Excluding these losses, the Company would have ended the first quarter with a profit.

The spread of the Corona virus and the decline in economic activity as described above affected the Company's operations and results as detailed below:

- During the reported period, there were significant declines in the fair value of the Company's investments in marketable securities. For information on the fair value of the Group's investments, see Note 3 to the Company's financial statements regarding financial instruments.

- During the reported period, the financial situation of various tenants was harmed, in the commercial real estate leading to difficulties in paying rent and management fees, delaying the renewal of rental agreements and finding tenants for vacant spaces. In April 2020, collection rate in the Company's commercial income producing real estate assets was 71% due to deferred payment of EUR 0.2 million. In the residential income producing sector, the collection rate and occupancy rates remained unchanged (beyond a change in negligible rate). It should be noted that due to the Company's reduced exposure in the commercial real estate, this decrease in the collection rate did not have a material effect on the Company's cash flow.

- In addition, during the reported period discount rates used to measure the fair value of certain investment properties of the Company have increased in the commercial income producing sector at a range of 0.25% - 0.5% based on indications obtained by the Company from external appraisers. In addition, with respect to certain assets as aforesaid, the Company updated the projected cash flows according to the effects described in the previous section. As a result, the fair value of commercial income producing assets was impaired and a loss from change in the fair value of commercial income producing assets in the amount of EUR 8.4 million was recognized. The Company estimates that as of March 31, 2020, there was no change in the other key parameters used for the valuation of the Company's assets as of December 31, 2019 as specified in Note 8(c) to the Company's consolidated financial statements for 2019.

- The Company estimates that as of March 31, 2020, that was no material change in the fair value of residential income producing real estate. This estimate is based in part on the lack of change in collection from tenants in the residential income producing real estate sector and occupancy rates as described above, as well as from indications the Company received from independent appraisers.

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

- As to the development sector, as for March 31, 2020 and as of the approval date of the financial statements, the Company is not aware of any indications of a change in selling prices of the apartments and/or a change in construction costs.

- In accordance with the above, up to the approval date of the financial statements, the effect of the crisis on the Company's cash flow was immaterial, partly due to reduced exposure to commercial real estate and also given the change in the collection rates from tenants and the slowdown in the sales rate of apartments in the development projects.

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

6. On March 31, 2020, the Company's Board of Directors decided on early and full redemption of the Company's debentures (Series A). On April 20, 2020, the final redemption was carried out and a consideration of NIS 61,776 thousand (EUR 15,882 thousand) was paid to the Company's bondholders (Series A). The final redemption amount reflected a compensation for the early redemption in a total amount of approximately NIS 387 thousand (approximately EUR 100 thousand) was included in financing expenses for the period. The balance of the bonds (Series A) is presented in the statement of financial position in current liabilities according to the original repayment date of the bonds (Series A).

7. On April 30, 2020, the Company sold another asset from the commercial income assets portfolio for EUR 19.6 million. As part of the Company's strategy for leverage reduction, the consideration balance from the sale will be used to repay bank loans that finance the balance of commercial assets.

BRACK CAPITAL PROPERTIES N.V.

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

AS OF MARCH 31, 2020

UNAUDITED

IN THOUSANDS OF EUROS

To the Shareholders of Brack Capital Properties N.V.

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

Introduction

We have reviewed the separate interim financial information according to regulation 38d of the Securities regulations (Periodic and Immediate Reports), 1970 of Brack Capital Properties N.V. (hereinafter – the Company), as of March 31, 2020 and for the three-month period ending that date. The Board of Directors and Management are responsible for the separate interim financial information. Our responsibility is to express our conclusions with regard to the separate interim financial information for this interim period, based on our review.

Scope of the Review

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

Conclusion

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

Givataim
May 14, 2020 Amit, Halfon, CPAs

רח' אריאל שרון 4, גבעתיים 53200047 טל: 03-6123939 פקס: 03-6125030 e-mail: office@ahcpa.co.il
www.ahcpa.co.il

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

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

	March 31, 2020	March 31, 2019	December 31, 2019
	Unaudited	Unaudited	Audited
	€ in thousands		
Current Assets			
Cash and cash equivalents	25,810	865	1,320
Cash and cash equivalents in trust	795	294	2,784
Balances receivable from banks	3,144	422	-
Restricted deposits and other receivables	198	5,305	2,747
	29,947	6,886	6,851
Non-Current Assets			
Investment in investee	747,010	761,934	815,976
Investment in marketable financial asset measured at fair value through profit or loss	24,598	30,687	35,655
Other financial assets	-	873	-
	771,608	793,494	851,631
	801,555	800,380	858,482
Current Liabilities			
Current maturity of debentures	25,968	17,929	25,780
Accounts payable and other financial liabilities	725	1,340	1,267
	26,693	19,269	27,047
Non-Current Liabilities			
Debentures	73,434	94,819	74,639
Loans from controlling shareholder	-	-	44,762
	73,434	94,819	119,401
Equity			
Share Capital	77	77	77
Premium on Shares	144,237	144,237	144,237
Treasury Shares	(746)	(746)	(746)
Other capital reserves	584	1,512	584
Statutory capital reserve	360,321	379,154	359,944
Retained earnings	196,955	162,058	207,938
	701,428	686,292	712,034
Total equity			
	801,555	800,380	858,482

May 14, 2020			
Date of approval of the financial statements	Patrick Burke Chairman of the Board of Directors	Tomas de Vargas Machuca CEO	Thomas Stienlet CFO

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

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

	Three months ended March 31,		Year ended December 31,
	2020	2019	2019
	Unaudited		Audited
	€ in thousands		
Administrative and general expenses	(633)	(426)	(2,399)
Financial expenses, net	(9,487)	(10,842)	(15,284)
Equity in earnings of investess	(486)	2,916	36,001
Net and comprehensive income (loss)	(10,606)	(8,352)	18,318

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

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

	Three months ended March 31, 2020	Three months ended March 31, 2019	Year ended December 31, 2019
	Unaudited	Unaudited	Audited
	€ in thousands		
Cash flows from operating activities:			
Net income (loss) attributed to the Company's shareholders	(10,606)	(8,352)	18,318
Adjustments required to present net cash provided by operating activities:			
Adjustments to the profit or loss items:			
Financial expenses, net	8,108	9,360	15,122
Equity in earnings of investees	486	(2,916)	(36,001)
	8,594	6,444	(20,879)
Changes in assets and liabilities items:			
Decrease (increase) in other receivables and related parties	276	(46)	(630)
Increase in accounts payable and related parties	420	1,865	1,927
	696	1,819	1,297
Net cash used in operating activities of the Company	(1,316)	(89)	(1,264)
Cash Flows from investing activities			
Change in investment in investee and in cash and cash equivalents in trust, net	70,394	(3,445)	(25,835)
Decrease in restricted deposits	638	-	431
Interest received and exercise of derivatives, net	-	-	940
Net cash provided by (used in) investing activities of the Company	71,032	(3,445)	(24,464)

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

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

	Three months ended March 31,		Year ended December 31,
	2020	2019	2019
	Unaudited		Audited
	€ in thousands		
Cash flows from financing activities			
Interest paid	(1,026)	(1,287)	(4,159)
Receipt (payment) of long term loans from controlling shareholder	(44,200)	-	44,200
Repayment of debentures	-	-	(18,679)
Net cash provided by (used in) financing activities of the Company	(45,226)	(1,287)	21,362
Change in cash and cash equivalents	24,490	(4,821)	(4,366)
Balance of cash and cash equivalents at the beginning of the period	1,320	5,686	5,686
Balance of cash and cash equivalents at the end of the period	25,810	865	1,320

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

ADDITIONAL INFORMATION

Note 1: - General

a. This separate financial information has been prepared in a condensed format as of March 31, 2020 and for the three-month period then ended in accordance with Regulation 38d of the Securities Regulations (Periodic and Immediate Reports), 1970. This separate financial information should be read in conjunction with the annual financial statements as of December 31, 2019 and for the year then ended and the additional information.

b. Subsidiaries as defined in note 1b of the annual financial statements of the Company as of December 31, 2019.

c. The accounting policies applied in the preparation of this separate financial information is consistent with the policies applied in the preparation of the separate financial information as of December 31, 2019 other than the changes in accounting policies specified in Note 2 to the condensed consolidated financial statements published along with this separate financial information.

Note 2: Material Events during and after the Reported Period

a. On May 9, 2019, the Company's audit committee and Board of directors approved to obtain a credit facility of EUR 100 million from ADLER, the controlling shareholder of the Company, from this facility as of December 31, 2019, EUR 44.2 million were withdrawn. In January and March 2020, the Company repaid the debt to the controlling shareholder such that as of the report date, no debt balance remained to the controlling shareholder. The facility was granted for a two-year period at an interest of 2.58% per annum and the Company has early repayment right of the withdrawn funds without penalty. No financial covenants were set for the loan and no collaterals were provided by the Company.

b. Following the outbreak of the Corona Virus (COVID-19) in China in December 2019, and spreading to many other countries in early 2020, there has been a decline in economic activity in many regions of the world including Israel and Germany. The spread of the virus has, among other things, disrupted the supply chain, a decrease in the volume of global transport, traffic and employment restrictions imposed by the Israeli, German and Dutch governments and many governments worldwide, as well as declines in the value of financial assets and commodities in markets in Israel and around the world. In addition, in accordance with the instructions of the German, Dutch and Israeli governments, the activity of business establishments was restricted or prohibited, the presence of manpower in workplaces was significantly restricted, education systems were locked down and restrictions were imposed on the option of going out from homes.

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

The Company's risks and exposures

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

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

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

The Company's revenues were not significantly harmed, among other things, in view of recent actions taken by the Company that focused its activities on residential properties, which reduced the Company's exposure to commercial tenants as well as the German government's assistance to commercial tenants. However, during the quarter, the Company recognized a loss of EUR 11.1 million following a decrease in the fair value of the Company's investment in marketable securities due to the crisis in capital markets from the spread of the Corona virus and a loss from impairment of the Company's commercial assets of EUR 8.4 million, as aforesaid. Excluding these losses, the Company would have ended the first quarter with a profit.

The spread of the Corona virus and the decline in economic activity as described above affected the Company's operations and results as detailed below:

- During the reported period, there were significant declines in the fair value of the Company's investments in marketable securities. For information on the fair value of the Group's investments, see Note 3 to the Company's financial statements regarding financial instruments.

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

- During the reported period, the financial situation of various tenants was harmed, in the commercial real estate leading to difficulties in paying rent and management fees, delaying the renewal of rental agreements and finding tenants for vacant spaces. In April 2020, collection rate in the Company's commercial income producing real estate assets was 71% due to deferred payment of EUR 0.2 million. In the residential income producing sector, the collection rate and occupancy rates remained unchanged (beyond a change in negligible rate). It should be noted that due to the Company's reduced exposure in the commercial real estate, this decrease in the collection rate did not have a material effect on the Company's cash flow.

- In addition, during the reported period discount rates used to measure the fair value of certain investment properties of the Company have increased in the commercial income producing sector at a range of 0.25% - 0.5% based on indications obtained by the Company from external appraisers. In addition, with respect to certain assets as aforesaid, the Company updated the projected cash flows according to the effects described in the previous section. As a result, the fair value of commercial income producing assets was impaired and a loss from change in the fair value of commercial income producing assets in the amount of EUR 8.4 million was recognized. The Company estimates that as of March 31, 2020, there was no change in the other key parameters used for the valuation of the Company's assets as of December 31, 2019 as specified in Note 8(c) to the Company's consolidated financial statements for 2019.

- The Company estimates that as of March 31, 2020, that was no material change in the fair value of residential income producing real estate. This estimate is based in part on the lack of change in collection from tenants in the residential income producing real estate sector and occupancy rates as described above, as well as from indications the Company received from independent appraisers.

- As to the development sector, as for March 31, 2020 and as of the approval date of the financial statements, the Company is not aware of any indications of a change in selling prices of the apartments and/or a change in construction costs.

- In accordance with the above, up to the approval date of the financial statements, the effect of the crisis on the Company's cash flow was immaterial, partly due to reduced exposure to commercial real estate and also given the change in the collection rates from tenants and the slowdown in the sales rate of apartments in the development projects.

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

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

c. On March 31, 2020, the Company's Board of Directors decided on early and full redemption of the Company's debentures (Series A). On April 20, 2020, the final redemption was carried out and a consideration of NIS 61,776 thousand (EUR 15,882 thousand) was paid to the Company's bondholders (Series A). The final redemption amount reflected a compensation for the early redemption in a total amount of approximately NIS 387 thousand (approximately EUR 100 thousand) was included in financing expenses for the period. The balance of the bonds (Series A) is presented in the statement of financial position in current liabilities according to the original repayment date of the bonds (Series A).