Board of Directors' Report on the Corporation's State of Affairs

Brack Capital Properties NV (hereinafter: "the Company") hereby submits the Board of Directors' report for a period of six months ending on June 30, 2019 (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 the data in this report refer to the consolidated financial statements unless otherwise stated.

In this report:

"The report date or "the date of the report" – June 30, 2019.

"Report signing date" or "the date of signing the report" – August 12, 2019.

"The reported quarter" – the second quarter of 2019.

The review presented below is limited in scope and relates to material events and changes that occurred in the state of the Company's affairs during the period of the report, the impact of which is material and should be reviewed together with the Company's periodic report for 2018, including the financial statements, the Company's board of directors report as of December 31, 2018, published on March 15, 2019 (reference number: 2019-01-021453) (Periodic Report 2018).

Preamble

Below are the Company's principal results for the six months ended June 30, 2019.

1. **Profitability** – in the second quarter of 2019, the Company's net income attributed to the Company's shareholders amounted to approximately EUR 7.9 million compared to income of EUR 22.6 million in the corresponding quarter last year.

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

   - **Income producing real estate** – in the second quarter of 2019, the FFO amounted to EUR 8 million compared to EUR 9.2 million in the corresponding quarter last year. In the second quarter of 2019 the contribution of the income producing activity of the residential activity amount to EUR 6 million, and the contribution of the income producing activity of the commercial activity amount to EUR 2 million in the reported quarter[1].
   - **Residential development activity**- in the second quarter of 2019, the contribution of the Grafental project amounted to a loss of EUR 0.7 million (consolidated) mainly from onetime update of projects' costs completed in prior periods following an interim agreement with a main contractor in connection with mutual claims between the Company and the contractor[2] . In the reported period, the Company recognized the cumulative sale of 89 residential units of Stage E of the project according to a weighted performance rate of 49.2% compared to a sale of all 89 residential units of the stage at a weighted performance rate of 36.7% as of March 31, 2019.

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

[2] See Note 17a5 to the annual financial statements.

2. **Operating segments – key operational data**[3].

2.1 Residential development segment – Grafental project[4]

Stage	Number of flats	Expected revenues (EUR in millions)	Expected income (EUR in millions)	Developer's profit [5] (in percentage)	Sales (in percentage)	Revenue recognition % as of the report date
E	89	49.6	12.0	32%	100%	43%
G(*)	89	53.7	12.2	30%	71.8%	0%
Total	**178**	**103.3**	**24.2**	**31%**	**85%**	**21%**

*) the marketing of Stage G commenced in November 2018. It is indicated that Stage F includes 112 apartments for rental the Company intends to hold. For additional information see section 4.3 below

2.2 Income producing real estate[6]

Zoning	Area ('000 square meters)	NRI Return[7]	ERV Return[8]	Actual NOI return[9]	NOI return according to ERV[10]	Occupancy rate
Residential	704	5.3%	6.2%	4.4%	5.3%	94%
Commercial	216(	6.8%	6.9%	5.5%	5.6%	96%
Total	**920**	**5.6%**	**6.4%**	**4.6%**	**5.4%**	**95%**

*) excluding an asset in associate with an area of 7,000 sqm

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

In the second quarter of 2019, the organic rent growth amounted to 2.6% before occupancy adjustments and to 3.0% after occupancy rate adjustments compared to the corresponding quarter of 2018. The ERV is 18 % higher than the average rent.

3. **Balance sheet structure and financial solvency** –

3.1 **Equity and NAV**: The equity attributed to the Company's shareholders amounted to approximately EUR 694.1 million and the NAV[11] amounted to EUR 800.4 million as of the report date.

[3] As of the report date

[4] Data according to 100%, the effective corporation's share in the project,) is 84.98%;

5 Represent the difference between the revenue from the sales of flats, minus the total development cost of the flats, including land cost.

[6] 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).

[7]Data of May 2019 on annual basis divided by the carrying value

[8]Estimated rental value – the expected annual return provided that all of the assets are leased in full occupancy in return for the rental fees prevailing in the market.

[9]Data of August 2019 on annual basis divided by the carrying value.

[10]Actual NOI plus the difference between actual rental fees and the ERV divided by the carrying values.

[11]EPRA NAV – for details regarding the index and the calculation manner see section 7.3 of part A below.

3.2 **Debt ratios**: the LTV ratio[12] is 43.8% as of the report date. The EBITDA ratio to interest expenses (only from the income producing portfolio, excluding operating income from development activity) is 3.59 in the second quarter of 2019.

3.3 **Liquidity**: cash balances (consolidated) amounted to approximately EUR 98.9 million as of the report date.

3.4 **Financing of assets**: The Company has bank loans with a total balance of EUR 660.3 million at an average annual interest of 1.72% and duration of 4.4 years. For details regarding the loan from the controlling shareholder, see material events in the reported period, for details regarding the Company's bonds see Part B" Specific Disclosure for Bond Holders" below.

4. Concise description of the Corporation and its business environment

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

Further to what is stated in the Company's periodic report for 2018 the Company continues to examine the possibility of re-focusing the Company's strategy, including the possibility of selling a certain share of the Company's assets and business as per the Company's immediate report dated March 23, 2019, June 2, 2019 and June 30, 2019 (Ref. 023952-01-2019, 054682-01-2019 and 055230-01-2019, respectively) in connection with the Company's agreement for selling part of its commercial assets and the completion thereof. As of the report date, the Company is continuing to examine possibilities of re- focusing its business strategy in the income producing and development real estate segment, including selling additional assets from the Company's commercial real estate portfolio.

[12] Net debt to total real estate assets

As of the report publication date, the Company is continuing to examine the potential uses of the proceeds from selling additional assets of its commercial real estate portfolio, including for further improvement of the Company's cash position and leverage ratio and other potential investments in the income producing real estate segment and the residential development segment in Germany, all subject to resolutions of the Company's Board as shall be from time to time. For additional details see section 8 below.

Below are the details on the major developments in the group's areas of activity (as occurred) in the reported period and until the signing date of the report:

4.1 Residential income-producing real-estate – as of the report signing date, the Group owns 11,956 apartments, with a total leasing area of approximately 704,000 m^2**.**

4.2 Commercial income-producing real-estate – as of the report signing date, the Group owns 23 commercial income-producing properties in the commercial segment (commerce and offices) with an overall leasing area of approximately 216,000 m^2 including assets for which the company has entered into a binding sale contract dated June 30, 2019, as specified in section 8 above (excluding an asset in a partnership with an area of 7,000 square meters).

For details regarding the income producing real estate see Chapter A of the Company's periodic report for 2018.

4.3 Residential Real Estate Under Development - for details regarding the marketing, sales, handovers and performance of Stage E (89 units) and Stage F (112 units) and stage G (89 units) in the Grafental project in Dusseldorf as well as the Company's additional projects, see Chapter A of the periodic report for 2018. For additional information on the performance and marketing status of the stages under construction of the project, see the following tables:

Project marketing								
	STAGE G				**STAGE E**			
		2019				**2019**		
Data according to 100% The effective corporation's share in the project – 84.98%)	**As of the report signing date**	**Q2**	**Q1**	**2018**	**As of the report signing date**	**Q2**	**Q1**	**2018**
Flats (#)	72	66	51	27	89	89	89	86
Flats – total monetary consideration (including for parking, EUR in thousands)	42,004	38,559	28,553	14,301	49,563	49,563	49,563	47,961
Flats (square meters)	7,475	6,865	5,089	2,536	9,999	9,999	9,999	9,688
Average price per sq.m (EUR) (including consideration for parking)	5,620	5,616	5,607	5,639	4,957	4,957	4,957	4,951
Reservations (reservations) *as of the report signing date								
Flats (#)	0				Marketing is concluded			
Flats – total monetary consideration (including for parking, EUR in thousands)	0				Marketing is concluded			
Flats (square meters)	0				Marketing is concluded			

Average price per sq.m (EUR)	0				Marketing is concluded			
Signed agreements and cumulative reservations up to the report signing date:								
Flats (#)	72				89			
Flats – total monetary consideration (including for parking, EUR in thousands)	42,004				49,563			
Flats (square meters)	7,475				9,999			
Average price per sq.m (EUR)	5,620				4,957			
Marketing rate of the project %								
	As of the report signing date	**June 30, 2019**	**March 31, 2019**	**December 31, 2018**	**As of the report signing date**	**June 30, 2019**	**As of March 31, 2019**	**As of December 31, 2018**
Marketing rate on the last date of the period -signed agreements	78.2%	71.8%	53.1%	21.2%	100%	100%	100%	96.8%
Marketing rate on the last date of the period -signed agreements and reservations	78.2%				100%			

Advances from customers								
	As of the report signing date	**June 30, 2019**	**March 31, 2019**	**December 31, 2018**	**As of the report signing date**	**June 30, 2019**	**As of March 31, 2019**	**As of December 31, 2018**
Advances from tenants (EUR in thousands)	13,529	0	0	0	30,193	27,619	14,142	11,657
Rate of Advances from tenants (%)	20%	0.0%			44.7%	40.8%	20.9%	17.8%
Spaces for which agreements and reservations were not yet signed as of the report signing date								
Flats (#)	17			0	0			
Flats – total expected monetary consideration (including for parking, EUR in thousands)	11,685			0	0			
Flats (square meters)	2,059			0	0			
Average price per sqm (EUR)	5,674			0	0			
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)	5,553			0	0			

4.3.1 Forecast of revenues, costs and developer's profits of 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)

	Stage E	Stage F	Stage G
Total expected revenues	49,654	28,925	53,689
Advances from apartment purchasers as of the report date	27,619	0	0
Total expected cost (including land (EUR in thousands)	37,560	25,445	41,457
Completion rate (engineering/monetary) (excluding land) (%)	49.2%	70.1%	48.5%
Total expected developer's profit [13]	12,004	3,480	12,232
Total developer's profit recognized in the Company's financial statements (consolidated) cumulatively as of the report date	4,073	-	-
Rate of expected developer's profit (%)	32%	13.7%	29.5%
Expected completion date	Q1 2020	Q1 2020	Q2 2020

[13] Represents the expected value of the stage, which is designated for rental, as an income producing asset after its completion.

		Stage E		Stage F		Stage G	
		Q2 2019	2018	Q2 2019	2018	Q2 2019	2018
Costs invested	Cumulative costs for land at the end of the period	9,648	9,649	3,500	3,500	10,500	10,500
	Cumulative costs for development, taxes and fees	2,810	1,827	2,206	1,610	1,488	1,249
	Cumulative costs for construction	10,910	5,454	13,185	5,664	13,525	3,963
	Cumulative costs for financing (capitalized)	0	0	0	0	0	0
	Total cumulative cost	**23,368**	**16,930**	**18,891**	**10,773**	**25,513**	**15,713**
	Total cumulative cost in the books	**23,368**	**16,930**	**18,891**	**10,774**	**25,513**	**15,712**
Costs not yet invested	Costs for land not yet invested (estimate)	0	0	0	0	0	0
	Costs for development, taxes and fees not yet invested (estimate)	920	1,904	1,252	1,848	1,958	2,076
	Costs for construction not yet invested (estimate)	13,271	18,726	5,303	12,824	13,986	23,548
	Cumulative costs for financing expected to be capitalized in the future (estimate)	0	0	0	0	0	0
	Total cumulative cost in the books	14,191	20,630	6,555	14,672	15,944	25,624

In accordance with accounting principles, the Company recognizes revenues, costs and gross profit deriving from the stages in progress upon the performance completion and handing over the apartments to the tenants.

It should be stressed that the expected developer's profitability in respect of 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 its construction and therefore cannot be compared to developer's profitability in stages in which Condo apartments are being built for free sale in the market.

4.3.2 The following is a tabular summary of expected revenue, cash flow and developer's profit, not yet recognized in the financial statements of the company, from stages in progress and from stages under the approved urban scheme, in 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 (stage E and G)	42,833	20,383	13,527

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 G	34,989	9,752	5,500
Total	34,989	9,752	5,500

4.4 land in Dusseldorf for development - the Company owns 3 land complexes in Dusseldorf, Germany, undergoing advanced procedures for changing the zoning from offices/industry to residential. For details regarding the Company's progress in the zoning changes of the lands in Dusseldorf and for additional details see Chapter A of the periodic report for 2018.

4.4.1 The following is a tabular summary of expected revenue, cash flow and developer's profit expected from the land in Dusseldorf [14] real estate inventory in Dusseldorf and inventory of buildings under construction without the asset in a joint venture in Aachen and without a parcel of land in the Gerresheim neighborhood:

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	124,913	35,890	15,410
Condo apartments for free sale in planning stages under the urban schemes Grafental Mitte/Ost and Grafenberg	320,993	141,373	70,301
Total	**445,906**	**177,263**	**85,712**

The information described above in connection with (1) stages E and G in progress; (2) in connection with the lands in Dusseldorf, inventory of buildings under construction under the urban schemes 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 flows before taxes is a forward looking information which is not under the full control of the Company and the actual materialization of such change of zoning, in whole or in part, is uncertain. The information is based on information possessed by the Company as of the report date, regarding: 1) demand for residential spaces in Dusseldorf; 2) market prices of residential spaces in Dusseldorf generally and in the area of the projects (including competing projects comparable with the Company's projects); 3) accumulated know how and experience of the Company's management and project managers in the segment; 4) the Company's forecasts and estimates regarding the costs of construction, development, 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 consummated, if any, since its consummation is subject to the planning and construction procedures required under German law, the consummation of which is not controlled by the Company.

[14] It should be noted that the Company has not yet decided how to use 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 above land complex is subject to consummating the relevant approval procedures of urban scheme, the market conditions that shall prevail upon completing the urban 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 below were calculated under the assumption that the Company shall elect to develop the parcel of land and the land complex in Grafenberg and the rates of developer's profit and cash flow in future stages shall be similar to the rates of the Grafental project that are in progress as of the report date (developer's profit of 32% - 34% and cash flows of 35% - 40% of the scope of sales).

In addition ,even if the approvals are received and the Company decides to establish the projects independently and the projects will be executed, changes in circumstances (including, without derogating from the generality of the foregoing –a decrease in demand for flats in Dusseldorf and/or a decrease in market prices of flats in Dusseldorf or an increase in construction costs (and other costs) and/or the formation of special conditions) may significantly change the Company's estimates detailed above and 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 property upon completion of construction, ranging between 14% - 16% and is not comparable to developer's profitability in stages in which the Condo apartments are being built for free sale in the market.

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

(5) Financial Position

Assets	June 30, 2019	June 30, 2018	December 31, 2018	Explanation for the change
	EUR in thousands			
Current assets				
Cash and cash equivalents	98,858	88,815	27,138	See details in the statement of cash flows as part of the Company's financial statements attached to this report.
Balances receivable from banks	416	407	414	
Restricted deposits, financial assets and other receivables	28,511	15,151	21,249	The increase mainly derives from classifying deposits from tenants to restricted cash
Income receivable from the sale of apartments	375	5,689	4,474	
Tenants and trade receivables, net	55	3,183	1,523	
Inventory of buildings under construction	31,002	24,531	25,496	The increase in the reported period derives from continued development on one hand and recognition of inventory cost of sale on the other hand
Total current assets	**159,217**	**137,776**	**80,294**	
Assets of disposal group held for sale	**129,639**	-	-	The increase in the reported period stems from the Company's agreement to sell assets from the Company's commercial real estate portfolio. For additional details see section 8.2 below.
Non-current assets:				

Investments measured at equity	8,798	6,313	7,698	
Investments in financial assets measured at fair value through profit or loss	40,298	-	37,019	
Inventory of real estate	225,596	215,536	216,061	
Investment property – real estate rights	65,265	65,336	64,683	
Investment property – income producing assets	1,120,265	1,333,267	1,410,282	The decrease in the reported period derives mainly from the sale and classification of investment property, for which the Company entered into the sale agreement, as assets held for sale.
Restricted deposits for investments in assets	5,856	6,773	5,381	
Other accounts receivable, fixed assets and other financial assets	3,087	361	426	
Deferred taxes	2,008	1,246	1,231	
Total non-current assets	**1,471,173**	**1,628,832**	**1,742,781**	
Total assets	**1,760,029**	**1,766,608**	**1,823,075**	

Liabilities	June 30, 2019	June 30, 2018	December 31, 2018	Explanation for the change
	EUR in thousands			
Current liabilities:				
Current maturities of loans from banking corporations	87,842	89,943	101,485	
Current maturities of debentures	18,297	17,159	17,066	
Loans for financing inventory of buildings under construction	4,885	-	2,098	
Accounts payable and other financial liabilities	23,445	26,178	30,066	
Advances from apartment	3,884	1,858	841	

purchasers				
Total current liabilities	**138,353**	**135,138**	**151,556**	
Liabilities of disposal group held for sale	**79,928**	-	-	
Non-current liabilities:				
Loans from banks and others	492,615	687,381	659,614	The decrease in the reported period derives mainly from the repayment of loans that financed or that were related to assets that were sold and reclassification of loans that financed assets for Company entered into the sale agreement, as assets held for sale as liabilities held for sale. For additional details see section 8.2 below.
Loans from controlling shareholder	44,200	-	-	Loan received from the controlling shareholder. For further details see section 8.4 below.
Debentures	96,698	108,021	90,349	The decrease in the reported period derives from principal payment
Leasing liabilities	3,041	3,095	3,041	
Other financial liabilities	645	1,058	384	
Deferred taxes	105,544	104,544	117,671	
Total noncurrent liabilities	**742,743**	**904,099**	**871,059**	
Total liabilities	**961,024**	**1,039,237**	**1,022,615**	
Equity				
Equity attributable to equity holders of the company	694,144	628,070	694,644	
Non controlling interests	104,861	99,301	105,816	
Total equity	**799,005**	**727,371**	**800,460**	
Total liabilities and equity	**1,760,029**	**1,766,608**	**1,823,075**	

(6) Activity Results

	Six months Ended June 30	Six months Ended June 30	Three months Ended March 31	Three months Ended March 31	Year ended December 31,	Explanation for the change
	2019	2018	2019	2018	2018	
	EUR in thousands					
Revenues from rental of properties	39,125	39,430	19,108	19,668	79,168	Sale of assets
Revenues from property management and others	13,263	13,443	6,743	6,869	26,980	
Property management expenses	(13,258)	(13,361)	(6,744)	(6,803)	(27,870)	
Cost of maintenance of rental properties	(6,070)	(5,567)	(3,083)	(2,688)	(12,717)	
Rental and management revenues, net	**33,060**	**33,945**	**16,024**	**17,046**	**65,561**	
Revenues from sale of apartments	13,010	29,413	6,251	10,838	62,753	Sale of apartments in Stage E of the residential project and updating the cost of completed projects.
Cost of sale of apartments	(12,134)	(22,491)	(6,987)	(8,316)	(47,771)	
Income (loss) from the sale of apartments	**876**	**6,922**	**(736)**	**2,522**	**14,982**	
General and administrative expenses	(7,606)	(6,841)	(4,603)	(2,759)	(12,520)	
General and administrative expenses attributed to inventory of apartments under construction and inventory of real estate	(1,016)	(1,247)	(456)	(440)	(2,329)	
selling and marketing expenses	(215)	(226)	(130)	(132)	(365)	
Increase in the value of investment property, net	3,920	33,300	4,314	27,775	95,499	
Operating profit	**29,019**	**65,853**	**14,413**	**44,012**	**160,828**	
Financing expenses excluding the effect of exchange rate differences, CPI and hedging transactions, net	(9,564)	(9,828)	(5,151)	(5,213)	(19,646)	
Effect of exchange rate differences, CPI and currency hedging transactions, net	(6,000)	4,187	(2,635)	1,367	6,509	
Change in fair value of financial instruments, loans and others (including early repayment costs of loans)	(11,046)	(603)	2,633	(353)	1,580	Mostly cost of breaking loans that were repaid concurrently with the sale of assets.
Equity in earnings (losses) of companies accounted at equity	-	(2,205)	-	(2,205)	(723)	
Income before taxes on income	**2,409**	**57,404**	**9,260**	**37,608**	**148,548**	

Taxes on income	(3,864)	(13,265)	(3,311)	(6,391)	(29,505)	
Reported net income	**(1,455)**	**44,139**	**5,949**	**31,217**	**119,043**	
Net income attributed to:						
Company shareholders	(500)	34,345	7,852	22,646	100,919	
Non-controlling interests	(955)	9,794	(1,903)	8,571	18,124	

7) Financing sources, liquidity and Cash flows

	Six months Ended June 30	**Six months Ended June 30**	**Three months Ended March 31**	**Three months Ended March 31**	**Year ended December 31,**	**Explanation for the change**
	2019	**2018**	**2019**	**2018**	**2018**	
	EUR in thousands					
Cash flows provided by operating activities (Cash flows used in operating activities)	19,458	(100,381)	18,708	18,417	(68,059)	In 2018, real estate purchase costs were included.
Cash flows provided by investing activities (Cash flows used in investing activities)	33,471	(5,453)	38,814	(1,287)	(56,394)	See cash flow statement
Cash flows provided by financing activities (Cash flows used in financing activities)	18,791	81,520	28,149	(10,825)	38,462	

7.1 Access to financing sources – 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 controlling shareholder, ADLER Real Estate ("ADLER") (for further details, see section 8 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"). As of the report publication date, the Company withdrew EUR 44.2 million from the qualifying credit facility such that the unutilized credit facility balance as of the report publication date is EUR 55.8 million.

For further details regarding the Group's financing sources, see Note 11 to the Group's consolidated financial statements for 2018.

For details regarding the transaction for selling part of its income producing real estate assets which was completed on June 2, 2019 which positively affect the Company's cash balances see the Company's immediate reports dated March 23, 2019 and June 2, 2019 (Ref 023952-01-2019 and 054682-01-2019, respectively) which are attached by way of reference **(Asset Sale Transaction A)** and section 8.2 below.

For details regarding the transaction in which the Company has entered to sell another portion of its income producing assets and the Company's estimate, if and when completed, it is expected to have a positive impact on the Company's cash balances, see the Company's immediate report dated June 30, 2019 (Reference # 2019-01- ("**Asset Sale Transaction B**"), and Section 8.3 below.

The Company evaluates its accessibility to financing sources as very high in light of its financial strength, the stability of its core activity, and the good relationships it has created with the banks financing real-estate projects in Germany as well as high accessibility to the capital market in Israel and the Company's high debt rating.

For additional details regarding the refinancing of the Company's loans, see section 8.4 below.

For additional details regarding the Company's compliance with financial covenants and liabilities, see Appendix A of Chapter B of the periodic report for 2018.

7.2 FFO (Funds from Operations)

Calculating FFO – the FFO index is calculated as the net profit (loss) attributed to 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 1.9 of Chapter A of the periodic report for 2018) with certain adjustments for non-operating items, which are affected by the revaluation of the fair value of assets and liabilities. Main adjustments include the fair value of the investment properties, miscellaneous capital profits and losses, miscellaneous amortizations, adjustment of expenses for management and marketing of the residential project in Grafental (since the revenues in respect of 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 reflects more correctly the Company's operating results, without the effect of the development segment and its publication will provide a more correct basis for comparing the Company's operating results in a certain period with prior periods, and will enable the comparison of the operating results with other real-estate companies in Israel and in Europe.

The Company clarifies that the FFO index does not represent cash flows from operating activity according to generally accepted accounting principles, does not reflect cash held by the Company and its ability to distribute it, and 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 the said periods:

	Three months ended June 30 , 2019	Three months ended June 30, 2018	Year ended December 31, 2018
Net profit attributed to the Company's shareholders	7,852	22,646	100,919
Adjustments for net profit:			
A. Adjustments for revaluations			
Increase in the value of investment property and adjustments of liability value relating to investment property	(5,954)	(19,637)	(81,055)
Transaction costs as part of purchasing new assets recognized in profit or loss	-	2,205	-
Revaluation of loans and interest swap transactions at fair value	(5,108)	260	(1,438)
b. adjustments for non cash items			
Cost of share-based payment and changes in capital reserves	-	-	-
Revaluation of loans, indexing and non cash exchange rate differences and hedging transactions	3,361	(831)	(4,640)
Interest component in hedging transactions	151	294	1,055
Deferred tax expenses and taxes for prior years	3,770	4,497	23,895
B. Unique items / new activities / ceased activities / other			
Professional services onetime expenses and others	1,928	395	5,119
Adjustments related to associates and non controlling interests	378	310	1,292
Expenses relating to project management and marketing in connection with the establishment of residential project in Düsseldorf and adjustments in respect of current leasing activity in the project	1,030	1,242	4,651
Adjustments for sale of apartments	627	(2,144)	(12,731)
Total of adjustments to net profit	183	(13,409)	(63,852)
F.F.O	**8,035**	**9,237**	**37,067**

As aforesaid, the FFO in the three months ended June 30, 2019 amounted to approximately EUR 8 million, which represent, after factoring the events that took place in Q2 2019, annualized FFO of EUR 31.2 million.

The Company's estimates set forth above with regard 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, including the state of the commercial real estate market and the residential real estate market in Germany

7.3 EPRA NAV Index – Net Asset Value (EUR in millions)

The EPRA NAV is an index purported to show the net asset value of the 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 assets are held for a 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 respect of apartments under construction that were sold in the Grafental project (stages E and G).

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

The Company clarifies that the EPRA NAV index data do not represent a valuation nor do they represent a substitute to the data contained in the financial statements. It is further clarified that these data are not audited by the Company's auditors.

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

	June 30, 2019	**June 30, 2018**	**December 31, 2018**
Equity attributed to the Company's shareholders	694.1	628.1	694.6
Plus deferred taxes for EPRA adjustments (net of non controlling interest)	96.7	94	104.9
Net of fair value of derivative financial instruments, net (net of non controlling interest)	0.4	0.2	0.2
Plus profits that were not yet recognized in respect of apartments that were sold and are under construction in stages E and G of the residential project	9.1	6.2	7.1
EPRA NAV –Net Asset Value	**800.4**	**728.5**	**806.8**

(8) Material events in the reporting period and thereafter until the publication date of this report

8.1 **<u>Completion of the purchase of the assets from the JV partners</u>** –

As detailed in the immediate report of the Company dated January 29, 2019 (Reference No. 010509-01-2019), which is included herein by way of reference ("ROFO Report"), on January 28, 2019, the Company's Board of Directors approved that the Company will submit proposals to the JV Partners (as defined in the ROFO report) for the acquisition of the share of the JV partners in the relevant JV agreements (as defined in the ROFO report), in accordance with the Company's right to offer the first offer.

In order to carry out the transaction and improve the structure of the transaction, the Company entered into an agreement with ADLER's subsidiary such that ADLER's subsidiary will purchase 10.1% of the rights in the relevant asset companies. Accordingly, on July 1, 2019, the Company completed the purchase of such rights for EUR 64.7 million. For further details, see the Company's Immediate Reports of May 11, 2019, and July 1, 2019 (Reference No. 040008-01-2019 and 056562-01-2019, respectively), which are brought herein by way reference.

8.2 **<u>Completion of the transaction for selling part of the Company's commercial real estate assets (Asset Sale Transaction A as defined above)</u>** - On May 31, the Company completed the Asset Sale Transaction A. For further details regarding such transaction and completion, see the Company's immediate reports of March 23, 2019 and June 2, 2019 (Reference No. 023952-01-2019 and 054682-01-2019, respectively), which are brought herein by way of reference. As a result of the aforementioned contract, the Company recognized a loss of EUR 2.3million as a result of the difference between the proceeds of the sale, less transaction costs, and the value of assets and liabilities presented in the Company's reports; (transaction costs amounted to EUR 6.4 million). The loss was recognized in the Company's financial statements as part of changes in the fair value of investment property, net. In addition, the Company recognized a loss of approximately EUR 7.2 million as part of changes in the fair value of loans, as a result of the cost of breaking bank loans repaid upon completion of the transaction. (For further details regarding such loans, see Section 4 of the Company's immediate report dated March 23, 2019 referred to in this Section.) The Company's investment balance in these assets amounting to EUR 6.5 million (10.1% of the Company's capital) is presented under Investment in a non-marketable financial asset measured at fair value.

8.3. **<u>Entering into a transaction for selling an additional portion of the Company's commercial real estate assets (Asset Sale Transaction A as defined above)</u>** - On June 28, 2019, the Company entered into a transaction to sell additional assets from the Company's commercial income-producing real estate. For further details regarding such transaction, see the Company's immediate report of June 30, 2019 (Reference No. 055230-01-2019), 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 a 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 the Company is expected to bear mainly due to estimated transaction costs and estimated costs of repairs agreed with the property buyer; The loss was recognized in the Company's financial statements as part of changes in the fair value of investment property, net, and as part of the tax benefit item (income taxes).

8.4 **Refinancing** - during January 2019, the Company through sub -subsidiaries entered into a refinancing transaction with a German bank for 16 non-recourse loans in a total amount of EUR 205 million taken from the same German banking corporation entered into force in April 2019 under the following conditions:

	New conditions	Previous conditions
Loan amount	EUR 205 million	Final repayment date
Final repayment date	9.84 years	3.78 weighted average
Weighted interest rate per year	1.73% - 1.88% where all loans are at fixed interest	1.29% - weighted, according to the previous conditions a loan of EUR 157 million bore fixed interest and a loan of EUR 48 million bore variable interest
Current principal rate per year	2.5%	2% - 2.5%

The loans are not subject to financial covenants for the loans and the remaining asset balance used as collateral for these loans amounted to EUR 498.8 million.

Receiving a loan from the controlling shareholder - On May 9, 2019, the Company's audit committee and Board of directors approved to obtain a credit facility of up to EUR 100 million from ADLER, the controlling shareholder of the Company. For further details regarding said loan and its conditions see the Company's immediate report dated May 11, 2019 (Ref. 040008-01-2019) which is included herein by way of reference. For further details regarding the transaction approval manner, see the Company's immediate report of July 14, 2019 (Reference No. 060426-01-2019), which is hereby included by way of reference.

8.5 **Bond Repayment** - For further details regarding the repayment of the bonds' principal (Series A and Series C), see the Company's immediate reports of July 15, 2019 and July 19, 2019 (reference no. 060687-01-2019 and 062643-01-2019, respectively).

8.6 **Interim agreement with a performing contractor** - further to Note 17a(5) to the Company's financial statements, during June 2019, the Company reached an interim agreement with the performing contractor, under which the Company made a provision for an additional € 1.6 million (paid in early July 2019 which were recorded in cost of sales in the reported period). In addition, there are monetary demands of the contractor amounting to € 3 million, against which the Company has counter-claims as stated in the above note.

Part B – Disclosure Provisions in Regard to the Corporation's Financial Reporting

(9) Disclosure on material and very material valuations and material appraisers

The valuation of a very material investment property (a residential portfolio in Leipzig) is attached to this periodic report as a very material valuation.. The following is a summary of the data regarding these valuations:

Identification of the valuation subject	Valuation timing (validation date)	The value of the valuation subject before the valuation date (assuming the accepted accounting principles, including depreciation and amortizations would not have required the change of its value according to the valuation) (EUR in thousands)	Value of the valuation subject as determined according to its value (Euro in thousands)	Identification of the appraiser and its characteristics including education, experience in performing valuations for accounting purposes in reporting corporations in scopes similar to the reported valuation or exceeding these scopes and the dependency upon the party who ordered the valuation including reference to indemnification agreements with the appraiser	The valuation model used by the appraiser	The assumptions under which the appraiser performed the valuation according to the valuation model				
						Capitalization rate – Exit Cap rate	long term inflation rate	Terminal rate	Prices used as a basis for comparison	Number of comparison bases.
Residential portfolio in Leipzig [15]	Signing date – August 12, 2019 Validation date –June 30, 2019	211,670	223,090	Savills Drazenco Grahovac (MRICS) Klaus Trautner (MRICS/CIS HypZert) Independent appraisers with experience in appraising assets with a similar scope. No indemnification agreement other than an indemnification regarding liabilities deriving from incorrect or inaccurate information delivered to him by the Company	DCF	4.46%	2.0%	274,967	Comparable transactions with price per square meter to assets with similar characteristics	Various databases mainly: Land valuation board Leipzig (Gutachterausschuss) online Emprica database database online RIWIS Savills research

[15]It should be noted that the Company's share in the property is 68%, prior to Promote mechanism adjustment

It should be noted that the appraisers of the Company's assets are Savills. As of June 30, 2019, the rate of assets assessed by them constitutes 100% of the value of the assets in the Company's balance sheet and the identity of the organ in the corporation that decided on such engagement is the Company's Board of Directors. Savills are independent of the Company. It should be noted that to the best of the Company's knowledge, Savills carried out prior valuations for ADLER, the Company's controlling shareholder, for all of the Company's assets and for ADLER's assets not held by the Company. For more details, see a reference in the Leipzig valuation, which is attached to this report.

Additional clarifications in connection with the valuation:

Over the last few years and up to the second quarter of 2018 (inclusive), valuations carried out by JLL. After acquiring control of the company and for preparing the financial statements for 2018, JLL was replaced by Savills, one of the world's leading real estate agencies.

In the valuation conducted by Savills for 2018, an insignificant increase in the value of the property in the amount of EUR 6 million was recorded (approximately 3% of the value of the property) compared to the valuation of JLL that was conducted for the purpose of financial statements as of June 30, 2018. (In the valuation of Savills that was prepared for the purpose of the current reports and attached to these reports, an increase of approximately € 11.4 million was recorded (5.4% of the value of the property) in the value of the property compared to the valuation for 2018).

The two appraisal firms (Savills and JLL) used the discounted cash flow approach to estimate the value of the property. Appraisals using this approach have key parameters that supplement each other – (discount rates and cap rates) and the relation between them and expected representative rental fees.

Generally, it could be said that the current appraiser (Savills) assumed lower cash flows from the property, which were reflected at projected lower income and expense levels, amounting in representative NOI of € 7.9 million at the end of the representative year (€ 4.5 per square meter per month), compared to JLL which assumed higher levels, amounting in representative NOI of € 11.2 million at the end of the representative year (€ 6.36 per square meter per month), on the other hand, Savills assumed lower discount rate than JLL, 4.38% compared to 5.4% (in JLL's latest valuation as of June 30, 2018) and on the other hand, the cap rate (Cap rate) is higher by 4.78%, compared to 3.9%.

For the purpose of the June 2019 valuation, Savills assumed discount rates and Cap Rate at levels of 4.71% and 4.46%, respectively.

These differences reflect the main gaps in approaches between Savills and JLL when referring to the key parameters in the valuation.

It should be stressed that despite the differences in approaches between the appraisers, the final result is similar, in addition, data on comparative transactions presented in the appraisals as well as independent tests conducted by the company on the value of assets by using income multiples and average prices per meter in comparative transactions (based on information obtained from appraisers) have yielded similar results to the results obtained in the appraisals in all periods.

Part C – Specific Disclosure for Bond Holders

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

	Bonds (Series A)	**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 30.6.2019 (thousands NIS)	114,400	190,000	150,372
Linked par value as at 30.6.2019 (thousands NIS)	122,259	195,114	152,311
Sum of cumulative interest plus linkage differentials (thousands NIS) as at 30.6.2019	2,707	-	2,235

Value in financial statements as at 30.6.2019 including interest payable (thousands NIS)	124,522	193,855	153,632
	128,036	214,510	173,545

Value at the stock exchange as at 30.6.2019 (thousands NIS)			
Type and rate of interest	4.8% (annual, linked, fixed rate), subject to adjustments in cases of changes in the rating of the bonds (Series A) and/or non compliance with the financial covenants 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 cases of changes in the rating of the bonds (Series B) and/or non compliance with the financial covenants 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 cases of changes in the rating of the bonds (Series C) and/or non compliance with the financial covenants specified in Sections 2.8.4.12 and 2.8.4.13 of the shelf prospectus
Dates of paying principal	Payable in 7 annual installments on July 14 of each of the years 2014 to 2020 (inclusive) such that each of the first six installments will constitute 14.28% of the principal of the total par value of the bonds (Series A), and the last installment will constitute 14.32% of the total par value of bonds (Series A).	Payable in 12 unequal annual installments on December 31 of each of the years 2013 to 2024 (inclusive) such that each of the first seven installments will constitute 4% of the principal of the total par value of the bonds (Series B), and each of the last five installments will constitute 14.4% of the principal of the total par value of bonds (Series B); the first principal payment will be on December 31, 2013.	Payable in 12 unequal annual installments on July 20 of each of the years 2015 to 2026 (inclusive) such that each of the first nine installments 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 last two installments will constitute 32.5% of the principal of the total par value of bonds (Series C); the first principal payment will be on July 20, 2015.
Dates of paying interest	Payable on July 14 and January 14 of each of the years 2011 to 2020	Payable on December 31 and June 30 of each of the years 2013 to 2024	Payable on January 20 and July 20 of each of the years 2015 to 2026

	(inclusive).	(inclusive) effective December 31, 2013. The last interest installment will be paid on December 31, 2024.	(inclusive) effective January 20, 2015. The last interest installment 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), everything 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), everything 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), everything 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

11. Rating

On March 25, 2019, Maalot S & P announced the ratification of the rating (ilAA- / stable) (reference no .: 024789- 01- 2019 and 02612-15-2019)

12. 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 the terms and liabilities according to the deeds of trust[16], including as at the end of the Report Period the Company complied with all the financial covenants prescribed in the deed of trust of February 24, 2011 (as amended on October 30, 2012 and January 29, 2017) between the Company and Reznik Paz Nevo Trust Ltd, the trustee for the bond holders (series A) 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) (the trustee and the deeds of trust, respectively) including the following financial covenants:

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

The Company's equity, which is attributed to the majority shareholders as at the Report Period, namely, as of June 30, 2019, is EUR 694.1 million.

The financial debt, net, according to solo reports of the Company as of the same date is EUR 26.9 thousand.

Therefore, the ratio of the Company's equity to the financial debt, net, according to solo reports as of the end of the Report Period, namely, as of June 30, 2019, is approximately 2,581%.

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 were 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 June 30, 2019– 943,804 shares.

The total issued share capital of BGP as of June 30, 2019 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 June 30, 2019– 47.7%.

[16] as to the issue of the existence of grounds for calling for immediate repayment of the bonds (series A B and C) for change in control in the Company and the resolution of the bondholders (series A B and C) to grant a waiver regarding such grounds which was established see section 5 below.

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

BGP's equity which is attributed to its shareholders, as appears in the Company's financial statements as of June 30, 2019 – EUR 727,695 thousand.

The EUR/NIS representative exchange rate known, as of the signing date of the report as published by the Bank of Israel - NIS 3.9008

The value of the charged shares – NIS 1,354,258 thousand.

Net debt – NIS 124,966 thousand.

Accordingly ,the ratio between the charged share value to net debt, as of the end of the Report Period, is approximately 1,084% and therefore, the Company meets this ratio as well.

<u>With respect to the bond holders (Series B):</u>

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

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

The number of charged shares of BGP as of June 30, 2019 – 640,027.

The total issued share capital of BGP as of June 30, 2019 and the signing date of the report - 1,978,261.

The rate of charged shares out of the issued capital share of BGP as of June 30, 2019 – 32.4%.

BGP's equity which is attributed to its shareholders, as appears in the Company's financial statements as of June 30, 2019 – EUR 727,695 thousand.

The EUR/NIS representative exchange rate known, as of the signing date of the report, as published by the Bank of Israel – NIS 3.9008

The value of the charged shares – NIS 918,370 thousand.

Net debt – NIS 195,114 thousand.

Accordingly ,the ratio between the charged share value to net debt, as of the end of the Report Period, is approximately 471% and therefore, the Company meets this ratio as well.

<u>With respect to the bond holders (Series C):</u>

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

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

The number of charged shares of BGP as of June 30, 2019: 394,430.

The total issued share capital of BGP as of June 30, 2019 and the signing date of the report - 1,978,261 .

The rate of charged shares out of the issued capital share of BGP as of June 30, 2019 - 19.9%

BGP's equity which is attributed to its shareholders, as appears in the Company's financial statements as of June 30, 2019 – EUR 727,695 thousand.

The EUR/NIS representative exchange rate known, as of the signing date of the report, as published by the Bank of Israel - NIS 3.9008

The value of the charged shares – NIS 565,965 thousand.

Net debt – NIS 156,484 thousand.

Accordingly ,the ratio between the charged share value to net debt, as at the end of the Report Period, is approximately 362% and 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 the series B and C deeds of trust- equity shall not fall below EUR 150 million and EUR 190 million, respectively, whereas as of the report date, the equity attributed to the majority shareholders is EUR 694.1 million.

b. **Restrictions on dividend distribution -** under series A deed of trust- not to distribute dividends and/or distribute equity to its shareholders and/or repurchase its treasury shares or of 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 694.1 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 694.1 million and the debt ratio to CAP is 42.54% (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 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):

Financial liabilities according to solo reports	114,995
Financial liabilities of the subsidiaries	585,342
Net of cash, cash equivalents and deposits	103,917
Net of debt in respect of inventory of apartments under construction	4,885
Net financial debt – consolidated	591,535
CAP[18]	
Equity including non controlling interests	799,005
Net financial debt, consolidated	591,535
CAP	1,390,540

Therefore ,**this ratio is 42.54%** whereas according to the deeds of trust such ratio should be lower than 90% for Series A and lower than 75% for Series B and C.

[18]Total equity and debt (CAP) – "the net consolidated financial debt" in addition to all the items below: a) the Company's equity (including minority interests) as stated in the audited or reviewed consolidated statements of the Company; b) the Company's deferred loan balance (as defined below); and – c) impairments recorded in the consolidated financial statements (as far as recorded) in respect of 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 it will issue, according to the shelf prospectus and which cannot be repaid (principal and/or interest) throughout the term of the aforementioned bonds.

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

The following are 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 date of issuing the report see chapter A of the periodic report for 2018.

14. Attaching the financial statements of BGP

According to legal position No 103-29 of the Securities Authority" ("due diligence findings with respect to disclosure regarding securities and/or liens granted 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, as the case may be, 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, 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 part of the assets and the bonds issued by the Company on the liabilities' part (as reflected in the Company's solo reports), and 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 does not attach separate financial statements of the pledged investee company.

The following are data as of June 30, 2019 and June 30, 2018 with respect to the assets and liabilities of the Group which are not included in the consolidated statements of the pledged investee company compared to the assets and liabilities of the pledged investee and the total consolidated balance sheet:

Data as of June 30, 2019 (EUR in thousands)	The Company Consolidated	Assets/liabilities In the pledged investee company	Assets/liabilities In unpledged companies
Total assets	1,760,029	1,631,172	128,857
Current assets and held for sale	288,856	194,175	* 94,681
Noncurrent assets	1,471,173	1,436,997	34,176
Total liabilities	961,024	798,616	162,408
Current liabilities and held for sale	218,281	196,771	** 21,510
Noncurrent liabilities	742,743	601,845	*** 140,898
Non- controlling interests	104,861	104,861	-
Total equity	694,144	727,695	(33,551)
Rate of assets out of the total assets in the balance sheet	100%	93%	7%
Rate of liabilities out of the total liabilities in the balance sheet	100%	83%	17%
Rate of equity out of the total equity in the balance sheet	100%	105%	(5%)

*) 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 and the loan received from the controlling shareholder.

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

August 12, 2019

BRACK CAPITAL PROPERTIES NV

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2019

UNAUDITED

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IN THOUSANDS OF EUROS

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Auditor Review Report to the Shareholders of Brack Capital Properties NV

Introduction

We have reviewed the accompanying financial information of Brack Capital Properties NV and its subsidiaries (hereinafter – the Group), which includes the interim condensed consolidated statement of financial position as of June 30, 2019 and the interim condensed statements of profit or loss and other comprehensive income, changes of equity and cash flows for the six- and three-month periods then ended. The Board of Directors and Management are responsible for preparing and presenting financial information for these interim periods in accordance with IAS 34, Interim Financial Reporting, and are responsible for preparing financial information for these interim periods in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express our conclusions with regard to the financial information for these interim periods, based on our review.

Scope of the Review

We conducted our review in accordance with Review Standard 1 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.

Ariel Sharon 4, Hashachar Tower, Givataim
טל: 03-6123939 פקס: 03-6125030 e-mail: office@ahcpa.co.il www.ahcpa.co.il

Conclusion

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

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

August 12, 2019 Amit, Halfon, CPAs

Ariel Sharon 4, Hashachar Tower, Givataim
טל: 03-6123939 פקס: 03-6125030 e-mail: office@ahcpa.co.il www.ahcpa.co.il

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30,		December 31,
	2019	2018	2018
	Unaudited		Audited
	€ in thousands		
Current Assets			
Cash and cash equivalents	98,858	88,815	27,138
Balances receivable from banks	416	407	414
Restricted deposits, financial assets and other receivables	28,511	15,151	21,249
Income receivable from the sale of apartments	375	5,689	4,474
Tenants and trade receivables, net	55	3,183	1,523
Inventory of buildings under construction	31,002	24,531	25,496
	159,217	137,776	80,294
Asset of disposal group held for sale	129,639	-	-
Non-Current Assets			
Investments in companies measured at equity	8,798	6,313	7,698
Investments in financial assets measured at fair value through profit or loss	40,298	-	37,019
Inventory of real estate	225,596	215,536	216,061
Investment property – real estate rights	65,265	65,336	64,683
Investment property – income generating assets	1,120,265	1,333,267	1,410,282
Restricted deposits for investments in assets	5,856	6,773	5,381
Other accounts receivable, fixed assets and other financial assets	3,087	361	426
Deferred taxes	2,008	1,246	1,231
	1,471,173	1,628,832	1,742,781
	1,760,029	1,766,608	1,823,075

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2019	June 30, 2018	December 31, 2018
	Unaudited	Unaudited	Audited
	€ in thousands		
Current Liabilities			
Current maturities of loans from banks	87,842	89,943	101,485
Current maturities of debentures	18,297	17,159	17,066
Loans for financing inventory of buildings under construction	4,885	-	2,098
Current maturities of other financial liabilities	306	1,530	-
Accounts payable and other financial liabilities	23,139	24,648	30,066
Advances from apartment purchasers	3,884	1,858	841
	138,353	135,138	151,556
Liabilities of disposal group held for sale	79,928	-	-
Non-Current Liabilities			
Loans from banks and others	492,615	687,381	659,614
Loans from controlling shareholder	44,200		
Debentures	96,698	108,021	90,349
Leasing liabilities	3,041	3,095	3,041
Other financial liabilities	645	1,058	384
Deferred taxes	105,544	104,544	117,671
	742,743	904,099	871,059
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	1,512
Statutory capital reserve	349,872	335,468	378,756
Retained earnings	199,192	147,522	170,808
Total equity attributable to Company shareholders	694,144	628,070	694,644
Non-controlling interests	104,861	99,301	105,816
Total equity	799,005	727,371	800,460
	1,760,029	1,766,608	1,823,075

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

August 12, 2019			
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

	Six months ended June 30,		Three months ended June 30		Year ended December 31
	2019	2018	2019	2018	2018
	Unaudited				Audited
	€ in thousands (except for net earnings per share data)				
Revenues from rental of properties	39,125	39,430	19,108	19,668	79,168
Revenues from property management and others	13,263	13,443	6,743	6,869	26,980
Property management expenses	(13,258)	(13,361)	(6,744)	(6,803)	(27,870)
Cost of maintenance of rental properties	(6,070)	(5,567)	(3,083)	(2,688)	(12,717)
Rental and management revenues, net	33,060	33,945	16,024	17,046	65,561
Revenues from sale of apartments	13,010	29,413	6,251	10,838	62,753
Cost of sale of apartments	(12,134)	(22,491)	(6,987)	(8,316)	(47,771)
Gain (loss) from sale of apartments	876	6,922	(736)	2,522	14,982
Administrative and general expenses	(7,606)	(6,841)	(4,603)	(2,759)	(12,520)
Administrative and general expenses attributed to inventory of apartments under construction and real estate inventory	(1,016)	(1,247)	(456)	(440)	(2,329)
Selling and marketing expenses	(215)	(226)	(130)	(132)	(365)
Operating profit before change in value of investment property	25,099	32,553	10,099	16,237	65,329
Increase in value of investment property, net	3,920	33,300	4,314	27,775	95,499
Operating income	29,019	65,853	14,413	44,012	160,828
Financial expenses excluding the effect of exchange differences index and currency hedging transactions	(9,564)	(9,828)	(5,151)	(5,213)	(19,646)
Effect of exchange differences, CPI and currency hedging transactions, net	(6,000)	4,187	(2,635)	1,367	6,509
Change in value of financial instruments loans and others (including early repayment costs of loans)	(11,046)	(603)	2,633	(353)	1,580
Equity in losses of companies accounted at equity method of accounting	-	(2,205)	-	(2,205)	(723)
Income before taxes on income	2,409	57,404	9,260	37,608	148,548
Tax expenses	(3,864)	(13,265)	(3,311)	(6,391)	(29,505)
Net income (loss) for the period	(1,455)	44,139	5,949	31,217	119,043
Other comprehensive income	-	-	-	-	-
Total comprehensive income (loss) for the period	(1,455)	44,139	5,949	31,217	119,043
Net income (loss) and comprehensive income attributable to:					
Company shareholders	(500)	34,345	7,852	22,646	100,919
Non-controlling interests	(955)	9,794	(1,903)	8,571	18,124
	(1,455)	44,139	5,949	31,217	119,043
Net earnings (loss) per share attributable to the Company's shareholders (in Euro)					
Basic and diluted net income (loss)	(0.06)	4.44	1.02	2.93	13.05

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
Net and comprehensive loss	-	-	-	-	-	(500)	(500)	(955)	(1,455)
Total comprehensive loss	-	-	-	-	-	(500)	(500)	(955)	(1,455)
Classification as per provisions of Dutch law	-	-	-	-	(28,884)	28,884	-	-	-
Balance as of June 30, 2019 (Unaudited)	77	144,237	(746)	1,512	349,872	199,192	694,144	104,861	799,005

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 December 31, 2017 – as previously reported (audited)	77	144,237	(746)	2,322	319,337	125,941	591,168	107,402	698,570
Effect of initial adoption of IFRS 15	-	-	-	-	-	3,367	3,367	690	4,057
Balance as of January 1, 2018 (audited)	77	144,237	(746)	2,322	319,337	129,308	594,535	108,092	702,627
Net income and comprehensive income	-	-	-	-	-	34,345	34,345	9,794	44,139
Total comprehensive income	-	-	-	-	-	34,345	34,345	9,794	44,139
Classification as per provisions of Dutch law	-	-	-	-	16,131	(16,131)	-	-	-
Purchase of rights from non-controlling interests	-	-	-	(810)	-	-	(810)	(2,160)	(2,970)
Distribution and payment to non controlling interests	-	-	-	-	-	-	-	(16,425)	(16,425)
Balance as of June 30, 2018 (unaudited)	77	144,237	(746)	1,512	335,468	147,522	628,070	99,301	727,371

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

CONDENSED INTERIM 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 April 1, 2019 (Unaudited)	77	144,237	(746)	1,512	379,154	162,058	686,292	106,764	793,056
Net income (loss) and comprehensive income	-	-	-	-	-	7,852	7,852	(1,903)	5,949
Total comprehensive income (loss)	-	-	-	-	-	7,852	7,852	(1,903)	5,949
Classification as per provisions of Dutch law	-	-	-	-	(29,282)	29,282	-	-	-
Balance as of June 30, 2019 (unaudited)	77	144,237	(746)	1,512	349,872	199,192	694,144	104,861	799,005

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

CONDENSED INTERIM 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 April 1, 2018 (Unaudited)	77	144,237	(746)	1,512	326,111	134,233	605,424	96,098	701,522
Net income and comprehensive income	-	-	-	-	-	22,646	22,646	8,571	31,217
Total comprehensive income	-	-	-	-	-	22,646	22,646	8,571	31,217
Classification as per provisions of Dutch law	-	-	-	-	9,357	(9,357)	-	-	-
Distribution to non-controlling interests	-	-	-	-	-	-	-	(5,368)	(5,368)
Balance as of June 30, 2018 (unaudited)	77	144,237	(746)	1,512	335,468	147,522	628,070	99,301	727,371

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

CONDENSED INTERIM 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 December 31, 2017 – as previously reported (audited)	77	144,237	(746)	2,322	319,337	125,941	591,168	107,402	698,570
Effect of initial adoption of IFRS 15	-	-	-	-	-	3,367	3,367	690	4,057
Balance as of January 1, 2018 (audited)	77	144,237	(746)	2,322	319,337	129,308	594,535	108,092	702,627
Net income and comprehensive income	-	-	-	-	-	100,919	100,919	18,124	119,043
Total comprehensive income	-	-	-	-	-	100,919	100,919	18,124	119,043
Classification as per provisions of Dutch law, net	-	-	-	-	59,419	(59,419)	-	-	-
Purchase of rights from non-controlling interests	-	-	-	(810)	-	-	(810)	(2,489)	(3,299)
Distribution and payment to non-controlling interests	-	-	-	-	-	-	-	(17,911)	(17,911)
Balance as of December 31, 2018 (audited)	77	144,237	(746)	1,512	378,756	170,808	694,644	105,816	800,460

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30, 2019	Six months ended June 30, 2018	Three months ended June 30, 2019	Three months ended June 30, 2018	Year ended December 31, 2018
	Unaudited				Audited
	€ in thousands				
Cash flows from operating activities					
Net income (loss) for the period	(1,455)	44,139	5,949	31,217	119,043
Adjustments to reconcile net income to net cash provided by operating activities:					
Adjustments to profit and loss:					
Depreciation	52	42	22	12	75
Financial expenses, net	24,156	5,401	7,312	4,622	16,322
Decrease (Increase) in value of financial instruments	2,572	-	(2,325)	-	(5,693)
Decrease (Increase) in value of investment property, net	(3,920)	(33,300)	(4,314)	(27,775)	(96,912)
Deferred taxes, net	6,608	5,487	4,125	(273)	18,491
Equity in losses of companies accounted at equity	-	2,205	-	2,205	723
	29,468	(20,165)	4,820	(21,209)	(66,994)
Cash flows from operating activities before changes in asset and liability items	28,013	23,974	10,769	10,008	52,049
Changes in asset and liability items:					
Decrease (increase) in tenants, restricted deposits and other receivables and related parties	9,550	(3,963)	9,244	(354)	(1,294)
Increase (decrease) in accounts payable	(9,987)	2,807	(1,550)	4,808	6,769
	(437)	(1,156)	7,694	4,454	5,475
Net cash provided by operating activities before activity in real estate assets and liabilities	27,576	22,818	18,463	14,462	57,524
Change in advances from apartment purchasers and income receivable	3,043	3,652	3,571	8,172	2,635
Decrease (increase) in inventory of buildings under construction and real estate inventory	(16,233)	1,709	(8,398)	(4,217)	405
Net cash provided by operating activity before the purchase of long term inventory	14,386	28,179	13,636	18,417	60,564
Purchase of long term inventory of lands	-	(128,560)	-	-	(128,623)
Net cash provided by (used in) operating activities	14,386	(100,381)	13,636	18,417	(68,059)

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2019	2018	2019	2018	2018
	Unaudited				Audited
	€ in thousands				
Cash Flows from investing activities					
Investment in investment property	(8,489)	(10,698)	(3,721)	(6,871)	(23,446)
Investment in companies measured at equity	(1,100)	(200)	(501)	-	(103)
Investment in marketable financial asset measured at fair value through profit or loss	-		-	-	(35,000)
Proceeds from sale of investment property	-	11,900	-	11,900	11,900
Proceeds from sale of subsidiaries (a)	64,094	-	64,094	-	-
Withdrawal (placement) of restricted deposits, prepaid transaction costs and withdrawal (placement) of long-term deposits in banks, net	(15,962)	(6,692)	(15,986)	(6,791)	(9,982)
Interest received and sale of derivatives	-	237	-	475	237
Net cash provided by (used in) investing activities	38,543	(5,453)	43,886	(1,287)	(56,394)
Cash flows from financing activities					
Interest paid	(8,735)	(8,678)	(4,432)	(4,375)	(17,701)
Distribution and payment to non- controlling interests	-	(16,425)	-	(5,368)	(17,911)
Receipt of long-term bank loans, net (*)	211,428	195,485	211,428	56,502	197,772
Receipt of long term loans from controlling shareholder, net	44,200		44,200	-	-
Repayment of debentures	-	-	-	-	(17,309)
Repayment of long-term loans, net	(228,102)	(85,892)	(223,047)	(57,584)	(103,090)
Purchase of rights from non controlling interests	-	(2,970)	-	-	(3,299)
Net cash provided by (used in) financing activities	18,791	81,520	28,149	(10,825)	38,462
Change in cash and cash equivalents	71,720	(24,314)	85,671	6,305	(85,991)
Balance of cash and cash equivalents at the beginning of the period	27,138	113,129	13,187	82,510	113,129
Balance of cash and cash equivalents at the end of the period	98,858	88,815	98,858	88,815	27,138

*) See note 5(2) regarding refinancing for 16 non-recourse loans.

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2019	2018	2019	2018	2018
	Unaudited				Audited
	€ in thousands				
Additional information					
(a) Proceeds from sale of previously consolidated subsidiaries					
Assets and liabilities of the subsidiaries as of the date of sale:					
Investment property	180,603	-	180,603	-	-
Working capital (except cash and cash equivalents)	663	-	663	-	-
Loans from banks, net	(97,754)	-	(97,754)	-	-
investment balance in previously consolidated subsidiaries	(6,494)	-	(6,494)	-	-
Deferred taxes, net	(12,924)	-	(12,924)	-	-
	64,094	-	64,094	-	-
(b) Taxes paid	8,103	2,625	1,452	545	4,357

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

Note 1: - General

a. General description of the Company and its activity

Brack Capital Properties N.V (the Company) was incorporated in June 2006 and is a real estate company residing in the Netherlands engaging through investees in the purchase and management of investment property in Germany 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.

In 2010, the Company issued shares through IPO 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.

b. These Financial Statements have been prepared in a condensed format as of June 30, 2019 and for the six and three month periods then ended (hereinafter – the Consolidated Interim Financial Statements). These Statements should be read in conjunction with the annual financial statements as of December 31, 2018 and for the year then ended and the accompanying notes (the consolidated annual financial statements).

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. The significant accounting policies and calculation methods implemented in preparing the Interim Consolidated Financial Statements are consistent with those implemented in preparing the consolidated annual Financial Statements other than what is stated below.

Note 2: - **Significant accounting policies (Cont.)**

IFRS 16, "Leases":

In January 2016, the IASB issued IFRS 16, "Leases" ("the new Standard"). According to the new Standard, a lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration. The Standard came into effect effective from January 1, 2019.

The effects of the adoption of the new Standard are as follows:

- Lessees are required to recognize an asset and a corresponding liability in the statement of financial position in respect of all leases (except in certain cases, see below) similar to the accounting treatment of finance leases according to the existing IAS 17, "Leases".

  Lessees are required to initially recognize a lease liability for the obligation to make lease payments and a corresponding right-of-use asset. Lessees will also recognize interest and depreciation expense separately.

- Variable lease payments that are not dependent on changes in the Consumer Price Index ("CPI") or interest rates, but are based on performance or use (such as a percentage of revenues) are recognized as an expense by the lessees as incurred and recognized as income by the lessors as earned.

- In the event of change in variable lease payments that are CPI-linked, lessees are required to remeasure the lease liability and the effect of the remeasurement is an adjustment to the carrying amount of the right-of-use asset.

- The accounting treatment by lessors remains substantially unchanged, namely classification of a lease as a finance lease or an operating lease.

- The new Standard includes two exceptions according to which lessees are permitted to elect to apply a method similar to the current accounting treatment for operating leases. These exceptions are leases for which the underlying asset is of low value and leases with a term of up to one year.

IFRIC 23, "Uncertainty over Income Tax Treatments":

Effective from January 1, 2019 the Company adopts IFRIC 23, "Uncertainty over Income Tax Treatments" ("the Interpretation"). The Interpretation clarifies the rules of recognition and measurement of assets or liabilities in keeping with the provisions of IAS 12, "Taxes on Income", in situations of uncertainty involving taxes on income. The Interpretation provides guidance for determining whether some tax treatments should be considered collectively, addresses the position of the tax authorities, measures the implications of uncertainty involving income taxes on the financial statements and prescribes the accounting treatment of changes in facts and circumstances underlying the uncertainty.

The initial adoption of the interpretation did not have a material impact on the financial statements.

Note 2: - Significant accounting policies (Cont.)

Amendment to IAS 28, "Investments in Associates and Joint Ventures":

Effective from January 1, 2019 the Company adopts the amendment to IAS 28, "Investments in Associates and Joint Ventures" ("the Amendment"). The Amendment clarifies that long-term interests in associates and joint ventures (such as loans receivable or investments in preferred shares) which form part of the net investment in an associate or joint venture are initially be accounted for according to the provisions of IFRS 9 (both regarding measurement and impairment) and subsequently those interests are subject to the provisions of IAS 28. In view of the provisions of the amendment the application of the "layers method" as reflected in the accounting enforcement resolution 11-2 of ISA is no longer relevant.

The initial adoption of the standard did not have a material impact 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 shown in the financial statements not at their fair value:

	June 30, 2019		June 30, 2018		December 31, 2018	
	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	116,212	127,066	126,650	138,416	108,555	115,940

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.

Note 3: - Financial instruments (Cont.)

b. Financial instruments measured at fair value

Classification of the financial instruments according to fair value hierarchy

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

	June 30, 2019		
	Level 1	Level 2	Level 3
		Unaudited	
		€ in thousands	
Assets:			
Investments in marketable financial assets	33,804	6,494	
Foreign currency forward contracts– dollar	879	-	-
Liabilities:			
Interest swap agreements	-	(952)	-

	June 30, 2018		
	Level 1	Level 2	Level 3
		Unaudited	
		€ in thousands	
Liabilities:			
Foreign currency forward contracts– dollar	(2,076)	-	-
Interest swap agreements	-	(513)	-

Note 3: - **Financial instruments (Cont.)**

b. Financial instruments measured at fair value (Cont.)

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:

	December 31, 2018		
	Level 1	Level 2	Level 3
	€ in thousands		
Assets:			
Investment in marketable financial asset	37,019	-	-
Liabilities:			
Foreign currency forward contracts – dollar	(363)	-	-
Interest swap agreements	-	(460)	-

Note 3: - Financial instruments (Cont.)

c. Valuation techniques

The following methods and assumptions were used to estimate 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.
- The fair value of short term bank credit is based on calculating the discounted cash flows using the credit actually observed of the euribor rate plus a margin.

d. The following describes unobservable material data in active market 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 € 3.7 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 Six-Month Period Ended June 30, 2019 (Unaudited)					
Revenues from sale of apartments	-	-	-	13,010	13,010
Cost of sale of apartments	-	-	-	(12,134)	(12,134)
Gain from sale of apartments	-	-	-	876	876
Revenues from property rental	14,210	24,846	69	-	39,125
Revenues from property management and others	3,051	10,182	30	-	13,263
Property management expenses	(3,078)	(10,159)	(21)	-	(13,258)
Rental property maintenance expenses	(1,812)	(4,175)	(83)	-	(6,070)
Total rental and management revenues, net	12,371	20,694	(5)	-	33,060
Administrative and general expenses					(7,606)
Selling and marketing expenses and administrative and general expenses attributed to inventory of buildings under construction and inventory of real estate	-	-	-	(1,231)	(1,231)
Increase (decrease) in value of investment property, net	(20,386)	24,502	(196)	-	3,920
Financial expenses, net					(26,610)
Income before taxes on income					2,409

(*) As to assets designated for sale and assets realized in the reported period see Note 5(3) and 5(5).

Note 4: - Operating Segments (cont.)

	Income-Generating Commercial Real Estate (*)	Income-Generating Residential Real Estate	Land for Betterment	Residential development	Total
			€ in thousands		
For the Six-Month Period Ended June 30, 2018 (Unaudited)					
Revenues from sale of apartments	-	-	-	29,413	29,413
Cost of sale of apartments	-	-	-	(22,491)	(22,491)
Gain from sale of apartments	-	-	-	6,922	6,922
Revenues from property rental	15,094	24,248	88	-	39,430
Revenues from property management and others	2,633	10,733	77	-	13,443
Property management expenses	2,633	10,733	(71)	-	(13,361)
Rental property maintenance expenses	(1,793)	(3,680)	(94)	-	(5,567)
Total rental and management revenues, net	13,303	20,642	-	-	33,945
Administrative and general expenses					(6,841)
Selling and marketing expenses and administrative and general expenses attributed to inventory of buildings under construction and inventory of real estate	-	-	-	(1,473)	(1,473)
Increase in value of investment property, net	1,622	37,293	(5,615)	-	33,300
Financial expenses, net					(6,244)
Equity in losses of companies accounted at equity method of accounting	(2,205) -	-	-	-	(2,205)
Income before taxes on income					57,404

Note 4: - Operating Segments (cont.)

	Income-Generating Commercial Real Estate (*)	Income-Generating Residential Real Estate	Land for Betterment	Residential development	Total
			€ in thousands		
For the Three-Month Period Ended June 30, 2019 (Unaudited)					
Revenues from sale of apartments	-	-	-	6,251	6,251
Cost of sale of apartments	-	-	-	(6,987)	(6,987)
Loss from sale of apartments	-	-	-	(736)	(736)
Revenues from property rental	6,672	12,412	24	-	19,108
Revenues from property management and others	1,685	5,043	15	-	6,743
Property management expenses	(1,701)	(5,031)	(12)	-	(6,744)
Rental property maintenance expenses	(982)	(2,079)	(22)	-	(3,083)
Total rental and management revenues, net	5,674	10,345	5	-	16,024
Administrative and general expenses					(4,603)
Selling and marketing expenses and administrative and general expenses attributed to inventory of buildings under construction and inventory of real estate	-	-	-	(586)	(586)
Increase (decrease) in value of investment property, net	(21,125)	25,388	51	-	4,314
Financial expenses, net					(5,153)
Income before taxes on income					9,260

(*) As to assets designated for sale and assets realized in the reported period see Note 5(3) and 5(5).

Note 4: - Operating Segments (cont.)

	Income-Generating Commercial Real Estate	Income-Generating Residential Real Estate	Land for Betterment	Residential development	Total
			€ in thousands		
For the Three-Month Period Ended June 30, 2018 (Unaudited)					
Revenues from sale of apartments	-	-	-	10,838	10,838
Cost of sale of apartments	-	-	-	(8,316)	(8,316)
Gain from sale of apartments	-	-	-	2,522	2,522
Revenues from property rental	7,478	12,151	39	-	19,668
Revenues from property management and others	1,231	5,614	24	-	6,869
Property management expenses	(1,228)	(5,557)	(18)	-	(6,803)
Rental property maintenance expenses	(952)	(1,714)	(22)	-	(2,688)
Total rental and management revenues, net	6,529	10,494	23	-	17,046
Administrative and general expenses					(2,759)
Selling and marketing expenses and administrative and general expenses attributed to inventory of buildings under construction and inventory of real estate	-	-	-	(572)	(572)
Increase (decrease) in value of investment property, net	976	32,414	(5,615)	-	27,775
Financial expenses, net					(4,199)
Equity in losses of companies accounted at equity method of accounting	(2,205)	-	-	-	(2,205)
Income before taxes on income					37,608

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, 2018					
Revenues from sale of apartments	-	-	-	62,753	62,753
Cost of sale of apartments	-	-	-	(47,771)	(47,771)
Gain from sale of apartments	-	-	-	14,982	14,982
Revenues from property rental	30,067	48,918	183		
Revenues from property management and others	5,146	21,762	72	-	79,168
Property management expenses	(6,130)	(21,669)	(71)	-	26,980
Rental property maintenance expenses	(3,692)	(8,906)	(119)	-	(12,717)
Total rental and management revenues (expenses), net	25,391	40,105	65	-	65,561
Net revenues before management and finance expenses					80,543
General and administrative expenses					(12,520)
Selling and marketing and general and administrative expenses attributed to inventory of buildings under construction and inventory of real estate	-	-	-	(2,694)	(2,694)
Appreciation of investment property, net	14,360	83,333	(2,694)	-	95,499
Financial expenses, net					(11,557)
Equity in losses of companies accounted at equity	(723)	-	-	-	(723)
Income before taxes on income					148,548

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

1. Further to Note 17C of the annual financial statements, in January and February 2019, as part of the exercise of the refusal right/offer to acquire the rights of the investors, the Company notified the investors of the exercise of the right of first offer, and as a result the Company and the holders of rights began negotiations for the acquisition of the rights of the investors. In order to carry out the transaction and improve the structure of the transaction, the Company entered into an agreement with ADLER's subsidiary such that ADLER's subsidiary will purchase 10.1% of the rights in the relevant asset companies. On July 1, 2019 the Company completed the acquisition of such rights (except the rights at a rate of 10.1% as aforesaid) for a total amount of EUR 64.7 million.

2. During January 2019, the Company through subsidiaries entered into a refinancing transaction with a German bank for 16 non-recourse loans taken from the same German banking corporation entered into force in April 2019 under the following conditions:

	New conditions	Previous conditions
Loan amount	EUR 205 million	EUR 205 million
Final repayment date	9.84 years	3.78 weighted average
Weighted interest rate per year	1.73% - 1.88% where all loans are at fixed interest	1.29% - weighted, according to the previous conditions a loan of EUR 157 million bore fixed interest and a loan of EUR 48 million bore variable interest
Current principal rate per year	2.5%	2% - 2.5%

The loans are not subject to financial covenants for the loans and the remaining asset balance used as collateral for these loans as of the day of the refinance completion amounted to EUR 498.8 million.

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

3. On March 22, 2019, the Company entered into an agreement with a third party unrelated to the Company or its controlling shareholder which to the best of the Company's knowledge is a leading global venture capital fund, for the sale of 89.9% of its holdings in three companies (indirectly held by the Company through certain subsidiaries of the Company), which own commercial properties in the cities of Rostock, Celle and Castrop. The consideration of the transaction will represent the value of assets, gross, of EUR 175 million with certain adjustments as defined in the sale agreement. On May 31, 2019, the Company completed the sale transaction. As a result, the Company recognized a loss of EUR 2.3 million due to the difference between the proceeds of the sale, net of transaction costs, (transaction costs amounted to EUR 6.4 million) and the value of the net assets and liabilities presented in the Company's financial statements. In addition, the Company recognized a loss of EUR 7.2 million as part of financial expenses as a result of the costs for the early repayment of the bank loans that were repaid upon the completion of the transaction. The remaining holding of the Company in these subsidiaries amounts to EUR 6.5 million (10.1% of the equity of the subsidiaries), and is presented in the financial statements as investment in financial assets measured at fair value through profit or loss.

4. 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 June 30, 2019 and as of the approval date of the financial statements, EUR 44.2 million were drawn. 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.

5. On June 28, 2019, the Company entered into an agreement for selling additional assets from the Company's commercial income producing real estate portfolio. As a result of the agreement, 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.
   The assets and liabilities of these subsidiaries were classified in the statement of financial position as of June 2019 ,30 as assets and liabilities of disposal group held for sale

Assets classified as held for sale	in EUR thousands
Investment property held for sale	128,641
Trade receivables and other receivables	998
	129,639
Liabilities classified as held for sale	
Long term loans from banks	71,441
Accounts payable	4,925
Provision for deferred tax	3,562
	79,928

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

6. further to Note 17a(5) to the Company's financial statements, during June 2019, the Company reached an interim agreement with the performing contractor, under which the Company made a provision for an additional € 1.6 million (paid in early July 2019 which were recorded in cost of sales in the reported period). In addition, there are monetary demands of the contractor amounting to € 3 million, against which the Company has counter-claims as stated in the above note.

BRACK CAPITAL PROPERTIES NV

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

AS OF JUNE 30, 2019

UNAUDITED

IN THOUSANDS OF EUROS

To the Shareholders of Brack Capital Properties NV

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

Introduction

We have reviewed the separate interim financial information according to regulation 38d of the Securities regulations (Periodic and Immediate Reports), 1970 of Brack Capital Properties NV (hereinafter – the Company), as of June 30, 2019 and for the six-month and three-month periods ending that date. The Board of Directors and Management are responsible for the separate interim financial information. Our responsibility is to express our conclusions with regard to the separate interim financial information for this interim period, based on our review.

Scope of the Review

We conducted our review in accordance with Review Standard 1 of the Institute of Certified Public Accountants in Israel, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of financial information for interim periods consists of inquiries, mainly from people responsible for finances and accounting, and of the application of analytical and other reviewing procedures. A review is significantly limited in scope relative to an audit conducted according to generally accepted Israeli auditing standards, and therefore does not allow us to achieve assurance that we have been made aware of all material issues that might have been identified in an audit. Accordingly, we are not expressing an audit opinion.

Conclusion

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

August 12, 2019 | Amit, Halfon, CPAs

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

	June 30,		December 31,
	2019	**2018**	**2018**
	Unaudited		**Audited**
	€ in thousands		
Current Assets			
Cash and cash equivalents	52,994	26,203	5,686
Cash and cash equivalents in trust	35,106	30,277	1,940
Balances receivable from banks	416	407	414
Restricted deposits and other receivables	6,165	10,075	4,874
	94,681	66,692	12,914
Non-Current Assets			
Investment in investee	727,695	689,950	755,917
Investment in marketable financial asset measured at fair value through profit or loss	33,804	-	37,019
Other financial assets	372	-	-
	761,871	689,950	792,936
	856,552	756,912	805,850
Current Liabilities			
Current maturity of debentures	18,297	17,159	17,066
Other financial liabilities	-	1,001	196
Accounts payable	3,213	1,586	3,428
	21,510	19,746	20,690
Non-Current Liabilities			
Debentures	96,698	108,021	90,349
Loans from controlling shareholder	44,200	-	-
Other financial liabilities	-	1,075	167
	140,898	109,096	90,516
Equity			
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	1,512
Statutory capital reserve	349,872	335,468	378,756
Retained earnings	199,192	147,522	170,808
Total equity	694,144	628,070	694,644
	856,552	756,912	805,850

August 12, 2019			
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

	Six months ended June 30,		Three months ended June 30		Year ended December 31
	2019	2018	2019	2018	2018
	Unaudited				Audited
	€ in thousands				
Administrative and general expenses	(1,200)	(1,026)	(774)	(489)	(1,925)
Financial income (expenses), net	(11,545)	1,125	(703)	(34)	3,696
Equity in earnings of investees	12,245	34,246	9,329	23,169	99,148
Net income	(500)	34,345	7,852	22,646	100,919
Other comprehensive income for the period:	-	-	-	-	-
Total other comprehensive income	(500)	34,345	7,852	22,646	100,919

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

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

	Six months ended June 30,		Three months ended June 30		Year ended December 31
	2019	2018	2019	2018	2018
	Unaudited				Audited
Cash flows from operating activities:					
Net income (loss) attributed to the Company's shareholders	(500)	34,345		22,646	100,919
Adjustments required to present net cash provided by operating activities:					
Adjustments to the profit or loss items:					
Financial expenses (income), net	11,827	(2,765)	2,467	(513)	(3,049)
Equity in earnings of investees	(12,245)	(34,246)	(9,329)	(23,169)	(99,148)
	(418)	(37,011)	(6,862)	(23,682)	(102,197)
Changes in assets and liabilities items:					
Decrease (increase) in other receivables and related parties	(829)	(10)	(783)	(13)	(15)
Increase (decrease) in accounts payable and related parties	356	(7)	(1,509)	33	(2,160)
	(473)	(17)	(2,292)	20	(2,175)
Net cash used in operating activities of the Company	(1,391)	(2,683)	(1,302)	(1,016)	(3,453)
Cash Flows from investing activities					
Change in investment in investee and cash and cash equivalents in trust, net	6,595	(297)	10,040	-	29,391
Investment in marketable financial asset measured at fair value through profit or loss	-	-	-	-	(35,000)
Decrease (increase) in restricted deposits	-	(9,976)	-	(9,976)	(4,688)
Interest received and exercise of derivatives	-	237	-	475	237
Net cash used in investing activities of the Company	6,595	(10,036)	10,040	(9,501)	(10,060)

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

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

	Six months ended June 30,		Three months ended June 30		Year ended December 31
	2019	2018	2019	2018	2018
	Unaudited				Audited
Cash flows from financing activities					
Interest paid	(2,096)	(2,460)	(809)	(800)	(4,874)
Receipt of long term loans from controlling shareholder	44,200	-	-	-	-
Repayment of debentures	-	-	-	-	(17,309)
Net cash provided by (used in) financing activities of the Company	42,108	(2,460)	43,391	(800)	(22,183)
Change in cash and cash equivalents	47,308	(15,179)	52,129	(11,317)	(35,696)
Balance of cash and cash equivalents at the beginning of the period	5,686	41,382	865	37,520	41,382
Balance of cash and cash equivalents at the end of the period	52,994	26,203	52,994	26,203	5,686

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

ADDITIONAL INFORMATION

1: - General

a. This separate financial information has been prepared in a condensed format as of June 30, 2019 and for the six month and three month periods then ended in accordance with Regulation 38d of the Securities Regulations (Periodic and Immediate Reports), 1970. This separate financial information should be read in conjunction with the annual financial statements as of December 31, 2018 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, 2018.

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, 2018.

2: - Material events in the reported period

a. Further to Note 17C of the annual financial statements, in January and February 2019, as part of the exercise of the refusal right/offer to acquire the rights of the investors, the Company notified the investors of the exercise of the refusal right, and as a result the Company and the holders of rights began negotiations for the acquisition of the rights of the investors. In order to carry out the transaction and improve the structure of the transaction, the Company entered into an agreement with ADLER's subsidiary such that ADLER's subsidiary will purchase 10.1% of the rights in the relevant asset companies. On July 1, 2019 the Company by a 100% held subsidiary completed the acquisition of rights of the investors for a total amount of EUR 64.7 million.

b. 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 June 30, 2019 and as of the approval date of the financial statements, EUR 44.2 million were drawn. 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.