



בראק קפיטל פרופרטיז אן.וי. ("החברה")

26 נובמבר, 2019

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הנדון: דוח מיידי בדבר זימון אסיפה כללית שנתית ומיוחדת של בעלי המניות של החברה

בהתאם לחוק החברות, התשנ"ט-1999 ("חוק החברות"), חוק ניירות ערך, התשכ"ח-1968 ("חוק ניירות ערך"), תקנות ניירות ערך (דוחות תקופתיים ומיידיים), התש"ל-1970 ("תקנות הדוחות"), תקנות החברות (הודעה ומודעה על אסיפה כללית ואסיפת סוג בחברה ציבורית והוספת נושא לסדר היום), התש"ס-2000 ותקנות החברות (הצבעה בכתב והודעות עמדה), התשס"ו-2005 ("תקנות הצבעה בכתב") ובהתאם להוראות הרלוונטיות של תקנון החברה והדין ההולנדי, החברה מודיעה בזאת על זימון אסיפה כללית שנתית ומיוחדת של בעלי המניות של החברה ("האסיפה"), שתתכנס ביום 2 בינואר, 2020, בשעה 14:00, במשרדי החברה בכתובת Herengracht 456 1017 CA, Amsterdam, the Netherlands ("משרדי החברה").

1. ההחלטות על סדר יומה של האסיפה

1.1 דיון ביישום מדיניות התגמול בנוגע לחברי הדירקטוריון במהלך שנת 2018

תיאור התגמול המיושם בשנת 2018 ניתן למצוא בדוח הכספי הסטטוטורי ההולנדי (כהגדרתו להלן).

1.2 דיון בדוח השנתי והדוחות הכספיים של החברה לשנת 2018 (נערך בהתאם לתקנות הדוחות בישראל)

בהתחשב בכך שמניות החברה רשומות בבורסה בתל אביב, החברה נדרשת לערוך דוח שנתי ודוחות כספיים בהתאם לתקנות הדוחות ("הדוח הכספי הישראלי") בנוסף לדרישות הדיווח לפי הדין ההולנדי לאור התאגדותה של החברה בהולנד. עותק של הדוח הכספי הישראלי לשנת 2018 ניתן להשיג במשרדי החברה באמסטרדם, הולנד והוא זמין באופן מקוון דרך אתר החברה ואתרי הבורסה והמגנ"א (מס' אסמכתא: 2019-01-021453). הדוח הכספי הישראלי יידון ולא תתקיים הצבעה לגביו.

1.3 דיון ואישור הדוח השנתי והדוחות הכספיים של החברה לשנת 2018 (נערך בהתאם לדין ההולנדי) (החלטה)

מוצע לאשר את הדוח הכספי השנתי הסטטוטורי לפי הדין ההולנדי לשנת 2018 כפי שהוא נערך בהתאם לתקני IFRS ("הדוח הכספי הסטטוטורי ההולנדי"). ניתן להשיג עותק של הדוח הכספי

הסטטוטורי ההולנדי לשנת 2018 במשרדי החברה באמסטרדם, הולנד, וכן, באופן מקוון דרך אתר החברה. העתק של הדוח הכספי הסטטוטורי ההולנדי, מצורף גם **כנספת א'** לדוח מידי זה.

1.4. מינוי מחדש של רואי חשבון מבקרים בישראל (החלטה)

מוצע למנות מחדש את PKF עמית, חלפון כרואי החשבון החיצוניים האחראים לביקורת הדוחות השנתיים של החברה לשנת 2019, הערוכים בהתאם לתקנות הדוחות.

1.5. מינוי מחדש של רואי חשבון מבקרים בהולנד (החלטה)

מוצע למנות מחדש את משרד IUS Statutory Audits Coöperatie U.A כרואי החשבון החיצוניים האחראים לביקורת הדוחות השנתיים של החברה לשנת 2019, לצורך ביקורת הדוח הכספי השנתי הסטטוטורי של החברה לשנת 2019, בהתאם לדין ההולנדי.

1.6. פטור מאחריות לחברי דירקטוריון (החלטה)

מוצע לפטור את חברי הדירקטוריון מאחריותם לגבי פעולותיהם במהלך שנת הכספים 2018, בהתאם לדין ההולנדי, ככל שהפעילות כאמור באה לידי ביטוי בדוח הכספי השנתי של החברה לשנת 2018. מובהר כי החלטה זו המוצעת לאישור הינה החלטה שגרתית באסיפות כלליות שנתיות של בעלי המניות בהולנד. כחלק מתהליך אישור הדוח הכספי, נהוג בהולנד לפטור את חברי הדירקטוריון מאחריות קיימת או פוטנציאלית כלפי החברה, במסגרת ביצוע תפקידיהם, ורק במידה שפעולות אלו משתקפות בדוח השנתי של החברה או כפי שהובאו לידיעת האסיפה הכללית, לפני אישור הדוחות הכספיים של החברה לשנת 2018. היקף הפטור יהיה כפוף למגבלות הדין ההולנדי הכללי, כגון חובת זהירות ועקרונות הגינות וסבירות, אם כי אין הוראה ספציפית בדין בעניין זה. בנוסף, עקרונות סבירות והגינות עשויים, בנסיבות מסוימות, למנוע פטור מאחריות לחברי הדירקטוריון. הפטור האמור אינו מחייב צד ג' כלשהו ואינו מתנה על הוראות חוק ניירות ערך הישראלי החלות על החברה, לרבות הזכויות המוקנות לבעלי מניות החברה.

1.7. מינוי מחדש של מר Nicolaas van Ommen כ-Executive Director לדירקטוריון החברה (החלטה)

1.7.1. מוצע לאשר את מינויו מחדש לדירקטוריון של מר Nicolaas van Ommen כ- Executive Director, לתקופת כהונה בת שנה אחת, שתחל החל ממועד אישור מינויו על ידי האסיפה המזומנת בזאת.

1.7.2. כיום, מכהן מר Nicolaas van Ommen כ- Executive Director בדירקטוריון. בהתאם להוראות סעיף 224 לחוק החברות, מר Nicolaas van Ommen מסר לחברה הצהרה, אשר העתק ממנה מצורף **כנספת ב'** לדוח מידי זה. לפרטים נוספים בהתאם לסעיף 26 לתקנות הדוחות, ראו פרק "מידע נוסף", המצורף לדוח השנתי של החברה לשנת 2018.

1.7.3. ביום 24 במאי 2018 ועדת התגמול והדירקטוריון, בהתאם לסעיף 1א(2) לתקנות החברות (הקלות בעסקאות עם בעלי ענין), תש"ס-2000 ("תקנות ההקלות") וסעיף 9.1.1 למדיניות התגמול הישנה (כהגדרתה להלן), אישרו כי התגמול השנתי וגמול השתתפות בשיבות דירקטוריון של מר van Ommen יהיו בסכומים המקסימליים שצוינו במסגרת התוספת

השנייה והשלישית לתקנות החברות (כללים בדבר גמול והוצאות לדירקטור חיצוני), תש"ס-2000 ("תקנות הגמול") ובהתאם להון העצמי של החברה כמפורט בתוספת הראשונה לתקנות הגמול, וזאת בכפוף למינויו מחדש לדירקטוריון. למידע נוסף ראו דוח מידי על תוצאות אסיפה כללית מיום 2 ביולי 2018 (מס' אסמכתא: 2018-01-063220).

1.7.4. יובהר, כי האמור לעיל תואם גם את מדיניות התגמול החדשה של החברה (כהגדרתה להלן). כמו כן, מומלץ למנות מחדש של מר van Ommen, גם בשים לב לביצועיו במהלך תקופת כהונתו הקודמת.

1.8. מינוי מחדש של מר Patrick Burke לדירקטוריון החברה (החלטה)

- 1.8.1. מוצע למנות מחדש לדירקטוריון את מר Patrick Burke לתפקיד דירקטור (שאינו דירקטור חיצוני), לתקופה של שנה, החל ממועד אישור מינויו המחודש על ידי האסיפה המזומנת בזאת.
- 1.8.2. מר Patrick Burke משמש כ-Non-Executive Director ויו"ר הדירקטוריון.
- 1.8.3. בהתאם לסעיף 224 לחוק החברות, מסר מר Patrick Burke לחברה הצהרה, אשר העתק ממנה מצורף **כנספח ב'** לדוח מידי זה. לפרטים נוספים בהתאם לסעיף 26 לתקנות הדוחות, ראו פרק "מידע נוסף", המצורף לדוח השנתי של החברה לשנת 2018.
- 1.8.4. ביום 24 במאי 2018 סיווג הדירקטוריון את מר Burke כדירקטור בעל מומחיות פיננסית וחשבונאית, כהגדרת מונח זה בתקנות החברות (תנאים ומבחנים לדירקטור בעל מומחיות חשבונאית ופיננסית ולדירקטור בעל כשירות מקצועית), תשס"ו-2005 ("תקנות המומחיות") לאור השכלתו וניסיונו העסקי.
- 1.8.5. בנוסף, ביום 24 במאי 2018, ועדת התגמול והדירקטוריון, בהתאם לסעיף 1א(2) לתקנות ההקלות וסעיף 9.1.1 למדיניות התגמול הישנה (כפי שנקבע להלן), אישרו כי התגמול השנתי וגמול השתתפות בשיבות דירקטוריון של מר Burke יהיו בסכומים המקסימליים שצוינו במסגרת התוספת השנייה והשלישית לתקנות הגמול ובהתאם להון העצמי של החברה כמפורט בתוספת הראשונה לתקנות הגמול, זאת בכפוף למינויו מחדש לדירקטוריון. למידע נוסף ראו דוח מידי על תוצאות אסיפה כללית מיום 2 ביולי 2018 (מס' אסמכתא: 2018-01-063220).
- 1.8.6. יובהר, כי האמור לעיל תואם גם את מדיניות התגמול החדשה של החברה (כהגדרתה להלן). כמו כן, מומלץ למנות מחדש של מר Burke, גם בשים לב לביצועיו במהלך תקופת כהונתו הקודמת.

1.9. מינוי מחדש של מר Daniel Moser כדירקטור בלתי תלוי לדירקטוריון החברה (החלטה)

- 1.9.1. מוצע למנות מחדש לדירקטוריון את מר Daniel Moser לתפקיד דירקטור בלתי תלוי, לתקופה של שנה, החל ממועד אישור מינויו המחודש על ידי האסיפה המזומנת בזאת.
- 1.9.2. מר Daniel Moser משמש כ-Non-Executive Director. בהתאם לסעיף 224 לחוק החברות, מסר מר Daniel Moser לחברה הצהרה, אשר העתק ממנה מצורף **כנספח ב'** לדוח מידי זה. לפרטים נוספים בהתאם לסעיף 26 לתקנות הדוחות, ראו פרק "מידע נוסף", המצורף לדוח השנתי של החברה לשנת 2018.

1.9.3. ביום 24 במאי 2018, ועדת התגמול והדירקטוריון, בהתאם לסעיף 1א(2) לתקנות ההקלות וסעיף 9.1.1 למדיניות התגמול הישנה (כפי שנקבע להלן), אישרו כי התגמול השנתי וגמול השתתפות בשיבות דירקטוריון של מר Moser יהיו בסכומים המקסימליים שצוינו במסגרת התוספת השנייה והשלישית לתקנות הגמול ובהתאם להון העצמי של החברה כמפורט בתוספת הראשונה לתקנות הגמול, זאת בכפוף למינוי מחדש לדירקטוריון. למידע נוסף ראו דוח מיידי על תוצאות אסיפה כללית מיום 2 ביולי 2018 (מס' אסמכתא: 2018-01-063220).

1.9.4. יובהר, כי האמור לעיל תואם גם את מדיניות התגמול החדשה של החברה (כהגדרתה להלן). כמו כן, מומלץ למנות מחדש של מר Moser, גם בשים לב לביצועיו במהלך תקופת כהונתו הקודמת.

1.10 מינוי מחדש של מר Jeroen Dorenbos כדירקטור בלתי תלוי לדירקטוריון החברה (החלטה)

1.10.1. מוצע למנות מחדש לדירקטוריון את מר Jeroen Dorenbos לתפקיד דירקטור בלתי תלוי, לתקופה של שנה, החל ממועד אישור מינויו המחודש על ידי האסיפה המזומנת בזאת.

1.10.2. מר Jeroen Dorenbos משמש כ-Non-Executive Director. בהתאם לסעיף 224 לחוק החברות, מסר מר Jeroen Dorenbos לחברה הצהרה, אשר העתק ממנה מצורף **כנספח ב'** לדוח מיידי זה. לפרטים נוספים בהתאם לסעיף 26 לתקנות הדוחות, ראו פרק "מידע נוסף", המצורף לדוח השנתי של החברה לשנת 2018.

1.10.3. ביום 24 במאי 2018 סיווג הדירקטוריון את מר Dorenbos כדירקטור בעל מומחיות פיננסית וחשבונאית, כהגדרת מונח זה בתקנות המומחיות, לאור השכלתו וניסיונו העסקי.

1.10.4. בנוסף, ביום 24 במאי 2018, ועדת התגמול והדירקטוריון, בהתאם לסעיף 1א(2) לתקנות ההקלות וסעיף 9.1.1 למדיניות התגמול הישנה (כפי שנקבע להלן), אישרו כי התגמול השנתי וגמול השתתפות בשיבות דירקטוריון של מר Dorenbos יהיו בסכומים המקסימליים שצוינו במסגרת התוספת השנייה והשלישית לתקנות הגמול ובהתאם להון העצמי של החברה כמפורט בתוספת הראשונה לתקנות הגמול, זאת בכפוף למינוי מחדש לדירקטוריון. למידע נוסף ראו דוח מיידי על תוצאות אסיפה כללית מיום 2 ביולי 2018 (מס' אסמכתא: 2018-01-063220).

1.10.5. יובהר, כי האמור לעיל תואם גם את מדיניות התגמול החדשה של החברה (כהגדרתה להלן). כמו כן, מומלץ למנות מחדש של מר Dorenbos, גם בשים לב לביצועיו במהלך תקופת כהונתו הקודמת.

1.11 מינוי מחדש של גב' Noah Shacham כדירקטורית בלתי תלויה לדירקטוריון החברה (החלטה)

1.11.1. מוצע למנות מחדש לדירקטוריון את גב' Noah Shacham לתפקיד דירקטורית בלתי תלויה, לתקופה של שנה, החל ממועד אישור מינויו המחודש על ידי האסיפה המזומנת בזאת.

- 1.11.2 גבי Noah Shacham משמשת כ-Non-Executive Director. בהתאם לסעיף 224 לחוק החברות, מסרה גבי Noah Shacham לחברה הצהרה, אשר העתק ממנה מצורף **כנספת ב'** לדוח מידי זה. לפרטים נוספים בהתאם לסעיף 26 לתקנות הדוחות, ראו פרק "מידע נוסף", המצורף לדוח השנתי של החברה לשנת 2018.
- 1.11.3 ביום 24 במאי 2018 סיווג הדירקטוריון את גבי Shacham כדירקטורית בעלת מומחיות פיננסית וחשבונאית, כהגדרת מונח זה בתקנות המומחיות, לאור השכלתה וניסיונה העסקי.
- 1.11.4 בנוסף, ביום 24 במאי 2018, ועדת התגמול והדירקטוריון, בהתאם לסעיף 1א(2) לתקנות ההקלות וסעיף 9.1.1 למדיניות התגמול הישנה (כפי שנקבע להלן), אישרו כי התגמול השנתי וגמול השתתפות בשיבות דירקטוריון של גבי Shacham יהיו בסכומים המקסימליים שצוינו במסגרת התוספת השנייה והשלישית לתקנות התגמול ובהתאם להון העצמי של החברה כמפורט בתוספת הראשונה לתקנות התגמול, זאת בכפוף למינויו מחדש לדירקטוריון. למידע נוסף ראו דוח מידי על תוצאות אסיפה כללית מיום 2 ביולי 2018 (מס' אסמכתא: 2018-01-063220).
- 1.11.5 יובהר, כי האמור לעיל תואם גם את מדיניות התגמול החדשה של החברה (כהגדרתה להלן). כמו כן, מומלץ למנות מחדש של גבי Shacham, גם בשים לב לביצועיו במהלך תקופת כהונתו הקודמת.

1.12 מינוי מחדש של מר Claus Jorgensen כדירקטור לדירקטוריון החברה (החלטה)

- 1.12.1 מוצע למנות מחדש לדירקטוריון את מר Claus Jorgensen לתפקיד דירקטור, לתקופה של שנה, החל ממועד אישור מינויו המחודש על ידי האסיפה המזומנת בזאת.
- 1.12.2 מר Claus Jorgensen משמש כ-Non-Executive Director. בהתאם לסעיף 224 לחוק החברות, מסר מר Claus Jorgensen לחברה הצהרה, אשר העתק ממנה מצורף **כנספת ב'** לדוח מידי זה. לפרטים נוספים בהתאם לסעיף 26 לתקנות הדוחות, ראו פרק "מידע נוסף", המצורף לדוח השנתי של החברה לשנת 2018.
- 1.12.3 ביום 24 במאי 2018, ועדת התגמול והדירקטוריון, בהתאם לסעיף 1א(2) לתקנות ההקלות וסעיף 9.1.1 למדיניות התגמול הישנה (כפי שנקבע להלן), אישרו כי התגמול השנתי וגמול השתתפות בשיבות דירקטוריון של מר Jorgensen יהיו בסכומים המקסימליים שצוינו במסגרת התוספת השנייה והשלישית לתקנות התגמול ובהתאם להון העצמי של החברה כמפורט בתוספת הראשונה לתקנות התגמול, זאת בכפוף למינויו מחדש לדירקטוריון. למידע נוסף ראו דוח מידי על תוצאות אסיפה כללית מיום 2 ביולי 2018 (מס' אסמכתא: 2018-01-063220).
- 1.12.4 יובהר, כי האמור לעיל תואם גם את מדיניות התגמול החדשה של החברה (כהגדרתה להלן).

1.13 אישור אימוץ מדיניות תגמול חדשה לחברה (החלטה)

- 1.13.1 בהתאם להוראות חוק החברות ותיקון מס' 20 לחוק החברות, ביום 27 במרץ 2016 אישרה האסיפה הכללית של החברה את מדיניות התגמול של החברה לתקופה שלוש שנים ("מדיניות התגמול הישנה").

1.13.2. לאור הניסיון שנצבר בחברה ביישום מדיניות התגמול הישנה בתקופה שחלפה ממועד אימוצה ובהתאם לסעיף 267א(ד) לחוק החברות, לפיה מדיניות התגמול של החברה צריכה להיות מאושרת מחדש אחת לשלוש שנים, ועדת התגמול והדירקטוריון בחנו את מדיניות התגמול הישנה והחליטו כי בהתחשב באופי החברה ובשינויים בסביבתה העסקית, החברה זקוקה למדיניות תגמול מתאימה יותר שתמלא, בין היתר, את הצרכים של החברה, תוך התחשבות במבנה הניהול החדש שלה ובשינויים שחלו בחברה בשנים האחרונות.

1.13.3. ביום 5 באוגוסט, 2019 ו-12 באוגוסט, 2019, ועדת התגמול והדירקטוריון אישרו והמליצו לאסיפה הכללית לאשר את מדיניות התגמול החדשה, אשר העתק ממנה מצורף **כנספח ג'(1)** לדוח מיידי זה ("מדיניות התגמול החדשה"¹), שתנאיה העיקריים מתוארים בסעיף 1.13.6 להלן ומובא בפני האסיפה בהתאם לסעיף 267א לחוק החברות.

1.13.4. מדיניות התגמול החדשה אושרה פה אחד על ידי כל חברי הדירקטוריון וועדת התגמול (בהתאמה). לחברי הדירקטוריון וועדת התגמול הוצג סקר השכר הבוחן את חבילת התגמול עבור חברות דומות.

1.13.5. במידה ומדיניות התגמול החדשה תאושר על ידי האסיפה, היא תהיה תקפה לתקופה של שלוש שנים, החל ממועד אישורה על ידי האסיפה המזומנת בזאת.

1.13.6. התנאים המרכזיים במדיניות התגמול החדשה:

1.13.6.1. שכר נושאי המשרה יכול להיות מורכב ממספר רכיבים: רכיב שכר בסיס

(שכר בסיס / דמי ניהול); הטבות נלוות, מענקים ותנאים סוציאליים; ורכיב משתנה. בנוסף, נושאי המשרה עשויים להיות זכאים להטבות אחרות (כולל פיצויים בגין הפסקת שירות או עבודה), כמפורט במדיניות התגמול החדשה.

1.13.6.2. במקרה בו נושא משרה (לרבות המנכ"ל) מספק שירותים הן לחברה והן

לבעלת השליטה בה ("חברת האם"), ועדת התגמול והדירקטוריון רשאים להחליט כי התגמולים ששולמו לנושא משרה כאמור יכללו אך ורק מרכיב שכר בסיס, הטבות נלוות ותנאים סוציאליים, ובלבד שוועדת התגמול והדירקטוריון ישתכנעו כי נושא משרה כאמור מתומרץ כראוי באמצעות מענקים ותשלומים משתנים אחרים על ידי חברת האם לו הוא עשוי להיות זכאי מחברת האם.

1.13.6.3. שכר בסיס

א. שכר הבסיס יהיה במספר אבסולוטי ויקבע ביחס לפרמטרים המפורטים בסעיף 3.2 למדיניות התגמול החדשה ולאור סקר השכר.

ב. ככל שנושא משרה (לרבות המנכ"ל) יהיה זכאי רק לתגמול קבוע מהחברה, שכר הבסיס שישולם לנושא משרה כאמור עשוי לחרוג מהסכום הגבוה ביותר שנקבע בטבלה בסעיף 4.7.1.3 למדיניות התגמול החדשה (שכר מקסימאלי חודשי / שנתי) בגין תגמולים קבועים בלא יותר מ-100%.

¹ תרגום לא רשמי של מדיניות התגמול החדשה בעברית מצורף כנספח ג'(2). למען הסר ספק, יובהר כי הגרסה באנגלית של מדיניות התגמול החדשה היא המחייבת.

1.13.6.4 הטבות נלוות, סוציאליות והחזר הוצאות

- א. נושאי המשרה יקבלו, לכל הפחות, את התנאים הסוציאליים המקובלים על פי חוקי המדינה בה מועסק נושא המשרה.
- ב. חבילת התגמול עשויה לכלול הטבות נלוות נוספות ומקובלות שיכולות לכלול, בין היתר: רכב בדרגה המקובלת על החברה, גילום שווי רכב, טלפון נייד, עיתונים ואמצעי תקשורת אחרים.
- ג. בנוסף, נושאי משרה עשויים להיות זכאים להחזר הוצאות בקשר לתפקידם כנושאי משרה בחברה (כולל, אך לא רק, החזר הוצאות וארוחות, הוצאות נסיעה, הוצאות אירוח ולינה).

1.13.6.5 שיפוי וביטוח

- א. נושאי המשרה יהיו זכאים להסדר הביטוח המקובל בהתאם להוראות החוק ותקנון החברה.
- ב. סכום הכיסוי המרבי במסגרת פוליסת הביטוח של נושאי המשרה שתאומץ על ידי החברה לא יעלה על 20 מיליון דולר לכל אירוע בשנה, והפרמיה השנתית שתשלם החברה לא תעלה על 45,000 דולר לשנה, במצטבר, עבור כל נושאי המשרה.
- ג. יתרה מזאת, החברה רשאית לרכוש, על פי שיקול דעתה, פוליסת ביטוח Run off לנושאי משרה לתקופה שלא תעלה על שבע שנים, כאשר היקפי הכיסוי הם אלה שצוינו לעיל, והפרמיה לא תעלה על 300% מהפרמיה השנתית המרבית לעיל.
- ד. נושאי המשרה יהיו זכאים למכתבי שיפוי בנוסח שאושר על ידי האסיפה הכללית ביום 4 ביולי 2012, או בנוסח אחר שיאושר על ידי האסיפה הכללית של החברה, כמקובל ובהתאם להוראות של הדין החל ותקנון החברה. השיפוי הכולל של כלל נושאי המשרה לא יעלה על 25% מהונה העצמי של החברה.

1.13.6.6 מענקים ורכיב משתנה

- א. מענק חתימה – חבילת תגמול עשויה לכלול מענק חתימה, שיינתן לנושא המשרה בכפוף לאישור האורגנים המוסמכים של החברה. מענק החתימה ייחשב כחלק מחבילת התגמולים הכוללת של אותו נושא משרה ולא יינתן לנושא משרה שתגמולו עולה על מכפלת שכר הבסיס ברוטו ב-300%.
- מענק שנתי – חבילת תגמול עשויה לכלול מענק שנתי, שמובסס על ביצועי נושא המשרה והשגת יעדיו וכן מענקים שנתיים בשיקול דעת. מענק בשיקול דעת לנושא משרה לא יעלה על תקרת המענק השנתי ולא יעלה על שלוש (3) משכורות חודשיות.
- ב. השבת סכומים – נושא המשרה יחזיר לחברה את כל הסכומים ששולמו לו כמענק והתבססו על נתונים שהוכחו כלא נכונים ושתוקנו בדוחות הכספיים.

1.13.6.7. תנאי סיום כהונה

א. מענק פרישה – נושא משרה עשוי להיות זכאי למענק פרישה בסכום שלא יעלה על עלות הרכיב הקבוע ביחס לתקופה של שישה (6) חודשים ובכפוף לדין החל.

ב. הודעה מוקדמת – במסגרת הסכמי העסקה בין החברה לבין נושאי המשרה בה, רשאים הצדדים לסיים את ההתקשרות ביניהם, בהודעה מוקדמת מראש ובכתב של עד שלושה (3) חודשים מראש לנושא משרה ועד שישה (6) חודשים לחברה.

ג. תקופת הסתגלות – בנוסף לתקופת ההודעה המוקדמת, החברה רשאית לאשר תקופת הסתגלות של עד (6) שישה חודשים לאחר תום תקופת ההודעה המוקדמת.

1.13.6.8. תגמול דירקטורים

א. Non-Executive Directors יהיו זכאים לתגמול בהתאם לקבוע בתקנות הגמול, אשר לא יעלה על הגמול המרבי הקבוע בתקנות הגמול (לרבות סכום התגמול המרבי לדירקטור חיצוני מומחה הקבוע בתקנות הגמול).

ב. למען הסר ספק, וכל עוד לא הוחלט אחרת על-ידי האורגנים המוסמכים בחברה, ה-Executive Directors יהיו זכאים לתגמול זהה לתגמול המשולם ל-Non-Executive Directors, כמפורט במדיניות התגמול החדשה.

1.13.7. נימוקים לאישור מדיניות התגמול החדשה :

הדירקטוריון דן במדיניות התגמול החדשה, בהתבסס על המלצת ועדת התגמול, והינו סבור כי :

1.13.7.1. מדיניות התגמול החדשה הולמת את אופיה, היקף וייחוד פעילותה של החברה, יעדי החברה, המורכבות של עסקי החברה והשינויים שחלו בחברה, והכל בשים לב לכך שהחברה הינה חברה, שעיקר פעילותה והנהלתה הינם מחוץ לישראל.

1.13.7.2. מדיניות התגמול החדשה תוכננה לאור ניסיון החברה מיישום מדיניות התגמול הקודמת של החברה ובהינתן הידע וההיכרות של החברה עם הסביבה העסקית הגלובלית בה פועלת החברה, האתגרים בגיוס נושאי משרה איכותיים ותנאי העסקה משותפים בחברות אחרות שיש להן פעילות דומה.

1.13.7.3. מדיניות התגמול החדשה תאפשר לחברה לשמור על הון אנושי חיוני תוך שמירה על חוזק פיננסי והכל במטרה לקדם את יעדי החברה, תוכניותיה העסקיות ואסטרטגיה ארוכת טווח.

1.13.7.4. מדיניות התגמול החדשה מאפשרת קבלת שירותים מסוימים מאת נושאי משרה של בעל השליטה בחברה, כאשר הפיצוי המשתנה ישולם על ידי בעל השליטה בחברה, ובכך מבטיחה כי נושאי משרה מתומרצים כראוי במקביל להפחתה פוטנציאלית של סכומי התגמולים שהחברה נדרשת לשלם.

- 1.13.7.5. לאור סקר השכר, מדיניות התגמול החדשה יוצרת מנגנון תגמול מתאים המשקף את המבנה והאופי העסקי יחד עם המורכבות בפעילות החברה.
- 1.13.7.6. היחס בין תנאי הכהונה וההעסקה של נושאי משרה בחברה לבין שכרם של שאר עובדי החברה הוא סביר והולם בהתחשב באופי החברה ופעילותה, גודלה ותמהיל כוח האדם המועסק בחברה. היחס כאמור לא צפוי להשפיע לרעה על יחסי העבודה בחברה.
- 1.13.7.7. מדיניות התגמול החדשה עומדת בעקרונות הבאים: (א) קידום מטרות החברה, תכנית העבודה שלה ומדיניותה בראייה ארוכת טווח; (ב) עידוד התחשבות בסיכונים הכרוכים בפעילות החברה; (ג) התאמת תמהיל חבילת התגמול לגודל החברה ואופי פעילותה ו-(ד) יצירת תמריצים מתאימים למנהלי החברה תוך התחשבות בעובדה כי בעלי תפקידים המועסקים גם הם על ידי בעל השליטה בחברה יקבלו פיצוי משתנה מבעל השליטה, אשר מתבסס, בין היתר, על תרומתם ומאמציהם לפיתוח העסקי של החברה וקידום יעדיה לטווח הקצר והארוך.
- 1.13.7.8. מדיניות התגמול החדשה היא לטובת החברה בהתאם להוראות חוק החברות והיא הוגנת וסבירה.

1.14. אישור ההסכם בין החברה לבין Consortium Finance Limited ("קונסורציום") ביחס לשירותי מנכ"ל ("הסכם הייעוץ") (החלטה)

- 1.14.1. מר תומס דה ורגאס מאצ'וקה מכהן כמנכ"ל החברה מאז 6 ביולי 2018; בנוסף מכהן מר דה ורגאס מאצ'וקה כמנכ"ל משותף של ADLER Real Estate AG ("ADLER").²
- 1.14.2. למר תומס דה ורגאס מאצ'וקה ניסיון עשיר והיכרות מעמיקה עם שוק הנדל"ן הגרמני ומוניטין בניהול חברות הנדל"ן הגרמניות. בנוסף, קבע הדירקטוריון כי מר דה ורגאס מאצ'וקה הינו בעל כישורים ומיומנויות מתאימים להוביל את החברה בהצלחה ולפתח את פעילותה, בין היתר, על ידי איתור הזדמנויות עסקיות חדשות לחברה ויישום ההחלטות האסטרטגיות של דירקטוריון החברה.
- 1.14.3. ביום 11 בספטמבר 2019 וב-16 בספטמבר 2019, ועדת התגמול וועדת הביקורת³ אישרו והמליצו לדירקטוריון לאשר את הסכם הייעוץ שעיקריו מתוארים בסעיף 1.14.5 להלן. כל חברי ועדת התגמול והביקורת השתתפו בישיבות האמורות.
- 1.14.4. ביום 20 בספטמבר 2019, הדירקטוריון אישר את הסכם הייעוץ והמליץ לבעלי המניות לאשר את הסכם הייעוץ. בישיבת הדירקטוריון האמורה השתתפו כל חברי הדירקטוריון, לרבות, מר מאיר יעקובסון ומר Friedrich Munsberg, הדירקטורים החיצוניים של החברה. מר Claus Jorgensen המכהן כדירקטור בדירקטוריון ADLER ומר Patrick Burke המכהן כמזכיר חברת קונסורציום לא השתתפו

² ADLER מחזיקה 69.81% מזכויות ההצבעה והחזיקה של החברה. למידע נוסף ביחס לבעלי השליטה בחברת ADLER אנא עיינו בדו"ח המיידית של החברה מיום 10 באוקטובר 2019 (מס' אסמכתא: 2019-01-102739), הנכלל בזאת על דרך ההפניה.

³ הסכם הייעוץ אושר גם על ידי ועדת הביקורת עקב אינטרס אישי פוטנציאלי שיש לחברת ADLER, חברת האם של החברה בהסכם כאמור ובשל העובדה כי מר תומס דה ורגאס מאצ'וקה מכהן כמנכ"ל משותף ב ADLER.

בהחלטת הדירקטוריון כאמור, וזאת למען הזהירות ולאור ניגוד העניינים הפוטנציאלי בקשר עם הסכם הייעוץ.

1.14.5. לפיכך מוצע לאשר את הסכם הייעוץ, המסדיר את תנאי שירותיו של מר דה ורגאס

מאצ'וקה כמנכ"ל החברה, אשר תנאיו העיקריים הינם, כדלקמן:

1.14.5.1. תקופת כהונה: הסכם הייעוץ ייכנס לתוקף רטרואקטיבית החל מהמועד בו

אושרה כהונתו של המנכ"ל על ידי הדירקטוריון (6 ביולי 2018) ("מועד

התחילה") ויישאר בתוקף במלואו לתקופה של שלוש שנים ממועד התחילה,

או עד למועד סיום אחר בהתאם להוראות הסכם הייעוץ.

1.14.5.2. שירותים: קונסורציום תעמיד לרשות החברה את מר תומס דה ורגאס

מאצ'וקה, שמונה לתפקיד מנכ"ל החברה, ואשר יהיה אחראי על אספקת

השירותים הקבועים בהסכם הייעוץ, כולל ניהול מהלך העסקים היומי-יומי

של החברה, פיתוח וביצוע אסטרטגיות עסקיות ברמה גבוהה, השגת יעדי

החברה, פיקוח על כל התפעול והפעילות העסקית של החברה ועוד

("השירותים").

1.14.5.3. התחייבות לזמן של המנכ"ל: 40% מזמן העבודה של המנכ"ל יוקדש לחברה

כאשר יתרת כוח העבודה שלו מיוחסת לשירותים ל-ADLER ולחברות

המסונפות לה, למעט החברה.

1.14.5.4. תגמולים: תשלום חודשי של 23,333 אירו לחודש (לא כולל מע"מ)

("התגמול"). קונסורציום לא תהא זכאית לפיצוי משתנה. כמו כן,

קונסורציום לא תהא זכאית לתגמול בגין תקופה שבמהלכה לא ניתן לספק

שירותים עקב חופשה, מחלה או חוסר יכולת אחר של המנכ"ל ומסיבות

אחרות.

1.14.5.5. הוצאות: קונסורציום תהא זכאית להחזר עלויות סבירות שנגרמו

לקונסורציום בקשר לשירותים.

1.14.5.6. סיום ההתקשרות: הסכם הייעוץ יכול להסתיים על ידי אחד מהצדדים, מכל

סיבה שהיא, ללא מניע תוך הקפדה על תקופת הודעה מוקדמת של 3

(שלושה) חודשים.

1.14.5.7. אי-תחרות: במהלך תקופת הסכם הייעוץ ולתקופה של שישה (6) חודשים

לאחר סיומו, קונסורציום לא תהא מעורבת בפעילות תחרותית, תשדל

לקוחות או תעודד עובדים בכל מדינה בה החברה פעילה במהלך הסכם

הייעוץ וביום סיומו, ללא אישור מראש ובכתב של החברה.

1.14.5.8. ביטוח ושיפוי: כמקובל ביחס לבעלי תפקידים אחרים בחברה.

1.14.6. נימוקים לאישור הסכם הייעוץ

1.14.6.1. ועדת התגמול, ועדת הביקורת והדירקטוריון סקרו את ביצועיו של מר דה

ורגאס מאצ'וקה מאז שמונה למנכ"ל החברה, וציינו את תרומתו

המשמעותית לחברה, בין היתר, בהתחשב באתגרים הנובעים מהשינויים

הרבים שנערכו בהנהלת החברה ובשליטה בה, שהתרחשו בזמן קצר יחסית.

1.14.6.2. מיומנותו ומסירותו של מר דה ורגאס עזרו לו להוביל תהליך של מיקוד

מחדש של עסקי החברה ושיפור במצב המזומנים שלה.

1.14.6.3. ועדת התגמול, ועדת הביקורת והדירקטוריון מכירים במחויבותו של מר דה ורגאס מאצ'וקה לחברה וביוזמות שמקדם לשם התאמת אסטרטגיית החברה לתנאי השוק המשתנים והמאתגרים.

1.14.6.4. כחלק מהאסטרטגיה של החברה וכדי לשמר את נושאי המשרה שלה ולתמרץ אותם להישגים עתידיים, הדירקטוריון סבור כי הסכם הייעוץ משקף תגמול הולם למנכ"ל.

1.14.6.5. ועדת התגמול, ועדת הביקורת והדירקטוריון סבורים כי יש חשיבות רבה לשמר את מר דה ורגאס מאצ'וקה כמנכ"ל החברה וכחלק אינטגרלי מניהול החברה, כמו גם לספק תמריץ ראוי למנכ"ל להמשיך בקידום ופיתוח עסקי החברה לצורך השגת התוצאות הטובות ביותר לבעלי מניותיה, בין היתר, נוכח האתגרים שעומדים בפני החברה.

1.14.6.6. התגמול של מר דה ורגאס מאצ'וקה הוסכם במשא ומתן עם קונסורציום ומבוסס על סקר השכר שנערך על ידי החברה לשם אישור מדיניות התגמול החדשה. התגמול המוצע תואם את מדיניות התגמול החדשה (בכפוף לאישור האסיפה הכללית כמתואר בסעיף 1.13 לעיל) **והינו נמוך מהמקובל** בשוק לחברה בסדר גודלה (בהתאם לסקר השכר שערכה החברה לאחרונה).

1.14.6.7. ועדת התגמול, ועדת הביקורת והדירקטוריון סבורים כי תשלום הרכיב המשתנה של מר דה ורגאס מאצ'וקה על ידי ADLER יחסוך כסף לחברה תוך שמירה על תמריץ ראוי למנכ"ל, בהינתן שהחברה הינה נכס מהותי עבור ADLER.

1.14.7. מידע נוסף בהתאם תקנות ניירות ערך (עסקה בין חברה לבין בעל שליטה בה), תשס"א-2001 ("תקנות עסקת בעל שליטה"):

1.14.7.1. הסכמים דומים – להסכמים דומים בהם ל-ADLER, כבעלת השליטה בחברה עשוי להיות אינטרס אישי, אלא ראו סעיף 1.15 להלן.

1.14.7.2. עלות השירותים של החברה בטרם ההתקשרות בהסכם הייעוץ – מאז מינויו ביום 6 ביולי, 2018, מר דה ורגאס מאצ'וקה לא קיבל שכר עבור שירותיו. למידע נוסף ביחס לתגמול הכולל של המנכ"לים המשותפים הקודמים של החברה בשנת 2017 (המשקפים פרמיה משמעותית וזאת אף בהנחה תיאורטית שהיקף העבודה של מר דה ורגאס הוא 100% (מחושב על בסיס שנתי)), ראו את הדוח השנתי של החברה לשנת 2017 (מס' אמכתא: 2018-01-025570), הנכלל בזאת על דרך ההפניה.

1.14.7.3. תשלומים ל-ADLER על ידי החברה – למידע נוסף ראו סעיף 1.15 להלן.

1.14.8. מידע נוסף כנדרש במסגרת התוספת השישית לתקנות הדוחות (מוצג באלפי אירו – בהנחה של 12 חודשי עבודה):

תגמולים* אחרים		תגמולים* בעבור שירותים							פרטי מקבל התגמולים			
סה"כ	ריבית/דמי שכירות/אחר	אחר	עמלה	דמי ייעוץ	דמי ניהול	תשלום מבוסס מניות	מענק	שכר	שיעור החזקה בהון התאגיד	היקף משרה	תפקיד	שם
280	-	-	-	280	-	-	-	-	-	40%	מנכ"ל	Tomas de Vargas Machuca

*הסכומים המצויינים לעיל הם במונחי עלות.

1.15. אישור הסכם שירותים אדמיניסטרטיביים ("הסכם השירותים") בין RT Facility Management GmbH & Co. KG ("RTFM") ל- ADLER Real Estate Service GmbH ("ARES") (החלטה)

1.15.1. RTFM הינה חברה בבעלות מלאה (בעקיפין) של החברה וחברת שירותים של החברה המספקת שירותים פנים-קבוצתיים הכוללים שירותי נדל"ן, ניהול מתקנים ושירותי חשבונאות לחברה ולחברות קשורות לה.

1.15.2. ARES היא חברה בת של ADLER (בעלת השליטה בחברה) שהינה אחת מחברות הנדל"ן המובילות בגרמניה. במהלך השנים הקימה ADLER וביססה צוות ניהולי מומחה המועסק על ידי ARES. כיום, ARES מספקת שירותים לכל החברות בקבוצת ADLER, מעסיקה כוח אדם מיומן ומוסמך ומשמשת כ-"one-stop-shop" עבור קבוצת ADLER.⁴

1.15.3. לאור שינויי כוח אדם מהותיים בהנהלת החברה שהתרחשו לאחר ש-ADLER רכשה את השליטה בחברה, שינויים נוספים שצפויים להתרחש בעתיד הקרוב, וזאת במקביל לעלייה ברמת צריכת השירותים על-ידי לקוחות RTFM, מוצע לאשר כי RTFM תתקשר בהסכם השירותים עם ARES במסגרתו, לבקשת RTFM, ARES תספק שירותים אדמיניסטרטיביים מסוימים אשר יתמכו בעובדי RTFM, ואשר יוכלו לסייע באמצעות השירותים כאמור לחברה ולגורמים אחרים בקבוצת החברה, כמפורט להלן:

1.15.3.1. השירותים

שירותי התמיכה שיסופקו ל-RTFM על ידי ARES יכללו את השירותים הבאים ("השירותים"):

- שירותים משפטיים, לרבות סיוע במשא ומתן לרכישה ומכירה, ניהול תביעות, אכיפת תביעות משפטיות וניהול תאגידי כללי ("שירותים משפטיים");

⁴ ADLER מחזיקה 69.81% מזכויות ההצבעה והחזקה של החברה. למידע נוסף ביחס לבעלי השליטה בחברת ADLER אנא עיינו בדו"ח המידי של החברה מיום 10 באוקטובר 2019 (מס' אמסתכא: 2019-01-102739), הנכלל בזאת על דרך ההפניה.

- שירותי הנהלת חשבונות, לרבות ליווי ופיקוח על עריכת הדוחות הכספיים השנתיים, ניהול חשבונות ותיאום הלוואות בין-חברתיות ומכתבי ויתור ("שירותי חשבונאות");
- שירותי קשרי משקיעים, לרבות הכנת חומרי שיווק למשקיעים, התכתבויות עם בעלי מניות וארגון Road Shows ("שירותי קשרי משקיעים");
- שירותי מימון, לרבות תמיכה בהכנת סקירות מידע על פרויקטי מימון, תמיכה בעריכת הסכמי ההלוואה למשא ומתן לגיבוש תנאים אופטימליים והכנת דוחות בנקים ומעקב אחר הסכמי אשראי והבטחת עמידה בחובות דיווח במועדים לפי החוק ("שירותי מימון").

1.15.3.2. התמורה

- התמורה בגין השירותים מוערכת על בסיס עלויות ישירות ועקיפות של ARES שנגרמו בקשר עם ביצוע השירותים, שיירשמו בהתאם לתקן חשבונאי מקובל אשר יוסכם עם החברה.
- בשלושת החודשים הראשונים של תקופת הסכם השירותים, החברה ו-ADLER סיכמו על תמורה חודשית קבועה עבור כל שירותים (כמפורט בסעיף זה להלן). על בסיס אומדן זה, לכל צד יש את הזכות, אחת לשלושה חודשים, לבקש התאמה של התמורה החודשית אשר לא תעלה על התקרה שהוסכמה בין הצדדים להסכם השירותים כפי שיפורט להלן. וועדת הביקורת של החברה תקבל עדכון לגבי כל התאמה של התמורה.
- סך התמורה השנתית שתשולם ל-ARES צפויה להיות לא מהותית (בין 372,000 - 486,000 אירו לשנה), כדלקמן:

השירות	סכום באירו לכל תקופה של שלושה חודשים הראשונים לתקופת הסכם השירותים	סכום מקסימאלי חודשי באירו
שירותיים משפטיים	10,000	13,000
שירותי חשבונאות	12,000	15,500
שירותי קשרי משקיעים	6,000	8,000
שירותי מימון	3,000	4,000
סה"כ	31,000	40,500

1.15.3.3. תקופת הסכם השירותים וסימונו

- הסכם השירותים יכנס לתוקף מיום אישורו על ידי אסיפת בעלי מניות זו ולתקופה של שלוש (3) שנים ממועד זה.
- כל אחד מהצדדים להסכם השירותים רשאי להפסיק את הסכם השירותים במתן הודעה מראש ובכתב של חודש ימים. הפסקת הסכם השירותים תיכנס לתוקף החל מתום החודש לעיל.

1.15.4. ביום 12 בנובמבר, 2019, ועדת הביקורת בהשתתפות כל חברה, כולל מר Meir Jacobson ומר Friedrich Munsberg, הדירקטורים החיצוניים של החברה, אישרה והמליצה פה אחד לדירקטוריון לאשר את הסכם השירותים, כהסכם שהינו לטובת החברה, בין היתר, על סמך הנימוקים המתוארים בסעיף 1.15.6 להלן. לאור זאת, ובהתבסס על הנימוקים המתוארים בסעיף 1.15.6 להלן ואופי החברה, המבנה הארגוני שלה והסכם השירותים המוצע, קבעה ועדת הביקורת כי אישור הסכם השירותים לא יהיה נתון להליך תחרותי אך הוא יושווה להצעות של צדדים שלישיים ו/או לעלויות הכרוכות בביצוע ראיונות, גיוס והעסקת עובדים במשרה מלאה או חלקית ("עלויות גיוס והעסקה").

1.15.5. ביום 12 בנובמבר, 2019, דירקטוריון החברה, בהשתתפות כל חבריו, כולל מר Meir Jacobson ומר Friedrich Munsberg (הדירקטורים החיצוניים) אך למעט מר Claus Jorgensen, המכהן כדירקטור בדירקטוריון ADLER, המליץ פה אחד לאסיפת בעלי המניות של החברה לאשר את הסכם השירותים, כהסכם שהינו לטובת החברה, בין היתר, על סמך הנימוקים המתוארים בסעיף 1.15.6 להלן.

1.15.6. הנימוקים לאישור הסכם השירותים

1.15.6.1. נחיצות השירותים – שינויים שהתרחשו בכוח האדם בחברה מאז רכשה ADLER את השליטה בחברה בחודש אפריל, 2018, הביאו לכך שתפקידים ניהול בחברה נותרו לא מאוישים במלואם. הסכם השירותים יאפשר לחברה את מערך התמיכה הנוסף הנדרש לחברה לאור האמור לעיל.

1.15.6.2. "One Stop Shop" – ARES מספקת כיום שירותים לכל חברי קבוצת ADLER, היא ספקית שירותים מנוסה, המעסיקה כוח אדם מיומן ומוסמך ויכולה לשמש כ-"one-stop-shop" עבור החברה, מבלי שהחברה תידרש להעסיק ולהכשיר כוח אדם חדש.

1.15.6.3. הכרות עם צרכי החברה – הדירקטוריון סבור כי קבלת השירותים מ-ARES תבטיח כי השירותים יסופקו על ידי כוח אדם מנוסה תוך **תפיסה הוליסטית של צרכי החברה**; דבר אשר לא בהכרח יתממש ככל שהחברה תידרש להסתמך על צד שלישי או על עובדים שרק החלו את עבודתם בחברה.

1.15.6.4. תנאי הסכם השירותים מהווים הצעה אטרקטיבית עבור החברה – ועדת הביקורת והדירקטוריון סבורים כי התמורה הצפויה להשתלם ל-ARES במסגרת הסכם השירותים מייצגת הצעה אטרקטיבית עבור החברה, הן מבחינה איכותית והן מבחינה כמותית, בין היתר, לאור המפורט להלן:

- הסכם השירותים מייצג הצעה נמוכה משמעותית, ביחס לחלק מהשירותים, בהשוואה לשירותי צד שלישי או עלויות גיוס והעסקה;
- הסכם השירותים יאפשר לחברה לקבל את שירותי הניהול הנדרשים על בסיס עלות, תוך שמירה על **ירידה בהוצאות הכלליות והניהוליות של החברה** בהשוואה להוצאות החברה לפני רכישת השליטה בחברה על ידי ADLER;
- ההתקשרות עם ARES מונעת מצב בו תפוקתו של עובד אינה מקסימלית במסגרת תפקידו בחברה, ולפיכך אינה משתלמת לחברה במונחי עלות-עבודה;
- התקשרות עם ARES תחסוך לחברה זמן ועלויות שיידרשו לראיון, לשכור ולהעביר את האחריות לכל חבר צוות פוטנציאלי חדש; ו -
- עבור חברה בגודל ועם היקף עבודה וטבעה של BCP, הליך גיוס כוח אדם מוסמך ובעל ניסיון ווותק, המספק את מלוא היקף השירותים הנדרשים בכל אחד מהשירותים המוזכרים בסעיף 1.15.3.1, עשוי להיות מאתגר.

1.15.7. מידע נוסף בהתאם לתקנות עסקת בעל שליטה

- 1.15.7.1. הסכמים דומים – להסכמים דומים בהם ל-ADLER, כבעלת השליטה בחברה עשויים להיות אינטרס אישי, אנא ראו סעיף 1.15 לעיל.
- 1.15.7.2. עלות השירותים של החברה לפני הסכם השירותים – השירותים יסופקו ל-RTFM על פי דרישתה וכתמיכה. RTFM לא סיפקה שירותים כאלה לפני ההתקשרות בהסכם השירותים בתנאים שכאלה ולכן אינה יכולה לאמוד את עלותם; להערכת החברה ביחס לעלות הסכם השירותים, אנא ראו סעיף 1.15.3.2 לעיל.

1.16. דיון לגבי מדיניות הדיבידנד

לפרטים נוספים ביחס למדיניות הדיבידנד של החברה ראו סעיף 4.1.6 לחלק הראשון לדוח הכספי הישראלי.

2. כינוס אסיפה שנתית ומיוחדת

2.1. מועד כינוס האסיפה

האסיפה הכללית של החברה תתכנס ביום 2 בינואר, 2020 בשעה 14:00, במשרדי החברה, באמסטרדם, הולנד.

2.2. המועד הקובע, הזכאות להשתתף באסיפה ואופן ההצבעה

2.2.1. המועד הקובע לקביעת זכאות בעל מניה להשתתף ולהצביע באסיפה, כאמור בסעיף 182 לחוק החברות, סעיף 3 לתקנות הצבעה בכתב ולהוראות הרלוונטיות בדיון ההולנדי והיינו 5 בדצמבר, 2019, בתום יום המסחר בבורסה לניירות ערך בתל-אביב בע"מ ("המועד הקובע"). כל בעל מניות של החברה במועד הקובע, בין אם המניות רשומות

על שמו ובין אם הוא מחזיק בהן באמצעות חבר בורסה, רשאי להשתתף ולהצביע באסיפה בעצמו או באמצעות שלוח להצבעה.

2.2.2. בהתאם לתקנות החברות (הוכחת בעלות במניה לצורך הצבעה באסיפה הכללית),

התש"ס-2000 ("תקנות הוכחת בעלות במניה"), בעל מניה של החברה, שלזכותו רשומה מניה של החברה אצל חבר בורסה ואותה מניה נכללת בין המניות של החברה הרשומות במרשם בעלי המניות של החברה על שם החברה לרישומים ("בעל מניות לא רשום"), יוכל להשתתף באסיפה, בעצמו או באמצעות שלוח להצבעה, רק אם ימציא לחברה, לפני מועד האסיפה, אישור מאת חבר הבורסה אשר אצלו רשומה זכותו למניה, בדבר בעלותו במניה במועד הקובע, בהתאם לטופס שבתוספת לתקנות הנ"ל ("אישור הבעלות"). בעל מניות לא רשום, זכאי לקבל את אישור הבעלות מחבר הבורסה שבאמצעותו הוא מחזיק במניותיו, בסניף של חבר הבורסה או בדואר אל מענו תמורת דמי משלוח בלבד, אם ביקש זאת. בקשה לעניין זה תינתן מראש לחשבון ניירות ערך מסוים.

2.2.3. בהתאם להוראות תקנה 4 לתקנות הוכחת בעלות במניה, מסר אלקטרוני מאושר לפי

סעיף 5א44 לחוק ניירות ערך, שעניינו נתוני המשתמשים במערכת ההצבעה האלקטרונית - דינו כדין אישור בעלות לגבי כל בעל מניות הנכלל בו.

2.3. מנין חוקי לקיום האסיפה

האסיפה תתקיים בכל מספר משתתפים שהוא.

2.4. הרוב הנדרש לאישור הנושאים שעל סדר היום

2.4.1. הרוב הנדרש לקבלת ההחלטה המפורטת בסעיפים 1.3 עד 1.12 (כולל) לעיל הינו רוב

קולות בעלי המניות הנוכחים באסיפה הכללית, הרשאים להצביע והצביעו בה, בעצמם או על ידי שלוחם, מבלי להביא בחשבון את קולות הנמנעים.

2.4.2. הרוב הנדרש לקבלת ההחלטה המפורטת בסעיפים 1.13 עד 1.15, בהתאם לאמור

בסעיפים 267א(ב), 272(ג) ו-275 לחוק החברות (בהתאמה), הינו רוב רגיל מכלל קולות בעלי המניות הנוכחים באסיפה הרשאים להצביע והצביעו בה, ובלבד שיתקיים אחד מאלה: (1) במניין קולות הרוב באסיפה הכללית יכללו רוב מכלל הקולות שאינם בעלי השליטה בחברה או בעלי עניין אישי באישור מדיניות התגמול, הסכם הייעוץ או הסכם השירותים המשתתפים בהצבעה; במניין כלל הקולות של בעלי המניות האמורים לא יובאו בחשבון קולות הנמנעים; או (2) סך קולות המתנגדים מקרב בעלי המניות האמורים בפסקה (1) לא עלה על שיעור של שני אחוזים מכלל זכויות ההצבעה בחברה.

2.5. הצבעה באסיפה

בעל מניה בחברה, במועד הקובע, יהא זכאי להשתתף באסיפה ולהצביע בה בעצמו, באמצעות כתב הצבעה, באמצעות מערכת ההצבעה האלקטרונית, או על-ידי שלוח. המסמך הממנה שלוח להצבעה ("כתב המינוי") יערך בכתב ויחתם על ידי הממנה ואם הממנה הוא תאגיד, יערך כתב המינוי בכתב ויחתם בדרך המחייבת את התאגיד; הדירקטוריון רשאי לדרוש כי ימסר למשרד הרצוג פוקס נאמן ושות' – עורכי דין ברח' ויצמן 4, בית אסיה, תל אביב, ישראל, לפני כינוס האסיפה, אישור בכתב, להנחת דעתו של הדירקטוריון, בדבר סמכותם של החותמים

לחייב את התאגיד. כתב המינוי או העתק מתאים ממנו, להנחת דעתו של הדירקטוריון וכן ייפוי הכח שמכוחו נחתם כתב המינוי (אם ישנו), יופקדו במשרד הרשום או במקום אחר או אחרים, בישראל או מחוצה לה – כפי שיקבע על ידי הדירקטוריון מפעם לפעם, באופן כללי או ביחס למקרה מיוחד לפחות ארבעים ושמונה (48) שעות לפני תחילת האסיפה או האסיפה הנדחית, לפי העניין, שבה מתכוון השלוח להצביע על יסוד אותו כתב מינוי. על אף האמור לעיל, יושב ראש האסיפה רשאי, לפי שיקול דעתו, לקבל כתב מינוי כאמור, גם לאחר המועד האמור, אם מצא זאת לראוי, לפי שיקול דעתו. לא התקבל כתב מינוי כאמור לעיל, לא יהיה לו תוקף באותה אסיפה.

2.6. הצבעה באמצעות כתב הצבעה

- 2.6.1. בעל מניות רשאי להצביע באסיפה הכללית באמצעות כתב הצבעה. הצבעה בכתב תיעשה באמצעות חלקו השני של כתב ההצבעה, המצורף לזימון לאסיפה זה **כנספת ד'**.
- 2.6.2. ניתן לעיין בכתב ההצבעה ובהודעות העמדה כמשמעותן בסעיף 88 לחוק החברות, ככל שינתנו, באתר ההפצה של רשות ניירות ערך בכתובת: <http://www.magna.isa.gov.il> ("אתר ההפצה"), באתר האינטרנט של הבורסה לניירות ערך בתל-אביב בע"מ, בכתובת: <http://maya.tase.co.il> ("אתר הבורסה") כל בעל מניות רשאי לפנות ישירות לחברה ולקבל ממנה את נוסח כתב ההצבעה והודעות העמדה (ככל שתינתנה).
- 2.6.3. חבר הבורסה ישלח, בלא תמורה, בדואר אלקטרוני, קישורית לנוסח כתב ההצבעה והודעות העמדה (ככל שתינתנה), באתר ההפצה, לכל בעל מניות של החברה שאינו רשום במרשם בעלי המניות של החברה ואשר מניותיו רשומות אצל אותו חבר בורסה, אלא אם כן הודיע בעל המניות כי אינו מעוניין בכך, ובלבד שההודעה ניתנה לגבי חשבון ניירות ערך מסוים ובמועד קודם למועד הקובע.
- 2.6.4. בעל מניות לא רשום המעוניין להצביע באמצעות כתב הצבעה, יציין על גבי החלק השני של כתב ההצבעה את אופן הצבעתו, וימסור אותו לחברה או ישלח לה אותו בדואר רשום בצירוף אישור בעלות, כך שכתב ההצבעה יגיע למשרדה הרשום של החברה לא יאוחר מארבע (4) שעות לפני מועד כינוס האסיפה.
- 2.6.5. בעל מניות הרשום במרשם בעלי המניות של החברה והמעוניין להצביע באמצעות כתב הצבעה, יציין על גבי החלק השני של כתב ההצבעה את אופן הצבעתו, וימסור אותו לחברה או ישלח לה אותו בדואר רשום, בצירוף צילום תעודת הזהות שלו או צילום דרכו או צילום תעודת ההתאגדות, כך שכתב ההצבעה יגיע למשרדה הרשום של החברה עד שש (6) שעות לפני מועד כינוס האסיפה.
- 2.6.6. המועד האחרון להמצאת הודעות עמדה לחברה⁵ על-ידי בעלי המניות של החברה הינו עד עשרה (10) ימים לפני מועד האסיפה, קרי היינו עד ליום 23 בדצמבר, 2019.

2.7. הצבעה באמצעות מערכת ההצבעה האלקטרונית

- 2.7.1. בעל מניות לא רשום זכאי להצביע ביחס לכל הנושאים שעל סדר היום לעיל גם באמצעות כתב הצבעה שיועבר לחברה במערכת ההצבעה האלקטרונית, כהגדרתה בתקנות הצבעה ("מערכת ההצבעה האלקטרונית"). ההצבעה באמצעות כתב הצבעה

⁵ משרדי הרצוג פוקס נאמן ושות' – עורכי דין.

אלקטרוני תתאפשר החל ממועד קבלת אישור מאת מערכת ההצבעה האלקטרונית על קבלה תקינה של רשימת הזכאים להצביע במערכת ההצבעה האלקטרונית ועד שש (6) שעות לפני מועד כינוס האסיפה הכללית ("מועד נעילת המערכת"), אז תיסגר מערכת ההצבעה האלקטרונית.

2.7.2. ההצבעה במערכת ההצבעה האלקטרונית תהיה ניתנת לשינוי או ביטול עד מועד נעילת המערכת ולא יהיה ניתן לשנותה באמצעות מערכת ההצבעה האלקטרונית לאחר מועד זה. יצוין כי בהתאם לסעיף 83(ד) לחוק החברות, במידה ובעל מניות הצביע ביותר מדרך אחת, תימנה הצבעתו המאוחרת, כאשר לעניין זה הצבעה של בעל מניות בעצמו או באמצעות שלוח תיחשב מאוחרת להצבעה באמצעות מערכת ההצבעה האלקטרונית.

2.7.3. בעל מניות שאינו רשום יהיה רשאי לשלוח לחברה אישור בעלות באמצעות מערכת ההצבעה האלקטרונית עד מועד נעילת המערכת כאמור לעיל, מסר אלקטרוני מאושר לפי סעיף 44א5 לחוק ניירות ערך, שעניינו נתוני המשתמשים במערכת ההצבעה האלקטרונית - דינו כדין אישור בעלות במניה לגבי כל בעל מניות הנכלל בו.

2.8. פרטים על נציגות החברה לעניין הטיפול בדוח המייד

נציגי החברה לטיפול בדוח מייד זה הינו עו"ד ניר דאש ועו"ד קרן נכטיגל ממשרד הרצוג פוקס נאמן ושות' – עורכי דין, בית אסיה, רחוב ויצמן 4, תל אביב. טל: 03-6922020, פקס: 03-6966464.

2.9. המקום והזמנים שבהם ניתן לעיין בדוח

ניתן לעיין בדוח מייד זה ובמסמכים הנזכרים בו, במשרד הרצוג פוקס נאמן ושות' – עורכי דין, שכתובתו בית אסיה, רחוב ויצמן 4, תל אביב, על-פי תיאום מראש בטלפון 03-6922020, בימים א' עד ה', בשעות העבודה המקובלות, וזאת עד למועד כינוס האסיפה. כמו כן, ניתן לעיין בדוח זה, בכתב ההצבעה ובהודעות העמדה כמשמעותן בסעיף 88 לחוק החברות, ככל שתינתנה באתר ההפצה ובאתר הבורסה.

בכבוד רב,

בראק קפיטל פרופרטיז אן.וי.

נחתם ע"י

מר Nicolaas van Ommen, Executive Director, בשם

דירקטוריון החברה

ומר גיא פריאל, מורשה חתימה עצמאי בחברה

נספח א' – העתק של הדוח הכספי הסטטוטורי ההולנדי

BRACK CAPITAL PROPERTIES N.V.

CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018

IN THOUSANDS OF EUROS

Company address:

Brack Capital Properties NV
Barbara Strozziilaan 201
1083 HN Amsterdam
The Netherlands

Chamber of Commerce No. 34250659

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BOARD OF DIRECTORS' REPORT

Brack Capital Properties NV (hereinafter: "the Company") hereby submits the Board of Directors' report for a period of twelve months ending on December 31, 2018 (hereinafter: "the Reported Period" or "the Report Period").

These financial statements have been prepared for statutory purposes in the Netherlands. The company has issued shares (ISIN NL0009690619) and debentures (ISIN IL0011228603, IL0011283475 and IL0011330409) which are traded on the Tel Aviv Stock Exchange in Israel.

These financial statements do not constitute an offer to subscribe for, buy or sell the securities mentioned herein. It cannot be used or relied on for purposes of making any investment decision with respect to any securities.

For more current information regarding Brack Capital Properties NV, please consult the press releases, annual reports, regulatory filings, presentations and other documents available at www.tase.co.il and www.bcp-nv.com.

The financial statements attached in this report are presented according to International Standards – the IFRS and as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

The company's securities were listed for trade on the Tel-Aviv stock Exchange ("TASE") in December 2010. Due to the registration the company must comply with the Israeli Securities Law of 1968 and Securities Regulations ("ISL") and part of the Israeli Companies Law of 1999 ("ICL"). The company and its advisors' opinion is that in general the regulatory environment in Israel is far more detailed and restricted than the one the company needs to comply under the Dutch corporate Governance Code ("DCGC") with respect to most material aspects. It should be mentioned that the company is forbidden from marketing its securities in Holland and whoever is interested in the Company's securities must refer to the Company's official publications which are made public in the Tel Aviv Stock Exchange Ltd ("TASE") official announcements' web site at: <http://maya.tase.co.il> ("Maya").

In this report:

"The report date or "the date of the report" – December 31, 2018.

"Report signing date" or "the date of signing the report" – March 12, 2019¹

"The reported period" – the year of 2018.

Preamble

Below are the Company's principal results for the year ended December 31, 2018.

1. **Profitability** – in 2018, the Company's net income attributed to the Company's shareholders amounted to approximately EUR 100.9 million compared to income of EUR 101.2 million in 2017.

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

- **Income producing real estate** – in 2018, the FFO amounted to EUR 37.1 million compared to EUR 34.5 million in 2017.
- **Residential development activity**- In 2018, the contribution to the profit of the Grafental project amounted to EUR 15 million (consolidated) following the adoption of Accounting Standard No. 15. In the reported period, the Company recognized the cumulative sale of 119 residential units the construction of which was completed compared to 90 residential units according to a weighted performance rate of 37.2% recognized until January 1, 2018, the date of initial adoption of the standard. In addition, the Company recognized a profit from the sale of 74 residential units from Stage E according to average performance rate of 27%. For further details in connection with the Grafental project and the development stages mentioned above, see Chapter A of this period report.

2. Operating segments – key operational data².

It will be mentioned that the actual signing date of this report is 6 of September 2019, while the reference in this report is made to the signing date of the reports which were signed on March 12th and were published in the TASE. ¹¹

² As of the report date

2.1 Residential development – Grafental project³

Stage	Number of flats	Expected revenues (EUR in millions)	Expected income (EUR in millions)	Entrepreneurial profit (in percentage)	Sales (in percentage)	Revenue recognition % as of the report date
D	119	67.6	16.2	32%	100%	100%
E	89	49.6	12.0	32%	31%	22.7%
G*	89	53.7	12.2	30%	79%	0%
Total	297	170.9	40.5	31%	100%	47%

2.2 Income producing real estate⁴

Zoning	Area (square meters)	Actual Return of rental fees ⁵	ERV Return ⁶	Actual NOI return ⁶	NOI return according to ERV ⁷	Occupancy rate
Residential	704	5.4%	6.7%	4.5%	5.8%	94%
Commercial**	313	6.3%	6.2%	5.6%	5.5%	97%
Total	1,017	5.7%	6.5%	4.9%	5.7%	95%

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

- **Residential:** in the fourth quarter of 2018, rental fees increased by 3.2 % from identical assets and 1.4% in rental fees an increase of 4.1% in rental fees from identical assets after occupancy rate adjustment per square meter in new rentals compared to the corresponding quarter of 2017. The rental fees in new rentals in the residential market are higher by 19% of the average rental fees.
- **Commercial:** in the fourth quarter of 2018, rental fees have increased by 1.59% compared to the corresponding quarter in 2017. Half of the increase derives from development of construction rights in these assets.

3. Balance sheet structure and financial solvency –

3.1 **Equity and NAV:** The equity attributed to the Company's shareholders amounted to approximately EUR 694.6 million and the NAV⁹ amounted to EUR 806.4 million as of the report date .

*) The marketing of Stage G has commenced in November. It should be indicated that Stage F includes apartments for rental intended to be held by the Company.

** excluding an asset in associate with an area of 7,000 square meters.

3.2 **Debt ratios:** the LTV ratio¹⁰ is 48.3% as of the report date. The EBITDA ratio to interest expenses (only from the income producing portfolio, excluding operating income from development activity) is 3.94 in the fourth quarter of 2018.

3.3 **Liquidity:** cash balances (consolidated) amounted to approximately EUR 27.1 million as of the report date.

4. Concise description of the Corporation and its business environment

³ Data according to 100%, the effective corporation's share in the project,) is 84.98%;

⁴ Assets consolidated in the Company's financial statements

⁵Data of August 2018 on annual basis divided by the carrying value

⁶ERV - 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.

⁷Actual NOI plus the difference between actual rental fees and the ERV divided by the carrying values

⁹EPRA NAV – for details regarding the index and the calculation manner see section 5 of part A.

¹⁰Net debt to total real estate assets

Areas of activity

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.

Further to what is stated in the specification of the special tender offer published by ADLER Real Estate AG ("ADLER"), on February 19, 2018, the Company's controlling shareholder, and as amended by it on March 20, 2018 (Ref. 2018-09-016558 and 2018-09-026776, respectively) under which, among others upon the purchase of the control in the Company, ADLER intends to use its influence as the controlling shareholder, subject to the provisions of any law, in order 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. Further to what is stated in the Company's financial statements for the third quarter of 2018, as of the report publication date, the Company is continuing to examine the possibilities for focusing its business strategy, including the commencement of actions to sell part of its business.

Below are the details on the major developments in said sectors (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 m².

4.2 Commercial income-producing real-estate – as of the report signing date, the Group owns 26 commercial income-producing properties in the commercial segment (commerce and offices) with an overall leasing area of approximately 312,000 m² (excluding an asset in associate with an area of 7,000 square meters).

4.3 Residential Real Estate Under Development - for details regarding the marketing, sales, handovers and performance of Stage D (119 units) 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 residential project in Aachen, see "Material events and others during the reported period".

Forecast of revenues, costs and entrepreneurial profits of the stages in progress and stages under the approved urban planning scheme the performance of which has not yet commenced in Grafental residential project (EUR in thousands)

	Stage E	Stage F	Stage G	
Total expected revenues	49,654	28,925 ¹²	53,689	<input type="checkbox"/>
Advances from apartment purchasers as of the report date	11,657	-	-	<input type="checkbox"/>
Advances from apartment purchasers as of the date of signing the report	13,726	-		<input type="checkbox"/>
Total cumulative costs invested	16,930	10,773	15,713	<input type="checkbox"/>
Total costs remaining for investment	20,630	14,672	25,744	<input type="checkbox"/>
Total expected cost (including land (EUR in thousands))	37,560	25,445	41,457	<input type="checkbox"/>
Completion rate (engineering/monetary) (excluding land) (%) ¹³	26.1%	33.1%	16.8%	<input type="checkbox"/>
Total expected entrepreneurial profit	12,004	3,480	12,232	<input type="checkbox"/>
Total entrepreneurial profit recognized in the Company's financial statements (consolidated) cumulatively as of the report date	2,725	-		<input type="checkbox"/>
Rate of expected entrepreneurial profit (%)	32%	13.7%	29.5%	<input type="checkbox"/>
Expected completion date*	Q1 2020	Q1 2020	Q2 2020	<input type="checkbox"/>

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 entrepreneurial 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 entrepreneurial profitability in stages in which Condo apartments are being built for free sale in the market.

¹² The construction of stage f commenced in April 2018 upon receiving the building permit.

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

4.3.2 The following is a tabular summary of expected revenue, cash flow and entrepreneurial 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	Entrepreneurial profit not yet recognized
Stages in progress (stage E and G)	51,130	21,961	13,459

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	Entrepreneurial profit not yet recognized
Stage E	1,603	636	427
Stage G	39,389	12,870	7,693
Total	40,992	13,506	8,120

4.4 Betterment of land in Dusseldorf to development real estate - 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 details on the major developments regarding the betterment of lands in Dusseldorf in the report period until the report signing date see Chapter A of this periodic report.

4.4.1 The following is a tabular summary of expected revenue, cash flow and entrepreneurial profit expected from the betterment of the land in Dusseldorf¹⁴ real estate inventory in Dusseldorf and inventory of buildings under construction without the asset in an associate in Aachen and without a parcel of land in Gerresheim neighborhood:

Data according to 100% (EUR in thousands)

	Revenue not yet recognized	Cash flow not yet recognized	Entrepreneurial 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 betterment of 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 entrepreneurial profit and expected cash flows before taxes is a forward looking information

¹⁴It 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 entrepreneurial 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 (entrepreneurial profit of 32% - 34% and cash flows of 35% - 40% of the scope of sales).

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.

In addition ,even if the approvals are received and the Company will resolve to establish the projects independently and the performance of the projects will be executed, change in circumstances (including without derogating from the generality of the foregoing – decrease in demand for flats in Dusseldorf and/or decrease in market prices of flats in Dusseldorf) or increase in construction costs (and other costs) and/or the formation of special conditions that 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 entrepreneurial profitability in respect of rent control 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 entrepreneurial 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	December 31, 2018	December 31, 2017	Explanation for the change
	EUR in thousands		
Current assets			
Cash and cash equivalents	27,138	113,129	See details in the statement of cash flows in Chapter C of this periodic report
Balances receivable from banks	414	932	
Restricted deposits, financial assets and other receivables	21,249	10,727	The increase mainly derives from classifying deposits from tenants to restricted cash
Income receivable from the sale of apartments	4,474	-	The increase in the report period derives from initial adoption of IFRS 15.
Tenants and trade receivables, net	1,523	3,735	
Inventory of buildings under construction	25,496	48,756	Continued development on one hand and recognition of inventory cost of sale on the other hand
<u>Total current assets</u>	80,294	177,279	
<u>Assets held for sale</u>	-	11,622	
Non-current assets:			
Investments measured at equity	7,698	8,318	
Marketable financial asset	37,019	-	
Inventory of real estate	216,061	72,659	The increase in the reported period mainly derives from the completion of the transaction for purchasing the land in Gerresheim
Investment property – real estate rights	64,683	67,094	
Investment property – income producing assets	1,410,282	1,283,549	The increase in the reported period derived mainly from capex investments in existing assets and revaluation profits
Restricted deposits for investments in assets	5,381	7,297	
Other accounts receivable, fixed assets and other financial assets	426	18,023	The decrease in the reported period derives from the realization of advances for the purchase of the land in Gerresheim.
Deferred taxes	1,231	1,438	
<u>Total non-current assets</u>	1,742,781	1,458,378	
<u>Total assets</u>	1,823,075	<u>1,647,279</u>	

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Liabilities	December 31, 2018	December 31, 2017	Explanation for the change
	EUR in thousands		
Current liabilities:			
Current maturities of loans from banks	101,485	161,731	The decrease in the reported period derives from classification of long term loans following refinancing according to the original amortization schedules of the loans
Current maturities of debentures	17,066	17,399	
Loans for financing inventory of buildings under construction	2,098	4,000	
Current maturities of other financial liabilities	439	941	
Accounts payable	29,627	25,424	
Advances from apartment purchasers	841	23,119	The decrease in the reporting period derives from the adoption of IFRS 15.
Total current liabilities	151,556	232,614	
Liabilities held for sale	-	6,710	
Non-current liabilities:			
Loans from banks and others	659,614	495,006	The increase in the reported period mainly derives from a loan taken to finance the purchase of the land in Gerresheim.
Debentures	90,349	110,072	The decrease in the reported period derives from principal payment
Other liabilities	3,041	3,095	
Other financial liabilities	384	3,779	
Deferred taxes	117,671	97,373	The increase in the reported period mainly derives from revaluation profits
Total noncurrent liabilities	871,059	709,385	
Total liabilities	1,022,615	948,709	
Equity			
Equity attributable to equity holders of the company	694,644	591,168	The increase in the reported period is mainly due to profit in the period and initial adoption of IFRS 15.
Non controlling interests	105,816	107,402	
Total equity	800,460	698,570	
Total liabilities and equity	1,823,075	1,647,279	

(6) Activity Results

	Year Ended December 31	Year Ended December 31	Year ended December 31,	Explanation for the change
	2018	2017	2016	
EUR in thousands				
Revenues from rental of properties	79,168	74,124	72,111	Purchase of new assets and increase in rental fees in identical assets
Revenues from property management and others	26,980	27,022	25,539	
Property management expenses	(27,870)	(26,513)	(25,064)	
Cost of maintenance of rental properties	(12,717)	(9,689)	(8,803)	
Rental and management revenues, net	65,561	64,944	63,783	
Revenues from sale of apartments	62,753	58,958	73,935	Timing of recognition in the handover of apartments
Cost of sale of apartments	(47,771)	(47,203)	(58,537)	
Income from the sale of apartments	14,982	11,755	15,398	
other income	-	2,008	-	
General and administrative expenses	(12,520)	(11,499)	(12,594)	
General and administrative expenses attributed to inventory of apartments under construction and inventory of real estate	(2,329)	(2,141)	(2,222)	
selling and marketing expenses	(365)	(389)	(422)	
Cost of share based payment	-	(871)	(1,227)	
Increase in the value of investment property, net	95,499	108,736	80,459	Updating the value of the Company's assets
Operating profit	160,828	172,543	143,175	
Financing income	-	39	25	
Financing expenses excluding the effect of exchange rate differences, CPI and hedging transactions, net	(19,646)	(19,529)	(20,716)	
Effect of exchange rate differences, CPI and currency hedging transactions, net	6,509	(3,005)	(3,399)	
Change in the value of loans and interest rate swap transactions, net	1,580	685	(3,793)	

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Equity in losses of companies accounted at equity	(723)	-	-	
Income before taxes on income	148,548	150,733	115,292	
Taxes on income	(29,505)	(31,689)	(26,586)	
Reported net income	119,043	119,044	88,706	
Net income attributed to:				
Company shareholders	100,919	101,124	76,276	
Non-controlling interests	18,124	17,920	12,430	

3) Financing sources, liquidity and Cash flows

	Year ended December 31 2018	Year ended December 31 2017	Year ended December 31, 2016	Explanation for the change
EUR in thousands				
Cash flows provided by operating activities (Cash flows used in operating activities)	(68,059)	74,076	71,086	Onetime adjustment of EUR 128,560 thousand for the completion of the purchase of the land in Dusseldorf that was classified as a long term inventory in the Company's financial statements and on the other hand, expansion of the Company's activity and the timing of receipts from the residential development project
Cash flows provided by investing activities (Cash flows used in investing activities)	(56,394)	(114,264)	(62,275)	Purchase of new assets
Cash flows provided by financing activities (Cash flows used in financing activities)	38,462	64,039	24,647	

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. For further details regarding the Group's financing sources, see Note 11 to the Group's consolidated financial statements for 2018. The Company evaluates its accessibility to financing sources as very high in light of its financial strength, the stability of 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.

7.2 Examining the existence of warning signs -

In view of the financial structure of the Group and the financial data specified in the Company's consolidated financial statements as reviewed by the Company's management, while taking into account the fact that if the Company needed cash flows, the Company could have withdrawn management fees or dividends from its subsidiaries, the Company's Board of Directors determined that there is nothing in the fact that the Company's solo reports indicate a continuing negative cash flow from current

operations so as to indicate a liquidity problem, and therefore, as of the report date, there are no warning signs in the corporation in this regard¹⁵.

The main considerations underlying the decision of the Board of Directors were, among other things: The fact that the Company's Board of Directors estimates, to the extent required that the Company has high access to additional sources of financing, including the ability to expand credit lines and use unutilized credit lines, raise capital (given the Company's high level of accessibility to capital markets) as well as refinancing options on favorable terms, sale of assets (including in the framework of the actions taken by the Company for the sale of certain part of its business as part of the re-focus the Company's business, as described in Section 4) release of collaterals, and more. In addition, and as detailed under Section 19 to Chapter A of the Company's annual report, the Company holds shares in a public company incorporated in Germany, whose shares are traded on the unofficial Frankfurt stock exchange and is one of the leading companies in the German residential real estate development market, which at the date of publication of the report is approximately € 37 million, and the Company estimates that can be sold or utilized to the extent required by the Company.

In this regard, the Company's Board of Directors believes that the current cash flow deficiency only in the solo reports does not indicate a liquidity problem in the Company, both in light of the reasons detailed above and because it derives from the fact that , the Company elected not to receive management fees or withdraw dividends from the wholly-owned subsidiary (Brack German Properties BV) and therefore no current revenues were recorded at the separate level of activity of the Company ("solo"), in a manner that will result in negative cash flows from the Company's current activity ("solo") in 2017 and in the reported period.

It should also be noted that in the course of the reported period, the Company classified a number of non-recourse portfolio loans taken by the Company's sub-subsidiaries in the total amount of approximately € 87 million as current maturities, in accordance with the original amortization schedule of the aforesaid loan and as part of the Company's ordinary course of business. As a result, as of December 31, 2018, the Company has a working capital deficit (consolidated) of € 68 million. In addition, as of December 31, 2018, the Company has a working capital deficiency (solo) amounting to € 5.5 million, mainly due to the continued injection of capital into the Company's development activities.

In addition, the Company's Board of Directors has determined at its meeting of March 12, 2019, that working capital deficiency (consolidated) does not indicate a liquidity problem in the corporation since working capital deficiency (consolidated) derives from non-recourse loans taken by sub-subsidiaries the repayment date of which is according to their amortization schedule and/or the repayment date of which was extended, where as of the report date ,the sub-subsidiaries are in compliance with all the covenants stipulated in the loan agreements. The Company intends to refinance most of the debt¹⁶ as it usually does with respect to debts that have reached their maturity date. regarding working capital deficiency, at the solo level, the Company's Board of Directors also considered the following matters:

- (1) As part of a recourse loan agreement to finance the purchase of the Gerresheim property, the Company undertook that if no infrastructure development agreement is signed with the town as well as development plan is published by March 31, 2019, the Company will be required to deposit EUR 24 million in favor of the lending bank. To the date of the report, the Company obtained the financing bank principle consent to postpone such deposit in few months (subject to obtaining the appropriate approvals at the bank). In addition, the Company estimates that id such approval will not be obtained, and insofar the said agreement will not signed with the Company to this date, the Company will be able to finance the required deposit, by obtaining a loan or by one of the other means specified in this Section; For additional details regarding the acquisition of said asset, including the Company's engagement in the loan agreement to finance its acquisition, see the Company's report dated March 1, 2018 (reference no. : 2018-01-020404), which is included herein by way of reference.
- (2) As part of exercising the right of offer to acquire the rights from non-controlling interests, the Company and the holders of rights commenced negotiations for the acquisition of the rights, the total consideration is expected to amount to approximately € 91 million. The Board of directors of the Company was presented with the Company's financing option in this regard, including the possibility to obtain addition funding from a related party in terms the solely benefits the Company (subject to the approval of the competent organs of the Company). For further details, see the Company's immediate report dated January 29, 2019 (Ref. No. 2019-01-010509), which is included herein by way of reference.

¹⁵It should be noted that in the reported period in the consolidated financial statements, a negative cash flow from operating activities due to a one-time classification of acquisition payments of € 128.6 million of the land in Dusseldorf, which was classified as long-term inventory of land that does not represent the Company's cash flows (consolidated) which are consistently positive.

¹⁶It should be noted that under the examination of refocusing the Company's activity as indicated in section 4, the Company examines the reduction of leverage rate and as a result it is feasible that the finance of the Company's liabilities will be suspended among others, from selling assets.

- (3) Partial redemption of the Company's bonds, in the amount of approximately € 20 million, which is expected towards the end of the second quarter and during the third quarter of 2019; and
- (4) The aforesaid with respect to the Company's various financing options, including the contents of Section 4 of this report, according to which as of the report publication date, the Company is continuing to examine the possibilities of focusing its business strategy, including the commencement of actions to sell part of its business;
- (5) After considering all matters specified above, the Board of Directors of the Company determined that taking into account the various financing options detailed above and the actions to re-focus the Company's business, as described in Section 4, the existence of negative working capital (solo and consolidated) does not indicate a liquidity problem in the corporation.

The Company's estimates regarding the extension of the repayment date of the aforementioned non-recourse loan and the alternatives available to the Company in connection with the financing of the required deposit, and financing the purchase of rights from non controlling interests as described in this section, constitute forward-looking information, as this term is defined in the Securities Law, based on the Company's estimates. The factors which may affect the fact that these estimates may not materialize, in whole or in part, or may materialize differently from what is expected, are many and include, inter alia, changes in the relevant markets and the absence of agreements with third parties whose consent is required to extend the repayment date of the loan or for additional alternatives in connection with the required deposit or regarding the manner of its financing and the realization of some of the above risk factors included in this report.

7.3 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 sale apartments in Grafental project (for further details on this project, see section ----_ 1.9of Chapter A of this periodic report) with certain adjustments for non-operating items, which are affected from the revaluation of the fair value of assets and liabilities. It deals mainly with adjustments of the fair value of investment property, 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 entrepreneurial project 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:

	For the Three months ended December 31, 2018	For the Three months ended December 31, 2017	For the Year ended December 31, 2018	For the Year ended December 31, 2017
Net profit attributed to the Company's shareholders	54,786	17,795	100,919	101,124
Adjustments for net profit:				
A. Adjustments for revaluations				
Increase in the value of investment property and adjustments of liability value relating to investment property	(54,274)	(13,963)	(81,055)	(101,649)
Transaction costs as part of purchasing new assets recognized in profit or loss	-	5,423	-	5,423
Revaluation of loans and interest swap transactions at fair value	3,095	(141)	(1,438)	(313)
b. adjustments for non cash items				
Cost of share-based payment and changes in capital reserves	-	79	-	1,303
Amortization of financing costs, indexing and non cash exchange rate differences and hedging transactions	(2,618)	1,453	(4,640)	5,699
Interest component in hedging transactions	138	361	1,055	1,091
Deferred tax expenses and taxes for prior years	10,284	5,951	23,895	27,133
B. Unique items / new activities / ceased activities / other				
Professional services onetime expenses and others	2,931	838	5,119	534
Adjustments related to associates and non controlling interests	(1,792)	-	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	1,095	188	4,651	3,908
Adjustments for sale of apartments	(4,416)	(9,263)	(12,731)	(9,756)
Total of adjustments to net profit	(45,557)	(8,444)	(63,852)	(66,627)
F.F.O	9,229	9,351	37,067	34,497

As aforesaid, the FFO in the three months ended December 31, 2018 amounted to approximately EUR 9.2 million, grossing up an annual FFO rate of EUR 36.9 million.

7.4 **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 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 to other real estate companies in Israel and Europe.

The Company clarifies that the EPRA NAV index data do not represent a valuation nor 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:

	As of December 31, 2018 EUR in millions	As of December 31, 2017 EUR in millions
Equity attributed to the Company's shareholders	694.6	591.2
Plus deferred taxes for EPRA adjustments (net of non controlling interest)	104.9	89.7
Net of fair value of derivative financial instruments, net (net of non controlling interest)	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 F of the residential project	7.1	8.2
EPRA NAV –Net Asset Value	806.8	689.3

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

For details regarding material events in the reporting period and thereafter see Chapter A of this periodic report.

Part B – Exposure to Market Risks and Way of Managing Them**9. Market risks to which the Company is exposed**

Exchange rate effects – as of the report date, the Company's net currency exposure, net of the liabilities for which the Company carried out currency hedging transactions is at a rate of 2.6 %of its total scope of assets as a result of the Company's liabilities due to the bonds) Series A ,B and C (that were issued to the public in Israel and are denominated in NIS .Other than that ,the Company is not exposed to material changes in currency exchange rates ,as most of its activities ,assets and liabilities are denominated in EUR .The Company reviews from time to time ,the possibility ,and hedges its liabilities in NIS ,partly or wholly ,against future changes in the EUR/NIS exchange rate.

9.1 The fair value of the Company's primary financial instruments

As of the report date, most of the Company's financial instruments are presented at their fair value.

Below are sensitivity tests for changes in the fair value of the Company's primary financial instruments, due to changes in the interest (in EUR thousands):

The basic interest is 3-month Euribor.

December 31, 2018:

	<u>10%</u>	<u>5%</u>	<u>Fair Value</u>	<u>-5%</u>	<u>-10%</u>
Bonds *)	710	356	(115,940)	(356)	(710)
Fixed-interest loans	1,016	507	(455,186)	(507)	(1,016)
Interest rate swap transactions which are not recognized as accounting hedging	36	18	(460)	(18)	(36)
Total	1,762	881	(571,586)	(881)	(1,762)

*) The fair value of the bonds is presented at its quoted value in the Tel Aviv stock exchange Ltd. The sensitivity tests are performed based on the interest basis deriving from this value.

Below are sensitivity tests for changes in the fair value of the Group's primary financial instruments, due to changes in the EUR-NIS exchange rate (in EUR thousands):

December 31, 2018:

	<u>10%</u>	<u>5%</u>	<u>Fair Value</u>	<u>-5%</u>	<u>-10%</u>
Bonds (net of cash held in NIS)	11,593	5,797	(115,935)	(5,797)	(11,593)

Below are sensitivity tests for changes in the fair value of the Group's primary financial instruments, due to changes in the EUR-dollar exchange rate (in EUR thousands):

December 31, 2018:

	<u>10%</u>	<u>5%</u>	<u>Fair Value</u>	<u>-5%</u>	<u>-10%</u>
Currency hedging transactions	(5,000)	(2,500)	(363)	2,500	5,000

Below are sensitivity tests for changes in the fair value of the Group's primary financial instruments, linked to the consumers' price index, due to changes in consumers' price index

December 31, 2018:

	<u>4%</u>	<u>3%</u>	<u>Fair Value</u>	<u>-3%</u>	<u>-4%</u>
Bonds	(4,672)	(3,512)	(115,940)	1,641	1,942

The fair value of the investment properties is also affected by changes in the interest rate in the market. A permanent increase/decrease (increase/decrease forecast by the market as one which is not temporary, but rather characterizes a medium/long-term trend) in market interest rates will lead to changes in the requested yields on real-estate properties (although there is no full correlation between the change in market interest levels and the change in yield on properties), and to a decrease/increase in their fair value, respectively. However, since only a change in market interest levels forecast as being permanent will lead to a change in the fair value of the Company's properties, the transmission between the change of interest in the market and the change in the fair value of the Company's properties is "slow", and occurs over time (usually, a period of between 6 and 9 months is necessary before real-estate prices in the market react to changes in market interest rates). Therefore, the effect of the increase in market interest rates, which generally leads, after a certain period of time, to a decrease in the fair value of the Company's properties, will be offset by the decrease in the fair value of the Company's financial liabilities, and vice-versa.

9.3 Linkage basis report

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

Part C – Corporate Governance Aspects

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

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

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

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

It is further indicated since the sections of the derivative claim and answer (sections 194 – 205a of the companies law) and the sections of imposing monetary sanction (sections 363a(a) and (b)(2) to (12), 363b and 363c of the companies law) cannot be prescribed explicitly in the Company's articles since they are not in line with the absolute law applicable to the Company in Holland, the Company included in the revised articles as approved by the meeting of the Company's shareholders on July 3, 2017 provisions that relate to jurisdiction and application of law including the derivative claim and answer and imposing administrative enforcement measures by ISA. It should also be noted that on August 16, 2018, the Company's shareholders meeting approved an additional amendment to the Company's articles of association, which is a clearer distinction between "Executive Director" and "Non-Executive Director" (reference no.: 2017-01-069852 and - 2018-01-076657, respectively).

In addition to the aforesaid, on January 29, 2017, the deeds of trust were amended between the Company, on one hand and Reznik Paz Nevo Trusts Ltd. on the other hand as the trustee for the bondholders (Series A – C) such that the deeds of trust contained the obligations of the Company/officers in connection with imposing monetary sanctions and/or administrative enforcement measures on the Company and/or its officers¹⁸ as well as the obligations of the Company and its officers not to raise any allegations against the right of the bondholders to file a derivative claim (the obligations of the Company and officers).

¹⁸Not to raise allegations against the powers of ISA and/or the administrative enforcement committee in Israel (the committee) in connection with monetary sanctions and/or administrative enforcement measures that will be imposed on the Company and/or its officers (as the case maybe) by ISA and/or the committee pursuant to Chapter H3 and/or Chapter H4 of the securities law and uphold the resolutions of ISA and/or committee including, without derogating from the generality of the foregoing, pay the monetary sanctions and/or payments to injured parties from the violation to be imposed on the Company and/or its officers (as the case may be and if imposed at all) and to take actions to cure the violation and prevent its recurrence.

(11) Details regarding the Corporation's internal auditor

Name of auditor	Irena Ben Yakar, CPA
Term commencement date	May 25, 2011
Meeting the internal audit conditions	The Internal Auditor meets the conditions prescribed in Sections 3A of the Internal Audit Law (5752-1992)(the Internal Audit Law)
Designation of activities	The Internal Auditor does not hold any other position in the company other than serving as an internal auditor. The internal auditor does not hold any other position out of the company that results or may result in conflict of interests with her position as an Internal Auditor of the company.
Personal matter	The internal auditor is not a related party in the company does not hold a position in the company and is not related to any of the above and does not serve as an auditor or anyone on his behalf and does not provide external services to the company, except for internal auditing services.
Holding the company's securities	The internal auditor, as per its notice, does not hold the Company's securities nor it holds securities of an entity related to the Company as defined by this term in the fourth addition to securities regulations (periodic and immediate reports) – 1970 (the reports' regulations)
Business/material relations with the company	The Internal Auditor does not have any material business relations with the company or other material relations with the company nor does it have such relations with an entity related to the Company as defined by this term in the fourth addendum to reports regulations
Appointment of the internal auditor	The internal auditor's appointment was approved by the company's board of directors on May 25, 2011 based on the recommendation of the company's audit committee and based on its professional experience as internal auditor in the area of internal audit.
The auditor's qualifications	The auditor holds CPA license from 2003 and is a partner in the CPA firm of Deloitte, Brightman, Almagor Zohar. She possesses an extensive experience in risk management and internal audit alongside rich experience in preparing internal audit in public companies.
The auditor as an external party	The auditor provides internal audit services as an external party, by her team from Brightman <i>Almagor Zohar & Co.</i>
Scope of transaction	The company's audit committee approved an audit plan in a scope of 450 hours for 2018. Under this plan, processes were examined in the Company including: protection of privacy (GDPR), management of cash in the company and the process of initiating and managing property renovations. In 2018, the scope of the audit plan amounted to 450 hours. The audit plan is multi-annual and its cost is based on a rate of NIS 250 per hour (on average) and to the Company's best understanding, the scope of remuneration does not affect the discretion of the auditor.
The audit plan	The audit plan is part of a multi-annual plan. The planning of the audit tasks, setting priorities and audit frequency are affected by the following: The likelihood of managerial and administrative flaws, the exposure to risks of activities, issues requiring an audit by the managing bodies, issues required by law, pursuant to internal or external procedures, the need to maintain cyclicity in issues that were tested previously.

Setting the annual work plan of the internal audit in the corporation was done in collaboration with the chairman of the audit committee the internal auditor and her team. The annual work plan is approved by the Company's audit committee at the beginning of each fiscal year. The plan is determined in accordance with the recommendation of the internal auditor, after consultation with management and the audit committee. The plan is subject to change and encompasses the entire group, including corporations held outside of Israel.

Professional standards	The internal auditor, by her notice, prepares the audit according to International Audit Standards of the International Institute of Auditors (IIA)
Scope, nature and continuity of the activity and work plan of the internal auditor	To the best knowledge of the board of directors ,the nature and continuity of the activity and work plan of the internal auditor are reasonable in the circumstances and they are serving the purpose of fulfilling the internal audit objectives in the company.
Free access for the internal auditor	The internal auditor shall have free access as aforesaid in the above section 9 of the internal audit law, including continuous and direct access to the company's information systems including financial data.
The internal auditor report	The internal auditor shall submit her reports in writing to the audit committee and the Company's management. The findings of the audit for 2018 were delivered to the Company's management and the audit committee on various dates during 2018 and the first quarter of 2019. On such dates discussions were held in the audit committee and the internal auditor shared the findings of the audit.
Remuneration	Professional fees for internal audit services were determined to the amount equivalent to NIS 250 per hour on average amounting to NIS 112 thousand in total. In the Company's estimation, such remuneration does not affect the professional discretion of the internal auditor.

(12) Directors with accounting and financial expertise and independent directors

For details regarding the qualifications, education and experience of Meir Jacobson (external director), Friedrich Munsberg (external director), Burke Patrick, Dorenbos Jeroen, Van Ommen Nicolaas, and Noah Shaham as directors possessing accounting and financial expertise in the Company, see regulation 26 in chapter D "additional details regarding the corporation" which is attached to this periodic report.

The Company did not adopt in its articles a provision on the number of independent directors.

(13) Information on the external auditors

Name: PKF Amit, Halfon

Professional fees of the auditor:

Year	For audit services	
	Amount (EUR in thousands)	Hours
2017	281	4,510
2018	285	4,650

Name: IUS Statutory Audits Coop. U.A.

Professional fees of the auditor:

Year	For audit services	
	Amount (EUR in thousands)	Hours
2017	29	260
2018	29	225

The principles for determining the fees and the approving parties: The fees of the auditors were determined in negotiations between the Company's management and the external auditor, and in the opinion of the Company's management it is reasonable and acceptable according to the nature of the Company and the scope of its activity. The remuneration of the auditor was approved by the Company's Board of Directors. The principles for determining the auditor's remuneration are based on the estimated work hours required for the audit of the Company, based on the scope and complexity of the audited activity.

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

(14) 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 valuations of a "material" real estate property (income generating property in Rostock) were not attached to this report since they are "material" valuations but are not "very material". 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 ¹⁹	Signing date – March 12, 2019 Validation date – December 31, 2018	205,557	211,670	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	4.78%	2.0%	248,593	Comparable transactions with price per square meter to assets with similar characteristics	Various databases mainly: database online Emprica database online RIWIS Savills research
Commercial asset Rostock ¹⁹	Signing date – March 12, 2019 Validation date – December 31, 2018	110,580	113,100	Savills 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	5.0%	Inflation rate of 1.8%. In 5-10 years inflation rate was 2%	114,674	sale transactions of assets with similar characteristics at the vicinity of the asset.	database online Emprica database online RIWIS Savills research and 47 indications for rental prices for similar uses characteristics at the vicinity of the asset.

¹⁹It should be noted that the Company's share in the property is 68%, prior to Promote mechanism adjustment

¹⁹It should be noted that the Company's share in the property is 73.7%, prior to Promote mechanism adjustment

Part E – Specific Disclosure for Bond Holders

15. 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 31.12.2018(thousands NIS)	114,400	190,000	150,372
Linked par value as at 31.12.2018 (thousands NIS)	120,810	192,802	150,507
Sum of cumulative interest plus linkage differentials (thousands NIS) as at 31.12.2018	2,679	-	2,213
Value in financial statements as at 31.12.2018 including interest payable (thousands NIS)	122,681	191,373	151,820

Value at the stock exchange as at 31.12.2018 (thousands NIS)	128,952	208,620	159,977
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 (inclusive).	Payable on December 31 and June 30 of each of the years 2013 to 2024 (inclusive) effective December 31, 2013. The last interest installment will be paid on December 31, 2024.	Payable on January 20 and July 20 of each of the years 2015 to 2026 (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	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	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

	(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.	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.	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

16. Details on the trustee

Bonds (Series A)

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

Bonds (Series B)

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

Bonds (Series C)

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

17. Rating

Bond series	A	
Name of rating company	Maalot	
	Bonds' rating	Issuer's rating
Rating of the issuer and bonds on the date of initial issue (March 2011)	A3 (Midroog)	
Rating of the issuer and bonds – April 2012	ilA	ilA, stable
Rating of the issuer and bonds on the date of expanding the series – June 2012	ilA	ilA, stable
Rating of the issuer and bonds on the date of expanding the series – November 2012	ilA	ilA, stable
Rating of the issuer and bonds – April 2013	ilA+	ilA+, stable
Rating of the issuer and bonds – June 2014	ilA+	ilA+, stable
July 2015	ilA+	ilA+, stable
March 2016	ilAA-	ilAA-, stable
March 2017	ilAA-	ilAA-, stable
Rating of the issuer and bonds as of the date of the report	ilAA-	ilAA-, stable

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

BRACK CAPITAL PROPERTIES N.V.

Bond series	C	
Name of rating company	Maalot	
	Bonds' rating	Issuer's rating
Rating of the issuer and bonds on the date of initial issue (July 2014)	ilA+	ilA+, stable
July 2015	ilA+	ilA+, stable
March 2016	ilAA-	ilAA-, stable
March 2017	ilAA-	ilAA-, stable
Rating of the issuer and bonds as of the date of the report	ilAA-	ilAA-, stable

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

To the Company's best knowledge, as of the report date and over the reported year, the Company has complied with all the terms and liabilities according to the deeds of trust²⁰, 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%²¹:

The Company's equity, which is attributed to the majority shareholders as at the Report Period, namely, as of December 31, 2018, is EUR 694.6 thousand.

The financial debt, net, according to solo reports of the Company as of the same date is EUR 99.8 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 December 31, 2018, is approximately 696%.

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 December 31, 2018– 943,804.

The total issued share capital of BGP as of December 31, 2018 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 December 31, 2018– .47.7%

BGP's equity which is attributed to its shareholders, as appears in the Company's financial statements as of December 31, 2018– EUR 755,917 thousand.

The EUR/NIS representative exchange rate known, as of the signing date of the report as published by the Bank of Israel - NIS 4.0809

The value of the charged shares – NIS ,1,471,730 thousand.

Net debt – NIS ,123,489 thousand.

Accordingly ,the ratio between the charged share value to net debt, as of the end of the Report Period, is approximately 1,192% and therefore, the Company meets this ratio as well.

With respect to the bond holders (Series B):

"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 December 31, 2018.640,027 –

The total issued share capital of BGP as of December 31, 2018 and the signing date of the report. 1,978,261 –

The rate of charged shares out of the issued capital share of BGP as of December 31, 2018.32.4% -

BGP's equity which is attributed to its shareholders, as appears in the Company's financial statements as of December 31, 2018 – EUR 755,917 thousand.

²⁰as 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.

²¹The requirement to meet this ratio is relevant only to the bondholders of series A and B

The EUR/NIS representative exchange rate known, as of the signing date of the report, as published by the Bank of Israel – NIS 4.0809

The value of the charged shares – NIS 998, 033, thousand.

Net debt – NIS 192,802 thousand.

Accordingly ,the ratio between the charged share value to net debt, as of the end of the Report Period, is approximately 518% and therefore, the Company meets this ratio as well.

With respect to the bond holders (Series C):

"**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 December 31, 2018: .394,430 –

The total issued share capital of BGP as of December 31, 2017 and the signing date of the report.1,978,261 –

The rate of charged shares out of the issued capital share of BGP as of December 31, 2018 - .19.9% -

BGP's equity which is attributed to its shareholders, as appears in the Company's financial statements as of December 31, 2018 – EUR 755,917 thousand.

The EUR/NIS representative exchange rate known, as of the signing date of the report, as published by the Bank of Israel - NIS 4.0809

The value of the charged shares – NIS 615,058 thousand.

Net debt – NIS 153,576 thousand.

Accordingly ,the ratio between the charged share value to net debt, as at the end of the Report Period, is approximately 400% 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 694.6 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 694.6 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 694.6 million and the debt ratio to CAP is 51.088% (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	107,415
Financial liabilities of the subsidiaries	763,197
Net of cash, cash equivalents and deposits	(32,622)
Net of debt in respect of inventory of apartments under construction	(2,098)
Net financial debt – consolidated	835,892
CAP ²²	

²²Total 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

Equity including non controlling interests	800,460
Net financial debt, consolidated	835,892
CAP	1,636,352

Therefore ,**this ratio is 51.08%** 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 .

19. Convening meetings of bondholders following the change in control in the Company and amending the deeds of trust

On April 25, 2018, the meetings of the Company's bondholders (Series A and B) decided to approve by a majority required not to place the bonds for immediate repayment in respect of the cause of action contained in the trust deed that was established for the bondholders in respect of the transfer of control and in connection with series B trust deed, also the amendment of the trust deed with respect to such grounds. The meeting of the bondholders (Series C) decided not to approve the following issues: (i) not to put for immediate repayment in respect of the cause of action contained in the trust deed that was established for the bond holders in respect of the transfer of control; and (ii) amend the trust deed (Series C) in respect of such cause of action; For further details, see the trustee's immediate reports dated April 8, 11 and 25, 2018 (Ref. No .: 2018-10-029091, 2018-10-029103,2018-10-029112, 2018-10-030111, 2018-10- 030114, 2018-10-030117, 2018-10-033129, 2018-10-033138, 2018-10-033141, respectively), which are hereby included by way of reference.

Further to the above, it should be noted that on May 21, 2018, the holders of the Series C bonds decided to grant a waiver in connection with the cause for immediate repayment in respect of the transfer of control in the Company and amendment of the trust deed. For further details, see immediate report of the trustee dated May 13, 2018 and May 22, 2018 (Ref. 2018-10-047578 and 2018-10-050419, respectively), which are hereby included by way of reference.

20. 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 at the date of issuing the report:

20.1 Bonds (Series A)

a) Charging BGP shares

To secure the liabilities of the Company toward the bond holders (Series A) and the trustee (including the repayment of principal, interest and linkage differences) the Company charged, by first degree charge, in favor of the trustee 943,804 ordinary shares par value of EUR 0.01 of BGP (representing 47.7% of BGP's issued and outstanding share capital).

For details on the value of the charged shares in the financial statements of the Company, see the above small section 3(b).

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.

b) Negative pledge

As long as the bonds (Series A) are within the cycle (namely, as long as the bonds (Series A) have not been fully repaid or settled in any way, including by way of self acquisition and/or early redemption), the Company undertakes that it shall not charge, mortgage, assign by way of charging, or provide as another security of any kind or as another security (hereinafter together in this sub-section only: "the Security") to any of its charges or to the charges of others, in favor of any third party, BGP shares, if after creating the Security, the Company is left with a number of BGP shares which are free and clean, in an amount constituting 10% or less than the total number of the charged shares (for securing the bonds (Series A), as shall be from time to time. Whenever the Company provides a security as stated in this Section above, the Company will forward a confirmation to the trustee to the effect that it meets said condition, prior to providing the security²³.

For details regarding the conditions set forth in the deed of trust for changing, releasing, replacing or cancelling said liens, see Sections 2.7.12.10 – 2.7.12.12 of the shelf prospectus.

For details regarding the limitations on issuing additional liability certificates, see Section 2.7.12.33 of the shelf prospectus.

As to the bonds (Series A), the Company warrants and represents, *inter alia*, that as long as there is a surplus of bonds (Series A) in cycle, the Company will not take credit which shall be secured by charging the shares of any of the companies held by BGP or the assets held by such companies.

Without derogating from the foregoing, the creation of the charge on the charged shares will not limit any action of BGP or corporations it holds, including a limitation on charging shares which are held by BGP in other corporations for securing non-recourse credit to BGP and/or put a limitation on charging assets by corporations held by BGP for securing non-recourse credit to BGP.

For further details regarding the Company's liabilities towards the holders of bonds (Series A), see, *inter alia*, Section 2.7.12.12(D) of the shelf prospectus.

20.2 Bonds (Series B)

a) Charging BGP shares

To secure the liabilities of the Company toward the bond holders (Series B) and the trustee (including the repayment of principal, interest and linkage differences) the Company charged, by first degree charge, in favor of the trustee 640,027 ordinary shares par value of EUR 0.01 of BGP (representing 32.4% of BGP's issued and outstanding share capital).

For details on the value of the charged shares in the financial statements of the Company, see the above small section 3(b). For additional information regarding said charge see section 5.6 of the modification and addendum number 1 dated May 9, 2013 of the deed of trust dated May 23, 2012, which was attached as an appendix to the shelf prospectus report of the Company dated May 19, 2013 (**Series B deed of trust**).

b) Negative pledge

As long as the bonds (Series B) are within the cycle (namely, as long as the bonds (Series B) have not been fully repaid or settled in any way, including by way of self acquisition and/or early redemption), the Company undertakes that it shall not charge, mortgage, assign by way of charging, or provide as another security of any kind or as another security (hereinafter together in this sub-section only: "the Security") to any of its charges or to the charges of others, in favor of any third party, BGP shares, if after creating the Security, the Company is left with a number of BGP shares which are free and clean from any claim/demand and/or a right of any third party, in an amount constituting 10% or less than the total number of the charged shares to the trustee (for securing the bonds (Series B) and BGP shares charged to the trustee for bonds (Series A) to secure the bonds (Series A), as shall be from time to time.

²³It is indicated that as of December 31, 2018, all BGP shares are charged in favor of the trustee for the bond holders (Series A – C) and therefore such condition does not appear to have been met. Nevertheless, it is clarified and stressed that the number of BGP charged shares in favor of the trustee for the bond holders (Series A) is greater by 581% than the minimum number of BGP shares the Company is required to charge to the trustee according to the basic ratio and the ratio of the charged shares to the net debt exceeds 527% the ratio required to release the collaterals (as defined in the Series A deed of trust) and therefore the non fulfillment of the above condition will not harm the holders

It is stressed that this small section will not apply as long as the ratio of charged shares to the net debt will be equal to the ratio required for releasing collaterals (as defined in the Series B deed of trust). For details regarding the conditions set forth in the deed of trust for changing, releasing, replacing or cancelling said liens, see Section 5.5 of the Series B deed of trust.

For details regarding the limitations on issuing additional liability certificates, see Section 4 of the Series B deed of trust.

As to the bonds (Series B), the Company warrants and represents, *inter alia*, that as long as there is a surplus of bonds (Series B) in cycle, the Company will not take credit which shall be secured by charging the shares of any of the companies held by BGP or the assets held by such companies. It was clarified that the creation of the charge on the charged shares will not limit any action of BGP or corporations it holds, including a limitation on charging shares which are held by BGP in other corporations for securing non-recourse credit to BGP and/or put a limitation on charging assets by corporations held by BGP for securing non-recourse credit to BGP.

For further details regarding the Company's liabilities towards the holders of bonds (Series B), see, *inter alia*, Section 8 of the Series B deed of trust.

20.3 Bonds (Series C)

a) Charging BGP shares

To secure the liabilities of the Company toward the bond holders and the trustee (including the repayment of principal, interest and linkage differences) the Company charged, by first degree charge, in favor of the trustee 394,430 ordinary shares par value of EUR 0.01 of BGP (representing 19.9% of BGP's issued and outstanding share capital).

For details on the value of the charged shares in the financial statements of the Company, see the above small section 3(b). For additional information regarding said charge see section 5.6 of the modification and addendum number 2 dated July 14, 2014 of the deed of trust dated May 23, 2012, which was attached as an appendix to the shelf prospectus report of the Company dated July 20, 2014 (**Series C deed of trust**).

b) Negative pledge

As long as the bonds (Series C) are within the cycle (namely, as long as the bonds (Series C) have not been fully repaid or settled in any way, including by way of self acquisition and/or early redemption), the Company undertakes that it shall not charge, mortgage, assign by way of charging, or provide as another security of any kind or as another security (hereinafter together in this sub-section only: "**the Security**") to any of its charges or to the charges of others, in favor of any third party, BGP shares, if after creating the Security, the Company is left with a number of BGP shares which are free and clean from any claim/demand and/or a right of any third party, in an amount constituting 10% or less than the total number of the charged shares to the trustee for securing the bonds (Series C) BGP shares charged to the trustee for securing the bonds (Series B) and BGP shares for securing the bonds (Series A), as shall be from time to time.

It is stressed that this small section will not apply as long as the ratio of charged shares to the net debt will be equal to the ratio required for releasing collaterals.

For details regarding the conditions set forth in the deed of trust for changing, releasing, replacing or cancelling said liens, see Section 5.5 of the Series C deed of trust.

For details regarding limitations on issuing additional liability certificates, see Section 4 of the Series C deed of trust.

As to the bonds (Series C), the Company warrants and represents, *inter alia*, that as long as there is a surplus of bonds (Series C) in cycle, the Company will not take credit which shall be secured by charging the shares of any of the companies held by BGP or the assets held by such companies.

It was clarified that the creation of the charge on the charged shares will not limit any action of BGP or corporations it holds, including a limitation on charging shares which are held by BGP in other corporations for securing non-recourse credit to BGP and/or put a limitation on charging assets by corporations held by BGP for securing non-recourse credit to BGP.

For further details regarding the Company's liabilities towards the holders of bonds (Series C), see, *inter alia*, Section 8 of the Series C deed of trust.

21. 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, the 100% investee company whose shares are pledged to the bondholders (as described in section 5 above, the "**pledged investee company** ") 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 December 31, 2018 and December 31, 2017 with respect to the assets and liabilities of the Group which are not included in the consolidated statements of the pledged investee company compared to the assets and liabilities of the pledged investee and the total consolidated balance sheet:

Data as of December 31, 2018 (EUR in thousands)	The Company Consolidated	Assets/liabilities In the pledged investee company	Assets/liabilities In unpledged companies
Total assets	1,823,075	1,773,142	49,933
Current assets	80,294	67,380	* 12,914
Noncurrent assets	1,742,781	1,705,762	37,019
Total liabilities	1,022,615	911,409	111,206
Current liabilities	151,556	130,866	** 20,690
Noncurrent liabilities	871,059	780,543	*** 90,516
Non- controlling interests	105,816	105,816	-
Total equity	694,644	755,917	(61,273)
Rate of assets out of the total assets in the balance sheet	100%	97%	3%
Rate of liabilities out of the total liabilities in the balance sheet	100%	89%	11%
Rate of equity out of the total equity in the balance sheet	100%	109%	(9%)

*) 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

<u>Data as of December 31, 2017</u> <u>(EUR in thousands)</u>	<u>The</u> <u>Company</u> <u>Consolidated</u>	<u>Assets/liabilities</u> <u>In the pledged</u> <u>company</u>	<u>Assets/liabilities</u> <u>In unpledged</u> <u>companies</u>
Total assets	1,647,279	1,580,322	66,957
Current assets	188,901	121,944	* 66,957
Noncurrent assets	1,458,378	1,458,378	-
Total liabilities	948,709	815,312	133,397
Current liabilities	239,324	219,778	** 19,546
Noncurrent liabilities	709,385	595,534	*** 113,851
Non- controlling interests	107,402	107,402	-
Total equity	591,168	657,608	(66,440)
Rate of assets out of the total assets in the balance sheet	100%	96%	4%
Rate of liabilities out of the total liabilities in the balance sheet	100%	86%	14%
Rate of equity out of the total equity in the balance sheet	100%	111%	(11%)

*) 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;

****) balance of bonds principal (Series A – C) issued by the Company

Amsterdam, September 6th, 2019

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

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018

IN THOUSANDS OF EUROS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31,	
		2018	2017 (*)
Euros in thousands			
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	3	27,138	113,129
Balances receivable from banks	3	414	932
Restricted deposits, financial assets and other receivables	4	21,249	10,727
Income receivable in respect of sale of apartments (*)		4,474	-
Tenants and trade receivables, net	5	1,523	3,735
Inventory of buildings under construction	6	25,496	48,756
		<u>80,294</u>	<u>177,279</u>
Assets held for sale	8(f)	-	11,622
NON-CURRENT ASSETS:			
Investments in companies accounted at equity	7	7,698	8,318
Investment in marketable financial asset measured at fair value through profit or loss	13a	37,019	-
Inventory of real estate and real estate under construction	6	216,061	72,659
Investment property – real estate rights	8	64,683	67,094
Investment property – income generating assets	8	1,410,282	1,283,549
Restricted deposits for investments in assets		5,381	7,297
Other accounts receivable, fixed assets and other financial assets	9,13	426	18,023
Deferred taxes	16	1,231	1,438
		<u>1,742,781</u>	<u>1,458,378</u>
		<u>1,823,075</u>	<u>1,647,279</u>

(*) see Note 2AE regarding the initial adoption of IFRS 15 revenues from contracts with customers.

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31,	
		2018	2017 (*)
Euros in thousands			
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Current maturities of loans from banks	11	101,485	161,731
Current maturities of debentures	11	17,066	17,399
Loans for financing inventory of buildings under construction	11	2,098	4,000
Other financial liabilities	13b	439	941
Accounts payable	10	29,627	25,424
Advances from apartment purchasers	6	841	23,119
		<u>151,556</u>	<u>232,614</u>
<u>Liabilities held for sale</u>	8(f)	-	6,710
NON-CURRENT LIABILITIES:			
Loans from banks	11	659,614	495,066
Debentures	11	90,349	110,072
leasing liabilities	12	3,041	3,095
Other financial liabilities	13b	384	3,779
Deferred taxes	16	117,671	97,373
		<u>871,059</u>	<u>709,385</u>
Contingent liabilities, commitments and liens	17		
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:			
Share capital	18	77	77
Share premium		144,237	144,237
Treasury shares		(746)	(746)
Other capital reserves		1,512	2,322
Statutory capital reserve		378,756	319,337
Retained earnings		170,808	125,941
Total equity attributable to equity holders of the company		<u>694,644</u>	<u>591,168</u>
<u>Non-controlling interests</u>		<u>105,816</u>	<u>107,402</u>
<u>Total equity</u>		<u>800,460</u>	<u>698,570</u>
		<u>1,823,075</u>	<u>1,647,279</u>

(*) see Note 2AE regarding the initial adoption of IFRS 15 revenues from contracts with customers and its impact on the financial statements.

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

September 6, 2019			
Date of approval of the financial statements	Patrick Burke Chairman of the Board of Directors	Tomas de Vargas Machuca CEO	Thomas Stienlet CFO

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Year ended December 31,		
		2018	2017 (*)	2016
		Euros in thousands (except net earnings per share data)		
Revenues from rental of properties		79,168	74,124	72,111
Revenues from property management and others		26,980	27,022	25,539
Property management expenses		(27,870)	(26,513)	(25,064)
Cost of maintenance of rental properties	19a	(12,717)	(9,689)	(8,803)
Rental and management revenues, net		65,561	64,944	63,783
Revenues from sale of apartments	6	62,753	58,958	73,935
Cost of sale of apartments	6	(47,771)	(47,203)	(58,537)
Gain from sale of apartments		14,982	11,755	15,398
Other income		-	2,008	-
General and administrative expenses	19b	(12,520)	(11,499)	(12,594)
General and administrative expenses relating to inventory of buildings under construction and real estate inventory		(2,329)	(2,141)	(2,222)
Selling and marketing expenses		(365)	(389)	(422)
Cost of share based payment (general and administrative)		-	(871)	(1,227)
Operating profit before change in value of investment property		65,329	63,807	62,716
Appreciation of investment property, net	8	95,499	108,736	80,459
Operating income		160,828	172,543	143,175
Finance income	19c	-	39	25
Finance expenses net of exchange rate effect, CPI and currency hedging transactions	19d	(19,646)	(19,529)	(20,716)
Exchange rate effect, CPI and currency hedging transactions, net	19e	6,509	(3,005)	(3,399)
Change in value of financial instruments and other loans	19f	1,580	685	(3,793)
Equity in losses of companies accounted at equity		(723)	-	-
Income before taxes on income		148,548	150,733	115,292
Taxes on income	16e	(29,505)	(31,689)	(26,586)
Net income		119,043	119,044	88,706
Other comprehensive income:		-	-	-
Total comprehensive income		119,043	119,044	88,706
Net and comprehensive income attributable to:				
Equity holders of the Company		100,919	101,124	76,276
Non-controlling interests		18,124	17,920	12,430
		119,043	119,044	88,706
Net earnings per share attributable to equity holders of the Company (in Euro):	20			
Basic net earnings		13.05	13.70	11.55
Diluted net earnings		13.05	13.70	11.22

(*) see Note 2AE regarding the initial adoption of IFRS 15 revenues from contracts with customers and its impact on the financial statements. The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY							Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Other capital reserves	Statutory capital reserve (1)	Retained earnings	Total		
	Euros in thousands								
<u>Balance as of January 1, 2016</u>	66	74,689	(951)	3,841	267,878	-	345,523	108,577	454,100
Total net income and comprehensive income	-	-	-	-	-	76,276	76,276	12,430	88,706
Total comprehensive income	-	-	-	-	-	76,276	76,276	12,430	88,706
Classification in accordance with Dutch law	-	-	-	-	(34,415)	34,415	-	-	-
Exercise of options into shares	1	544	68	(466)	-	-	147	-	147
Cost of share-based payment	-	-	-	1,227	-	-	1,227	-	1,227
Adjustment of capital reserve in respect of transactions with controlling shareholder	-	-	-	80	-	-	80	-	80
Purchase of rights from non-controlling interests	-	-	-	1,932	-	-	1,932	(16,920)	(14,988)
Increase of share capital	6,049	(6,049)	-	-	-	-	-	-	-
Capital distribution to company shareholders and adjustment for treasury shares	(6,049)	37	-	-	-	-	(6,012)	-	(6,012)
Distribution to non-controlling interests	-	-	-	-	-	-	-	(3,197)	(3,197)
<u>Balance as of December 31, 2016</u>	67	69,221	(883)	6,614	233,463	110,691	419,173	100,890	520,063
Total net income and comprehensive income	-	-	-	-	-	101,124	101,124	17,920	119,044
Total comprehensive income	-	-	-	-	-	101,124	101,124	17,920	119,044
Classification in accordance with Dutch law	-	-	-	-	85,874	(85,874)	-	-	-
Cost of share-based payment	-	-	-	871	-	-	871	-	871
Adjustment of capital reserve in respect of transactions with controlling shareholder	-	-	-	432	-	-	432	-	432
Increase of share capital, net	5	46,369	-	-	-	-	46,374	-	46,374
Exercise of options and warrants to shares	5	28,647	137	(5,595)	-	-	23,194	-	23,194
Distribution and payment to non-controlling interests	-	-	-	-	-	-	-	(11,408)	(11,408)
<u>Balance as of December 31, 2017</u>	77	144,237	(746)	2,322	319,337	125,941	591,168	107,402	698,570

(1) See Note 18f.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY							Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Other capital reserves	Statutory capital reserve (1)	Retained earnings	Total		
	Euros in thousands								
Balance as of January 1, 2018	77	144,237	(746)	2,322	319,337	125,941	591,168	107,402	698,570
Effect of initial adoption of new IFRS standard (2)						3,367	3,367	690	4,057
	77	144,237	(746)	2,322	319,337	129,308	594,535	108,092	702,627
Total 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 in accordance with Dutch law	-	-	-	-	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	77	144,237	(746)	1,512	378,756	170,808	694,644	105,816	800,460

(1) See Note 18f.

(2) (*) see Note 2AE regarding the initial adoption of IFRS 15 revenues from contracts with customers and its impact on the financial statements.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2018	2017 (*)	2016
	Euros in thousands		
<u>Cash flows from operating activities:</u>			
Net income	119,043	119,044	88,706
Adjustments to reconcile net income to net cash provided by operating activities:			
Adjustments to profit and loss:			
Depreciation	75	289	281
Finance expenses, net	10,629	20,817	25,121
Appreciation of investment property, net	(96,912)	(106,505)	(80,459)
Deferred taxes, net	18,491	24,413	25,944
Cost of share-based payment	-	871	1,227
Equity in losses of companies accounted at equity	723	-	
Adjustment of capital reserve in respect of transactions with controlling shareholder	-	432	80
	<u>(66,994)</u>	<u>(59,683)</u>	<u>(27,806)</u>
Cash flows from operating activities before changes in asset and liability items	52,049	59,361	60,900
Changes in operating asset and liability items:			
Decrease (increase) in tenants, restricted deposits and other receivables and related parties	(1,294)	(1,266)	1,772
Increase in accounts payable	6,769	369	4,077
	<u>5,475</u>	<u>(897)</u>	<u>5,849</u>
Net cash provided by operating activities before activity in real estate assets and liabilities	57,524	58,464	66,749
Change in advances from apartment purchasers	2,635	7,045	(19,614)
Decrease in inventory of buildings under construction and real estate inventory	405	8,567	23,951
Net cash provided by operating activities before purchase of long term inventory	<u>60,564</u>	<u>74,076</u>	<u>71,086</u>
Purchase of long term real estate inventory (**)	<u>(128,623)</u>	<u>-</u>	<u>-</u>
Net cash provided by operating activities	<u>(68,059)</u>	<u>74,076</u>	<u>71,086</u>

(*) see Note 2AE regarding the initial adoption of IFRS 15 revenues from contracts with customers and its impact on the financial statements..

(**) see Note 6b(3) regarding the purchase of land in Dusseldorf.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2018	2017 (*)	2016
	Euros in thousands		
<u>Cash flows from investing activities:</u>			
Investment in investment property	(23,446)	(91,948)	(106,420)
Investments in companies measured at equity	(103)	-	(3,313)
Investment in marketable financial asset measured at fair value through profit or loss	(35,000)		-
Proceeds from sale of investment property	11,900	14,272	10,963
Proceeds from sale of subsidiaries, net (a)	-	-	10,708
Purchase of newly consolidated subsidiaries, net (b)	-	(17,279)	-
Increase in long term accounts receivable	-		(84)
Withdrawal (placement) of restricted deposits ,prepaid transaction costs and withdrawal (placement) of long-term deposits in banks ,net	(9,982)	(20,392)	697
Interest received and sale of derivatives	237	1,083	25,174
Net cash used in investing activities	<u>(56,394)</u>	<u>(114,264)</u>	<u>(62,275)</u>
<u>Cash flows from financing activities:</u>			
Interest paid	(17,701)	(16,708)	(18,567)
Exercise of options	-	22,645	147
Distribution and payment to non-controlling interests	(17,911)	(11,408)	(3,197)
Receipt of long-term loans, net	197,772	108,052	93,195
Issuance of debentures, net	-	-	14,127
Repayment of debentures	(17,309)	(18,101)	(17,117)
Repayment of long-term loans	(103,090)	(67,357)	(22,941)
Issuance of shares and stock options, net	-	46,916	-
Purchase of rights from non-controlling interests	(3,299)	-	(14,988)
Capital distribution to the Company's shareholders	-	-	(6,012)
Net cash provided by financing activities	<u>38,462</u>	<u>64,039</u>	<u>24,647</u>
Change in cash and cash equivalents	(85,991)	23,851	33,458
Balance of cash and cash equivalents at the beginning of the year	<u>113,129</u>	<u>89,278</u>	<u>55,820</u>
Balance of cash and cash equivalents at the end of the year	<u><u>27,138</u></u>	<u><u>113,129</u></u>	<u><u>89,278</u></u>

(*) see Note 2AE regarding the initial adoption of IFRS 15 revenues from contracts with customers and its impact on the financial statements..

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2018	2017	2016
	Euros in thousands		
(a) <u>Proceeds from sale of previously consolidated subsidiaries</u>			
Assets and liabilities of consolidated subsidiaries as of date of sale:			
Investment property	-	-	61,479
Working capital (excluding cash and cash equivalents)	-	-	385
Loans from banks, net	-	-	(53,697)
Gain from sale of subsidiaries	-	-	1,861
Deferred taxes, net	-	-	680
	<u>-</u>	<u>-</u>	<u>10,708</u>
(b) <u>Purchase of newly consolidated subsidiaries</u>			
Assets and liabilities of consolidated subsidiaries as of date of sale:			
Investment property	-	(46,950)	-
Working capital (excluding cash and cash equivalents)	-	(1,905)	-
Loans from banks, net	-	34,250	-
Loss in respect of transaction costs	-	(2,674)	-
	<u>-</u>	<u>(17,279)</u>	<u>-</u>
(c) <u>Additional information</u>			
Taxes paid	4,357	2,407	-
	<u>4,357</u>	<u>2,407</u>	<u>-</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1:- GENERAL

a. General description of the Company and its activity

Brack Capital Properties NV ("the Company") was incorporated in June 2006 and is a real estate corporation residing in the Netherlands, which is engaged via investees in the acquisition and management of investment properties in Germany, mainly in the area of income-generating commercial and income-generating residential real estate. The Company is also engaged in real estate betterment and development of residential complex in Düsseldorf, Germany. Regarding the Company's operating segments, see Note 21.

In 2010, the Company issued shares pursuant to an initial public offering on the Israeli stock exchange.

In April 2018, the Company was informed that the control in the Company was purchased by ADLER Real Estate AG (ADLER). ADLER intends to use its effect as a controlling shareholder subject to the provisions of any law to review the refocus of the Company's strategy including the possibility of selling a certain portion of the Company's assets and business. As of the approval date of the financial statements, the Company continues to review the possibilities of focusing its business strategy including the commencement of selling part of its business.

b. Definitions

In these financial statements -

The Company	-	Brack Capital Properties NV.
The Group	-	Brack Capital Properties NV and its investees
Subsidiaries	-	Companies controlled by the Company (as defined in the IFRS 10) and the accounts of which are consolidated with those of the Company.
Jointly controlled entities	-	Companies owned by various entities that have a contractual arrangement for joint control and the Company's investment therein is included in the consolidated statements of the Company using the equity method. (see Note 2d)
Investees	-	Subsidiaries, jointly controlled entities.
Interested parties and controlling shareholder	-	As defined in the Israeli Securities Regulations (Annual Financial Statements), 2010.
Related parties	-	As defined in IAS 24 (revised)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIESa. Basis of presentation of the financial statements1. Basis of measurement

The Company's financial statements have been compiled based on cost, with the exception of investment property and derivative and marketable financial instruments which are measured at fair value through profit or loss. Likewise, the Company occasionally designates loans from banking corporations to fair value through profit or loss.

The Company has elected to present its statement of comprehensive income according to the operations attribute method.

2. Preparation format of the financial statements

These financial statements have been compiled in accordance with International Financial Reporting Standards ("IFRS") and as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.. These standards include:

- a) International Financial Reporting Standards (IFRS).
- b) International Accounting Standards (IAS).
- c) Interpretations issued by the IFRIC and by the SIC.

Furthermore, the financial statements have been prepared in accordance with the Israeli Securities Regulations (Annual Financial Statements), 2010.

3. Consistent accounting policies

The accounting policies applied in the financial statements are consistent with those of all periods presented. (See also sections L, V and AE)

b. Significant accounting judgments, estimates and assumptions used in the preparation of the financial statements:

1. In the process of applying the significant accounting policies, the Group has made the following judgments which have the most significant effect on the amounts recognized in the financial statements:

- Acquisition of subsidiaries that are not business combinations:

According to IFRS 3, at the time of acquisition of subsidiaries and activities, the Company considers whether the acquisition represents a business combination pursuant to IFRS 3. This estimate is based, among others, on the following criteria which indicate acquisition of a business are considered: large number of assets acquired, the extent to which ancillary services to operate the property are provided and the complexity of the management of the property.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)2. The timing of fulfilling performance obligations

The Company is examining the date of transfer of control over the asset or service in order to identify the timing of revenue recognition from contracts with customers at a point in time or over time. Among other things, the Company examines whether the customer gains control over an asset at a specific point in time or consumes the economic benefits simultaneously with the Company's performance. In addition, the Company also takes into account the relevant provisions of the law and regulation in order to determine the timing of revenue recognition.

Determining the transaction price and the amounts allocated to performance obligation

In transactions with customers that include variable consideration, the Company examines, based on past experience, business forecasts and current economic conditions, whether it is highly probable that a significant cancellation of the recognized revenue amount will not occur.

When determining the transaction price the with its customers, the Company takes into consideration the impact of each variable consideration in the contract, such as discounts, fines, incentives, the existence of a significant financing component in the contract and non-cash consideration.

In addition, the Company examines for each transaction that includes variable consideration what is the method that will better represent the amount of consideration to which the Company is entitled, expected value method or the most reasonable amount method.

3. Estimates and assumptions

The preparation of the financial statements requires management to make estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities, revenues and expenses. These estimates and underlying assumptions are reviewed regularly. Changes in accounting estimates are reported in the period of the change in estimate.

The key assumptions made in the financial statements concerning uncertainties at the end of the reporting period and the critical estimates computed by the Group that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

4. Investment property:

Investment property that can be reliably measured is presented at fair value at the end of the reporting period. Changes in their fair value are recognized in profit or loss. Fair value is determined by independent valuation experts using economic valuations that involve valuation techniques and assumptions as to estimates of projected future cash flows from the property and estimate of the suitable discount rate for these cash flows. If applicable, the fair value is determined based on recent real estate transactions with similar characteristics and location of the valued asset.

The fair value measurement of investment property requires valuation experts and the Company's management to use certain assumptions regarding rates of return on the Group's assets, future lease prices, occupancy rates, contract renewal terms, the probability of leasing vacant areas, asset operating expenses, the tenants' financial stability and the implications of any investments made for future development purposes in order to assess the future expected cash flows from the assets. Any change in the assumptions used to measure the investment property is liable to affect fair value.

5. Inventories of real estate and apartments under construction:

The net realizable value is assessed based on management's evaluation including expectations and estimates as to the amounts expected to be realized from the sale of the project inventory and the construction costs necessary to bring the inventory to a saleable condition. Further details are given in j.

6. Deferred tax assets:

Deferred tax assets are recognized for unused carryforward tax losses and temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are given in t.

c. Consolidated financial statements:

The consolidated financial statements comprise the financial statements of companies that are controlled by the Company (subsidiaries). Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Potential voting rights are considered when assessing whether an entity has control. The consolidation of the financial statements commences on the date on which control is obtained and ends when such control ceases.

The financial statements of the Company and of the subsidiaries are prepared as of the same dates and periods. The consolidated financial statements are prepared using uniform accounting policies by all companies in the Group. Significant intragroup balances and transactions and gains or losses resulting from intragroup transactions are eliminated in full in the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Non-controlling interests in subsidiaries represent the equity in subsidiaries not attributable, directly or indirectly, to a parent. Non-controlling interests are presented in equity separately from the equity attributable to the equity holders of the Company. Profit or loss and components of other comprehensive income are attributed to the Company and to non-controlling interests.

d. Investment in joint arrangements:

Joint arrangements are arrangements in which the Company has joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Joint ventures:

In joint ventures the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint venture is accounted for at equity

e. Investments accounted for using the equity method:

The Group's investments in companies under joint control are accounted for using the equity method.

Under the equity method, the investment in the associate or in the joint venture is presented at cost with the addition of post-acquisition changes in the Group's share of net assets, including other comprehensive income of the associate or the joint venture. Profits and losses resulting from transactions between the Group and the associate or the joint venture are eliminated to the extent of the interest in the associate or in the joint venture.

The financial statements of the Company and of the associate or joint venture are prepared as of the same dates and periods. The accounting policies applied in the financial statements of the associate or the joint venture are uniform and consistent with the policies applied in the financial statements of the Group.

Upon the acquisition of an associate or a joint venture achieved in stages when the former investment in the acquiree was accounted for pursuant to the provisions of IAS 39, the Group adopts the principles of IFRS 3 regarding business combinations achieved in stages. Consequently, equity interests in the acquiree that had been held by the Group prior to achieving significant influence or joint control are measured at fair value on the acquisition date and are included in the acquisition consideration while recognizing a gain or loss resulting from the fair value measurement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Losses of an associate in amounts which exceed its equity are recognized by the Company to the extent of its investment in the associate plus any losses that the Company may incur as a result of a guarantee or other financial support provided in respect of the associate. For this purpose, the investment includes long-term receivables (such as loans granted) for which settlement is neither planned nor likely to occur in the foreseeable future.

The equity method is applied until the loss of significant influence in the associate or loss of joint control in the joint venture or classification as held-for-sale.

After implementing the equity method, the Company examines whether there is a need to recognize an additional impairment loss of investment in associates or joint ventures. In each reporting date, an examination is carried out whether there is an objective evidence of impairment of the investment in associates or joint ventures. The examination of impairment is carried out with respect to the total investment including the goodwill attributed to the in associate or joint venture.

On the date of loss of significant influence or joint control, the Group measures any remaining investment in the associate or the joint venture at fair value and recognizes in profit or loss the difference between the fair value of any remaining investment plus any proceeds from the sale of the investment in the associate or the joint venture and the carrying amount of the investment on that date.

f. Functional currency and presentation currency:

1. The presentation currency of the financial statements is the Euro.

The Group determines the functional currency of each Group entity, including companies accounted for at equity. The functional currency of the group companies is Euro.

2. Transactions, assets and liabilities in foreign currency:

Transactions denominated in foreign currency are recorded upon initial recognition at the exchange rate at the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at each reporting date into the functional currency at the exchange rate at that date. Exchange rate differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currency and measured at cost are translated at the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are translated into the functional currency using the exchange rate prevailing at the date when the fair value was determined.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

3. Index-linked monetary items:

The Group has debentures that are linked to the Israeli Consumer Price Index ("Israeli CPI"). Monetary assets and liabilities linked to the changes in the Israeli Consumer Price Index ("Israeli CPI") are adjusted at the relevant index at the end of each reporting period according to the terms of the agreement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

- g. Cash equivalents and balances receivable from banks:

Cash equivalents are considered as highly liquid investments, including unrestricted short-term bank deposits with an original maturity of three months or less from the date of acquisition or with a maturity of more than three months, but which are redeemable on demand without penalty and which form part of the Group's cash management. Balances receivable from banks are considered as highly liquid investments including unrestricted bank deposits which form part of the Group's cash management.

- h. Short-term deposits:

Short-term bank deposits are deposits with an original maturity of more than three months from the date of acquisition which do not comply with the definition of cash equivalents. The deposits are presented according to their terms of deposit.

- i. Allowance for doubtful accounts: (the accounting policies implemented until December 31, 2017)

The allowance for doubtful accounts is determined in respect of specific debts whose collection, in the opinion of the Company's management, is doubtful. The Company also recognizes a provision for groups of customers that are collectively assessed for impairment based on their credit risk characteristics. Impaired debts are derecognized when they are assessed as uncollectible. As to accounting policies effective from January 1, 2018 see section L below.

- j. Inventories of apartments under construction and inventories of real estate:

Cost of inventories of apartments under construction and inventories of real estate comprises identifiable direct costs of land such as taxes, fees and duties and construction costs. The Company also capitalizes borrowing costs as part of the cost of inventories of apartments under construction from the period in which the Company commenced development of the inventories of apartments under construction.

Inventories of apartments under construction and inventories of real estate are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated selling costs.

- k. The operating cycle:

The Group has two operating cycles. The operating cycle of apartments under construction is three years. The operating cycle of the remaining activities is one year. Accordingly, the assets and liabilities directly attributable to inventory of apartments under construction are classified in the statement of financial position as current assets and liabilities based on the operating cycle.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

1. Financial instruments:

Until December 31, 2017, the Company adopted IAS 39 Financial Instruments". Effective from January 1, 2018, the Company adopts IFRS 9. The adoption of the new standard did not have a material impact on the financial statements.

The accounting policies adopted effective from January 1, 2018 for financial instruments are as follows:

1. Financial assets

Financial assets are measured at the date of initial recognition at their fair value plus transaction costs that can be directly attributed to the acquisition of the financial asset, except in case of a financial asset measured at fair value through profit or loss in respect of which transaction costs are recognized in profit or loss.

The Company classifies and measures debt instruments in its financial statements on the basis of the following criteria:

- (A) The business model of the Company for the management of financial assets, and
- (B) The contractual cash flow characteristics of the financial asset.

1a. The Company measures debt instruments at amortized cost when:

The Company's business model is holding the financial assets in order to collect contractual cash flows; and the contractual terms of the financial asset provide entitlement to cash flows on defined dates that are only principal and interest payments in respect of the principal that has not yet been repaid.

After initial recognition, instruments in this group shall be presented at their terms at amortized cost using the effective interest method and net of provision for impairment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

1. Financial instruments (Cont.) :

In addition, on the date of initial recognition, a company may designate a debt instrument as measured at fair value through profit or loss, without option to change this designation, if such designation eliminates or significantly reduces inconsistencies in measurement or recognition, for example if the related financial liabilities are also measured at fair value through profit or loss.

1b. The Company measures debt instruments at fair value through other comprehensive income when:

The Company's business model is holding financial assets in order to collect contractual cash flows and the sale of the financial assets as well as selling the financial assets; and the contractual terms provide entitlement to cash flows on defined dates that are only principal and interest payments in respect of the principal that has not yet been repaid.

After initial recognition, instruments of this group are measured at fair value. Gains or losses from fair value adjustments, other than interest and exchange rate differences are recognized in other comprehensive income.

1c. The Company measures debt instruments at fair value through profit or loss when:

A financial asset that is a debt instrument does not meet the criteria for measuring it at amortized cost or at fair value through other comprehensive income. After initial recognition, the financial asset is measured at fair value when gains or losses from fair value adjustments are recognized in profit or loss.

1d. Equity instruments and other financial assets held for trade

Investments in equity instruments do not meet the above criteria and are therefore measured at fair value through profit or loss.

Other financial assets held for trade such as derivatives, including embedded derivatives that are separated from a host contract, will be measured at fair value through profit or loss unless they are designated as instruments for effective hedging.

Dividend income from investments in equity instruments is recognized on the effective date for the entitlement to a dividend in the statement of profit or loss.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

1. Financial instruments (Cont.) :

b.

2. Impairment of financial assets

The Company examines at each reporting date the provision for loss in respect of financial debt instruments that are not measured at fair value through profit or loss.

The Company distinguishes between two situations of recognition of a provision for loss;

- a) Debt instruments for which there has been no significant deterioration in their credit quality since the initial recognition or in cases where the credit risk is low - the provision for loss recognized for this debt instrument will take into account projected credit losses in a period of 12 months after the reporting date; or
- b) Debt instruments whose credit quality has deteriorated significantly since their initial recognition and for which the credit risk is not low; the provision for loss to be recognized will take into account projected credit losses - over the remaining life of the instrument.

The Company applies the benefit determined in the standard under which it assumes that the credit risk of debt instrument did not increase significantly from the initial recognition date if it was determined on the reporting date that the instrument is of low credit risk for example when the instrument has external rating of "investment level".

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

- f. The accounting policies adopted effective from January 1, 2018 for financial instruments are as follows (cont.):

Impairment in respect of debt instruments measured at amortized cost will be carried to profit or loss against provision while impairment in respect of debt instruments measured at fair value through other comprehensive income will be carried against capital reserve and will not reduce the book value of the financial asset in the statement of financial position.

The Company has financial assets with short credit periods such as customers, for which it is entitled to implement the relief prescribed in the model, i.e. the Company will measure the provision for loss in an amount equal to projected credit losses throughout the life of the instrument. The Company chose to apply the relief regarding these financial assets.

3. Derecognition of financial instruments:

The Company derecognized financial asset only when:

- (a) The contractual rights to the cash flows from the financial asset expire; or
- (b) The Company transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.
- (c) The Company retains the contractual rights to receive the cash flows deriving from the financial asset, but assumes a contractual obligation to pay these cash flows in full to a third party, without material delay.

1.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

4. Financial liabilities

4a) Financial liabilities measured at amortized cost:

At initial recognition, the Company measures financial liabilities at fair value net of transaction costs directly attributable to the issue of financial liability.

After initial recognition, the Company measures all financial liabilities at amortized cost using the effective interest method, other than: financial liabilities at fair value through profit or loss such as derivatives.

4b) financial liabilities at fair value through profit or loss:

At initial recognition, the Company measures financial liabilities (derivatives) that are not measured at amortized cost at fair value, when transaction costs are recognized in profit or loss.

After initial recognition, changes in fair value are carried to profit or loss.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**5. Derecognition of financial liabilities and change in the terms of liabilities**

The Company derecognises a financial liability only when it is extinguished - that is, when the liability defined in the contract is discharged or canceled or expires.

A financial liability is extinguished when the debtor repays the liability by paying cash, by other financial assets, goods or services, or is legally released from the liability.

In the event of a change in the terms of an existing financial liability, the Company examines whether the terms of the liability are materially different from the existing conditions.

When a material change is made in the terms of an existing financial liability, the change is treated as derecognition of the original liability and recognition of a new liability. The difference between the balance of these two liabilities in the financial statements is carried to profit or loss.

If the change is immaterial, the Company updates the amount of the liability, i.e, capitalizing the new cash flows at the original effective interest rate, with the differences recognized in profit or loss. Until December 31, 2017, according to previous standards, the difference between said balances was carried to profit or loss over the remaining liability term (by updating the effective interest).

When examining whether this is a material change in the terms of an existing liability, the Company takes into consideration qualitative and quantitative considerations.

6. Offsetting financial instruments:

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position if there is a legally enforceable right to set off the recognized amounts and there is an intention either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The right to set off must be legally enforced not only in the ordinary course of business of the parties to the agreement but also in case of bankruptcy or insolvency. In order for the right to exist, it should not be dependent on a future event or that in certain periods of time it will not apply or that there will be events that will cause its expiration.

m. Derivative financial instruments designated as hedges (hedging):

The Group enters into contracts for derivative financial instruments such as forward currency contracts (Forward) in respect of foreign currency and interest rate swaps (SWAP) and CAP transactions to hedge risks associated with foreign exchange rates and interest rate fluctuations.

Any gains or losses arising from changes in the fair values of derivatives that do not qualify for hedge accounting are recorded immediately in profit or loss.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

n. Leases:

The criteria for classifying leases as finance or operating leases depend on the substance of the agreements and are made at the inception of the lease in accordance with the following principles as set out in IAS 17.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Group as lessee:

1. Finance leases:

Lease of land under investment property presented at fair value is accounted for as finance where the leased asset at the commencement of the lease term is measured at the lower of the fair value of the leased asset or at the present value of the minimum lease payments.

After initial recognition, the leased asset is accounted for according to the accounting policy applicable for this type of asset.

2. Operating leases:

Lease agreements are classified as an operating lease if they do not transfer substantially all the risks and benefits incidental to ownership of the leased asset. Lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term. See also P below.

The Group as lessor:

Operating leases:

Assets that are not transferred substantially all the risks and benefits incidental to ownership of the leased asset are classified as operating leases. Rental receipts are recognized as an income in profit or loss on a straight line basis over the lease term. Initial direct costs incurred in respect of the lease agreement, are added to the carrying amount of the leased asset and recognized as an expense concurrently with recognition of rental income. Contingent rental receipts are recognized in profit or loss upon the date the Company is entitled to receive such receipts.

o. Business combinations and goodwill:

Business combinations are accounted for by applying the acquisition method. Under this method, the identifiable assets and liabilities of the acquired business are recognized at fair value on the acquisition date (PPA). The cost of the acquisition is the aggregate fair value of the assets transferred, liabilities incurred and equity interests issued by the acquirer on the date of acquisition.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Non-controlling interests are measured at proportionate share of fair value of the acquiree's net identifiable assets on the acquisition date.

The direct costs relating to the acquisition are recognized as an expense in profit or loss and do not represent part of the acquisition cost.

On the acquisition date, the assets acquired and liabilities assumed are classified and designated in accordance with the contractual terms, economic circumstances and other pertinent conditions that exist at the acquisition date, except for lease contracts that have not been modified on the acquisition date and whose classification as a finance or operating lease is therefore not reconsidered.

In a business combination achieved in stages, equity interests in the acquiree that had been held by the acquirer prior to obtaining control are measured at the acquisition date fair value and included in the acquisition consideration while recognizing gain or loss resulting from the fair value measurement, including realization of amounts that were recorded in other comprehensive income.

Contingent consideration is recognized at fair value on the acquisition date. If the contingent consideration is classified as a financial liability in accordance with IAS 39, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss. If the contingent consideration is classified as an equity instrument, it is measured at fair value on the acquisition date without subsequent remeasurement. In any event, if the changes arise from adjustments made to the interim PPA during the measurement period, they are recognized as goodwill adjustment.

Acquisitions of subsidiaries that are not business combinations:

Upon the acquisition of subsidiaries and activities that do not constitute a business, the consideration paid is allocated among the subsidiary's identifiable assets and liabilities based on their relative fair values on the acquisition date without attributing any amount to goodwill, and the non-controlling interests, if any, participate at their relative share of the fair value of the net identifiable assets on the acquisition date.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

p. Investment property:

An investment property is property (land or a building or both) held by the owner (lessor under an operating lease) or by the lessee under a finance lease to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services, for administrative purposes or for sale in the ordinary course of business.

Real estate rights held by a lessee (the Group) under an operating lease are classified as investment property provided that these rights are held in order to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services, for administrative purposes or for sale in the ordinary course of business. The Group uses the fair value model for these rights.

Investment property is measured initially at cost, including costs directly attributable to the acquisition. After initial recognition, investment property is measured at fair value which reflects market conditions at the end of the reporting period. Gains or losses arising from changes in the fair values of investment property are included in profit or loss when incurred. Investment property is not systematically depreciated.

Transfer of a property from investment property to inventories is made at the inception of development with the intention of selling the property. . The cost considered for accounting treatment on the transition date is the fair value at the time of change on realization.

Investment property is derecognized on disposal or when the investment property ceases to be used and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of the disposal.

The Group determines the fair value of investment property on the basis of valuations by independent appraisers who hold recognized and relevant professional qualifications and the necessary knowledge and experience and by the Company's management having wide professional knowledge and by internal appraisers.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

q. Property, plant and equipment:

Property, plant and equipment are measured at cost, including directly attributable costs, less accumulated depreciation, accumulated impairment losses excluding day-to-day servicing expenses.

Depreciation is calculated on a straight-line basis over the useful life of the assets which is usually three years.

r. Borrowing costs in respect of qualifying assets:

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

A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, comprising of tangible and inventories that require a substantial period of time to bring them to a saleable condition.

The capitalization of borrowing costs commences when expenditures for the asset are being incurred, borrowing costs are being incurred and the activities to prepare the asset are in progress and ceases when substantially all the activities to prepare the qualifying asset for its intended use or sale are complete.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

- s. Asset or group of assets and liabilities held for sale

Asset of group of and liabilities are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the assets must be available for immediate sale in their present condition, the Company must be committed to sell, there must be a program to locate a buyer and it is highly probable that a sale will be completed within one year from the date of classification. The Group's policy on investment property is to classify these assets as held for sale only when there is a contract for selling these assets. From the date of such initial classification, these assets are no longer depreciated and are presented separately as current assets at the lower of their carrying amount and fair value less costs to sell other than investment property presented at fair value.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

When an entity no longer plans to sell an asset in a sale transaction, it ceases the classification of the asset as held for sale and measures it at the lower of its carrying amount had it not been classified as held for sale or the recoverable amount of the asset on the date of the decision not to sell the asset.

t. Taxes on income:

Current or deferred taxes are recognized in the statement of profit or loss except to the extent that the tax arises from items which are recognized directly in other comprehensive income or in equity.

1. Current taxes:

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period as well as adjustments required in connection with the tax liability in respect of previous years.

2. Deferred taxes:

Deferred taxes are computed in respect of temporary differences between the carrying amounts in the financial statements and the amounts attributed for tax purposes.

The Group does not create deferred taxes for temporary differences resulting from initial recognition of an asset or liability as part of a transaction that is not a business combination when on the transaction date initial recognition of an asset or liability does not affect accounting profit and taxable income (loss for tax purposes).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Deferred taxes are measured at the tax rates that are expected to apply to the period when the taxes are reversed in profit or loss, comprehensive income or equity, based on tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is not probable that they will be utilized. Also, temporary differences for which deferred tax assets have not been recognized are reassessed and deferred tax assets are recognized to the extent that their recoverability has become probable.

Taxes that would apply in the event of the disposal of investments in investees have not been taken into account in computing deferred taxes, as long as the disposal of the investments in investees is not probable in the foreseeable future. Also, deferred taxes that would apply in the event of distribution of earnings by investees as dividends have not been taken into account in computing deferred taxes, since the distribution of dividends does not involve an additional tax liability or since it is the Company's policy not to initiate distribution of dividends that would trigger an additional tax liability.

Deferred taxes are offset if there is a legally enforceable right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority.

u. Share-based payment transactions:

The Company's employees are entitled to remuneration in the form of equity-settled share-based payment transactions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Equity-settled transactions:

The cost of equity-settled transactions with employees is measured at the fair value of the equity instruments granted at grant date. The fair value is determined using a standard option pricing model; In estimating fair value, the vesting conditions (consisting of service conditions and performance conditions other than market conditions) are not taken into account. The only conditions taken into account in estimating fair value are market conditions and non-vesting conditions.

The cost of equity-settled transactions is recognized in profit or loss, together with a corresponding increase in equity, during the period which the performance and/or service conditions are to be satisfied, ending on the date on which the relevant employees become fully entitled to the award ("the vesting period"). The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

Expense in respect of grants that do not ultimately vest is not recognized, except for grants, the vesting of which depends on market conditions which are accounted as grants that vested regardless of market conditions assuming that all of the other vesting conditions (service and/or performance) were met.

If the Company modifies the conditions on which equity-instruments were granted, an additional expense is recognized for any modification that increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee at the modification date.

v. Revenue recognition:

Effective from January 1, 2018, the Company applies IFRS 15 - – revenues from contracts with customers (the standard), the Company elected to apply the provisions of the standard retroactively without restating comparative figures.

The accounting policies applied until December 31, 2017 in respect of revenue recognition are as follows:

Revenues are recognized in profit or loss when the revenues can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The specific criteria for revenue recognition for the following types of revenues are:

Revenues from the rendering of services (including asset management fees):

Revenues from the rendering of services are recognized by reference to the stage of completion at the end of the reporting period. Under this method, revenues are recognized in the accounting periods in which the services are rendered. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Revenues from the sale of residential apartments:

Revenues from the sale of residential apartments are recognized regarding the residential unit when the principal risks and rewards of ownership have passed to the buyer. Revenues are recognized when significant uncertainties regarding the collection of the consideration no longer exist, the related costs are known and there is no continuing managerial involvement with the residential apartment delivered. These criteria are usually met when construction has been substantially completed; the residential apartment has been delivered to the buyer

Revenue recognition:

The accounting policies adopted effective from January 1, 2018 on revenue recognition are as follows:

Revenues from contracts with customers are recognized in profit or loss when the control over the asset or service is passed to the customer.

The transaction price is the consideration amount that is expected to be received under the terms of the contract net of the amounts collected in favor of third parties (such as taxes).

Revenues from rendering of services (including management fees of assets):

Revenues from the rendering of system installation services are recognized by reference to the stage of completion at the reporting date. Under this method, revenues are recognized in periods in which services were rendered. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Revenues from sale of residential apartments

The Company recognizes the residential apartment as performance obligation. The Company estimates that in the framework of the contracts with its customers no asset with alternative use was resulted to the Company, and also has a payment right which is enforceable for the performance completed until that date. Therefore, in accordance with the new standard, the Company recognizes revenue from these contracts over time, according to the contract performance pace.

In addition, the Company applies among others the following issues regarding revenues from the sale of residential apartments:

1. Measurement unit – the Company determined that the measurement unit will be a residential apartment the object of the sale contract with the customer.
2. Determining the transaction price - the company is required to determine the transaction price separately for each contract with a customer. Upon exercising such judgment, the Company estimates the impact of any variable consideration in the contract, taking into account discounts, fines, changes, claims, and the existence of a significant financing component of the contract as well as non-cash consideration.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

3. Measurement of performance progress - for the purpose of measuring performance progress, the company estimates that will implement the input method (Input Method), irrespective of the costs that do not reflect the progress of such performance, such as land surcharges and credit costs. The Company believes that the use of the input method, whereby revenue is recognized on the basis of inputs invested by the Company in order to comply with the performance commitment will best show the actual income generated. Usually, delivery of a specific residential apartment cannot be made before the construction of the entire building is completed. Therefore, the Company will determine the performance progress rate under which revenue for each specific sale contract is recognized according to the progress rate of the building.

In order to implement the input method, the Company is required to estimate the costs necessary to complete the project in order to determine the amount of revenue recognized. These estimates include the direct and indirect costs attributed directly to performing the contract and are allocated on the basis of a reasonable burden key.

4. The existence of a significant finance component in the contract - in order to examine the existence of a significant finance component in the contract, the Company expects to select a practical relief in the new standard where the consideration amount for the financing component cannot be adjusted when on the contract date it is expected that the period between the date of receipt of the consideration and the date of revenue recognition does not exceed one year. In cases of receiving long term advances (over one year), the Company will accrue interest on the advances over the expected contract period when there is a significant financing component contract as defined in the new standard.

With the realization of advances, the Company will recognize accrued interest as income from the sale of apartments.

5. Warranty – as part of the Company's contracts with its customers, it provides its customers with warranty services, in accordance with the provisions of the law and in accordance with the accepted practice in the sector. Warranty services are provided to ensure the quality of the work performed and not as additional service provided to the customer. Accordingly, the Company recognizes in its financial statements a provision for warranty in accordance with the provisions of IAS 37, similar to the current treatment used until December 31, 2017.
6. Onerous contracts - A provision for onerous contracts is recognized when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received by the Group from the contract. The provision is measured at the lower of the present value of the anticipated cost for cancelling the contract and the present value of the net anticipated cost of fulfilling it. The Company will review frequently the need for making a provision for onerous contract according to the requirements of IAS 37 which are relevant to all contract in which revenue is recognized according to IFRS 15.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

- w. Reporting revenues using gross basis or net basis:

In cases where the Group acts as an agent or as a broker without being exposed to the risks and rewards associated with the transaction, its revenues are presented on a net basis. However, in cases where the Group operates as a principal supplier and is exposed to risks and rewards associated with the transaction, its revenues are presented on a gross basis.

According to the Group's activity, it bears the risks stemming from revenues from property management and therefore, the Company recognizes its revenues on a gross basis.

- x. Finance income and expenses:

Finance income comprises interest income on amounts invested. Changes in fair value of financial assets at fair value through profit or loss also include revenues from dividends and interest.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Finance expenses comprise interest expenses on loans received, changes in fair value of financial assets and financial liabilities measured at fair value through profit or loss and impairment losses of financial assets and losses on hedges recognized in profit or loss. Borrowing costs that are not capitalized to qualifying assets are recognized in profit or loss using the effective interest method.

Gains and losses on exchange rate differences are reported on a net basis.

y. Operating segments:

An operating segment is a component of the Group that meets the following three criteria:

1. is engaged in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to intragroup transactions;
2. whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
3. for which separate financial information is available.

z. Earnings (loss) per share:

Earnings per share are calculated by dividing the net income attributable to equity holders of the Company by the weighted number of Ordinary shares outstanding during the period. Basic earnings per share only include shares that were actually outstanding during the period (treasury shares are not included). Potential Ordinary shares are only included in the computation of diluted earnings per share when their conversion decreases earnings per share or increases loss per share from continuing operations. Further, potential Ordinary shares that are converted during the period are included in diluted earnings per share only until the conversion date and from that date in basic earnings per share. The Company's share of earnings of investees is included based on the earnings per share of the investees multiplied by the number of shares held by the Company.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Following are the types of provisions included in the financial statements:

Legal claims: A provision for claims is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources embodying economic benefits will be required by the Group to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, a provision is measured at its present value.

bb. Advertising expenses:

Expenditures incurred on advertising, marketing or promotional activities, such as production of catalogues and promotional pamphlets, are recognized as an expense when the Group receives those services.

cc. Treasury shares:

Company shares held by the Company and/or subsidiaries are recognized at cost of purchase and presented as a deduction from equity. Any gain or loss arising from a purchase, sale, issue or cancellation of treasury shares is recognized directly in equity.

dd. Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement is based on the assumption that the transaction will take place in the asset's or the liability's principal market, or in the absence of a principal market, in the most advantageous market.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

All assets and liabilities measured at fair value or for which fair value is disclosed are categorized into levels within the fair value hierarchy based on the lowest level input that is significant to the entire fair value measurement:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices included within Level 1 that are observable directly or indirectly.

Level 3 - inputs that are not based on observable market data (valuation techniques which use inputs that are not based on observable market data).

ee. Disclosure of new IFRS standards adopted in the period

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

IFRS 15, "Revenue from Contracts with Customers":

In May ,2014 the IASB issued IFRS 15 (IFRS 15)

IFRS 15 replaces IAS" 18 Revenue ,"IAS" ,11 Construction Contracts ,"IFRIC" ,13 Customer Loyalty Programs ,"IFRIC" ,15 Agreements for the Construction of Real Estate, IFRIC 18 "Transfers of Assets from Customers "and SIC-31" ,Revenue - Barter Transactions Involving Advertising Services."

The new standard is applied by the group retroactivity starting with the financial statements for annual periods commencing on January 1, 2018 by including cumulative effect as of January 1, 2018 with relieves and without restatement of comparative figures.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The table below presents the cumulative effect from the initial adoption of the items effected in the statement of financial position as of January 1, 2018

	According to previous policy	Effect of change	According to IFRS 15
Inventory	48,756	(19,015)	29,741
Income receivable from the sale of apartments	-	8,672	8,672
Advances from apartment purchasers	(23,119)	16,242	(6,877)
Accounts payable	(25,424)	(1,842)	(27,266)
Non controlling interests	(107,402)	(690)	(108,092)
Equity attributed to the Company	(591,168)	(3,367)	(594,535)

The table below summarizes the effects on the statement of financial position as of December 31, 2018 assuming that the previous revenue recognition policy would have continued during this period:

	According to previous policy	Effect of change	According to IFRS 15
Inventory	53,556	(28,060)	25,496
income receivable from the sale of apartments	-	4,474	4,474
Advances from apartment purchasers	(33,222)	32,381	(841)
Accounts payable	(26,880)	(2,747)	(29,627)
Non controlling interests	(106,724)	(908)	(105,816)
Equity attributed to the Company	(689,504)	(5,140)	(694,644)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The table below summarizes the effects on the comprehensive income or loss for the year ended on December 31, 2018, assuming that the previous revenue recognition policy would have continued during this period:

	According to previous policy	Effect of change	According to IFRS 15
Revenues from rental of properties	79,168	-	79,168
Revenues from property management and others	26,980	-	26,980
Property management expenses	(27,870)	-	(27,870)
Cost of maintenance of rental properties	(12,717)	-	(12,717)
Rental and management revenues, net	<u>65,561</u>	<u>-</u>	<u>65,561</u>
Revenues from sale of apartments	48,093	14,660	62,753
Cost of sale of apartments	(36,006)	(11,765)	(47,771)
Income from sale of apartments	<u>12,087</u>	<u>2,895</u>	<u>14,982</u>
Administrative and general expenses	(12,520)	-	(12,520)
Administrative and general expenses attributed to the inventory of apartments under construction and inventory of real estate	(2,329)	-	(2,329)
Selling and marketing expenses	<u>(365)</u>	<u>-</u>	<u>(365)</u>
Operating income before change in investment property value	62,434	2,895	65,329
Increase in value of investment property, net	<u>95,499</u>	<u>-</u>	<u>95,499</u>
Operating income	157,933	2,895	160,828
Finance income	-	-	-
Finance expenses excluding the effect of exchange rate differences, CPI and currency hedging transactions	(19,646)	-	(19,646)
Exchange rate differences, CPI and currency hedging transactions, net	6,509	-	6,509
Change in fair value of financial assets, loans and others	1,580	-	1,580
Equity in losses of companies accounted at equity method of accounting	(723)	-	(723)
Income before taxes on income	<u>145,653</u>	<u>2,895</u>	<u>148,548</u>
Taxes on income	<u>(28,601)</u>	<u>(904)</u>	<u>(29,505)</u>
Net income	117,052	1,991	119,043
Other comprehensive income	-	-	-
Total other comprehensive income	<u>117,052</u>	<u>1,991</u>	<u>119,043</u>
Net income and total comprehensive income attributable to:			
Company shareholders	99,227	1,692	100,919
Non-controlling interests	<u>17,825</u>	<u>299</u>	<u>18,124</u>
	<u>117,052</u>	<u>1,991</u>	<u>119,043</u>
Net earnings per share attributable to the Company's shareholders (in Euro)			
Basic net income	<u>12.84</u>	<u>0.21</u>	<u>13.05</u>
Diluted net income	<u>12.84</u>	<u>0.21</u>	<u>13.05</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

IFRS 16, "Leases":

The new standard that was issued in January 2016 replaces IAS 17 "Leases" and the related interpretations and determines the rules for recognition, measurement, and disclosure of leases with respect to the two parties of the transaction, namely the customer (lessee) and the supplier (lessor).

The new standard cancels the existing distinction regarding the lessee between finance leases and operating leases and sets a uniform accounting model with respect to all types of leases. Under the new model, on one hand, lessees are required to initially recognize a lease liability for the obligation to make lease payments and on the other hand, recognize the asset right-of-use.

The provisions of the asset and liability recognition will not apply to assets leased for only 12 months and regarding leases of assets with low value (such as personal computers).

The accounting treatment by lessors remains substantially unchanged.

The new Standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted provided that IFRS 15, "Revenue from Contracts with Customers", is applied concurrently.

As a rule, the standard will be applied retrospectively; however entities may choose certain adjustments under the transition provisions of the standard as to its application for prior reporting periods.

The adoption of the standard had no material impact on the financial statements.

IFRIC 23, "Uncertainty over Income Tax Treatments":

In June 2017, the IASB issued 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 Interpretation is to be applied in financial statements for annual periods beginning on January 1, 2019. Early adoption is permitted. Upon initial adoption, the Company will apply the Interpretation using one of two approaches:

1. Full retrospective adoption, without restating comparative figures, by carrying the cumulative effect through the date of initial adoption to the opening balance of retained earnings.
2. Full retrospective adoption with restating comparative figures.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Company estimates that the adoption of the Standard will not have a material impact on the on the financial statements.

IFRS 3 – Business combinations

In October 2018, the IASB published an amendment for the definition of "Business" in IFRS 3 business combinations (the amendment). The purpose of the amendment is to assist companies in determining whether a purchase transaction will be accounted for as business combination or purchase transaction of assets.

The amendment includes:

1. Clarification that in order to be considered a business a system of purchased activities and assets will include at least an input and material process which collectively contribute significantly to the capability to produce outputs.
2. Omission of the reference to the estimate whether a market participant can continue operating an acquired business by exchanging inputs and processes.
3. Other guidelines and examples which will assist companies in estimating whether acquired processes are material.
4. Changing the definition of "output" and "business" such that the definitions will be more focused and minimized.
5. Optional test under which the Company can determine that a purchase of a business is not involved without the need for additional examinations.

The amendment will be adopted for business combinations and asset purchase transactions where purchase date starts effective from the annual period commencing January 1, 2020 or thereafter. Early adoption permitted.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3:- CASH AND CASH EQUIVALENTS AND BALANCES RECEIVABLE FROM BANKS

	December 31,	
	2018	2017
	Euros in thousands	
Cash on hand (1)	20,050	90,341
Short-term deposits (2)	7,088	22,788
Balances receivable from banks (3)	414	932
	<u>27,552</u>	<u>114,061</u>

- (1) As of December 31, 2018, the Company's balance of approximately € 5,704 thousand denominated in NIS (2017- approximately € 25,109 thousand denominated in NIS). The remaining deposits are denominated in Euro.
- (2) As of December, 2018, short-term deposits do not bear annual interest
- (3) Closed hedge transactions, can be received from banks immediately ("On Call")

NOTE 4:- RESTRICTED DEPOSITS AND OTHER RECEIVABLES

	December 31,	
	2018	2017
	Euros in thousands	
Deposits and restricted bank accounts (1)	17,834	5,859
Prepaid expenses	1,060	2,047
Tax advances	-	110
Government authorities	1,365	1,011
Other receivables and debit balances	990	1,700
	<u>21,249</u>	<u>10,727</u>

- (1) As of December 31, 2018, balances do not bear interest

NOTE 5:- TENANTS AND TRADE RECEIVABLES, NET

	December 31,	
	2018	2017
	Euros in thousands	
Open debts and accrued income	8,936	7,853
Less - allowance for impairment	<u>(7,413)</u>	<u>(4,118)</u>
Tenants and trade receivables, net	<u>1,523</u>	<u>3,735</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The following is the movement in allowance for doubtful accounts:

	<u>Euros in thousands</u>
Balance as of December 31, 2017	4,118
Allowance during the year	3,946
Recognition of bad debts that were written off	<u>(651)</u>
Balance as of December 31, 2018	<u>(7,413)</u>

As of December 31, 2018, while taking into account trade receivables for which no provision was made of the total tenants and trade receivables, net, € 105 thousand (€1,198 thousand as of December 31, 2017) are in arrears.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Inventory of apartments under construction and inventory of real estate consists of two projects in Düsseldorf, Germany.

a. Composition of inventory of buildings under construction – current assets

	December 31,	
	2018	2017
	Euros in thousands	
Cost of real estate	20,148	24,300
Cost of local business tax	978	2,526
Cost of construction	12,845	21,930
Cost of sale in respect of income recognized in the reported year (as a result of the adoption of IFRS 15) (*)	<u>(8,475)</u>	<u> </u>
	<u>25,496</u>	<u>48,756</u>

(*) regarding the effect of initial adoption as of January 1, 2018 see Note 2AE.

Grafental project in Dusseldorf for constructing residential neighborhood: the development of the neighborhood is carried out in several stages. As of the approval date of the financial statements, the construction of stages A-D was completed. The balance as of December 31, 2018 refers to stages E-G which are in various construction stages. In 2018, following the initial adoption of IFRS 15 in the reported period, the Company recognized revenues from sale of apartments not yet handed over to purchasers, see Note 2AE above. Until December 31, 2018, the Company recognized all revenues for stage D (119 residential units). In April 2018, the Company commenced the construction of stage E which includes 89 residential units. As of the approval date of the financial statements, all residential units of the stage were marketed. In the fourth quarter of 2018, the Company commenced the development and marketing of stage G of the project which includes 89 residential units. As of the approval date of the financial statements, 39 residential units of this stage were marketed.

b. Composition of inventory of real estate and inventory of real estate under construction – noncurrent assets

	December 31,	
	2018	2017
	Euros in thousands	
Cost of real estate	199,136	64,115
Cost of local business tax	10,014	7,556
Cost capitalized to real estate	<u>6,911</u>	<u>988</u>
	<u>216,061</u>	<u>72,659</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

- 1) As of December 31, 2018, EUR 13,252 thousand represents inventory of real estate under construction in respect of 112 residential units the Company develops which are under rent control, intended to be rented by the Company.
- 2) Including real estate in Grafental project for constructing 335 residential units at an area of 35,000 square meters.
- 3) Completion of the acquisition of land in an area of approximately 193 thousand square meters in the city of Düsseldorf - On December 28, 2017, the Company entered into a notarized sale agreement with a third party unrelated to the Company and or its controlling shareholder, for the acquisition of all ownership rights in a land with an area of 193 thousand square meters in the Gerresheim neighborhood in Dusseldorf, Germany, for a total consideration of € 141.9 million (including related transaction costs). On the land, 1,400 residential units and 30,000 square meters of commercial spaces, offices and kindergartens and school are planned to be constructed. The Company intends to develop the complex as a residential neighborhood. In order to finance the acquisition ,the Company (through its wholly-owned sub-subsidiary) entered into an agreement with a German bank to obtain a loan in the amount of approximately EUR 90 million under non-recourse terms (for the Company) the final repayment date of which is 3 years from the date of receiving the loan ,bearing interest at a margin of 2% per annum above 3 month Euribor. The remaining purchase cost plus related costs were financed from the Company's own resources. Regarding the covenants with respect to the loan see Note 11(h). On February 28, 2018, the transaction was completed, the entire consideration was paid to the seller and the full rights in the real estate were transferred to the Company. The real estate was classified and presented in the financial statements as noncurrent real estate inventory.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7:- INVESTMENTS ACCOUNTED AT EQUITY

Information on jointly controlled company measured at equity

Name of company/partnership	Country of incorporation	Principal place of business	Nature of relationship (1)
Brack capital (Chemnitz) BV	The Netherlands	Germany	Ownership (1)
NFB SÜD GmbH & Co. KG	Germany	Germany	Ownership (2)

- (1) The Company has a joint control agreement with the partner. The Company holds 60% of the shares of the jointly controlled company and 50% of the voting rights of the jointly controlled company. The jointly controlled company holds a commercial income generating real estate asset in Germany.
- (2) The Company has a joint control agreement with the partner. The Company holds 50% of the shares of the partnership and 50% of the rights of the partnership. The partnership holds a land for residential development in Germany.

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

a. Composition and movement

	December 31,	
	2018	2017
	Euros in thousands	
Balance as of January 1	1,350,643	1,191,882
<u>Additions during the year</u>		
Purchases and additions during the year (f)	27,409	138,898
Transfer to inventory	-	(64,032)
Realization of investment property	-	(14,272)
Transfer to asset held for sale	-	(11,622)
Fair value adjustment *	96,913	109,789
Balance as of December 31	<u>1,474,965</u>	<u>1,350,643</u>

Investment property consists of commercial and residential real estate projects leased to third parties, and lands designated for betterment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Presentation in the statement of financial position

	December 31,	
	2018	2017
	Euros in thousands	
Investment property – real estate rights	64,683	67,094
Investment property - income generating assets	<u>1,410,282</u>	<u>1,283,549</u>
Balance as of December 31	<u><u>1,474,965</u></u>	<u><u>1,350,643</u></u>

Investment property is stated at fair value, as determined in valuations generally performed by independent outside appraisers who hold recognized and relevant professional qualifications and who have extensive experience in the location and category of the property being valued. Valuations are occasionally carried out by management. The fair value was determined based on estimated future cash flows from the property. In estimating cash flows, their inherent risks and limitations of rental fees are taken into account where they are capitalized at a rate of return that reflects the risks entailed in the cash flows, which is determined taking into account the market rate of return, whilst adapting it to the specific characteristics of the property and the level of risk of the revenues expected from it. Where it is not possible to rely on transactions recently executed with reference to similar real estate in a similar locations, in valuing real estate owned by the Company, the value estimates are carried out using a salvage approach, as deemed correct by the value appraiser. Determining this value is based on an estimate of future revenues expected from the completed project, using rates of return that are adapted to the relevant significant risks entailed in the construction process, including building and rental risks, which are higher than the current return on similar investment real estate the construction of which has been completed.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

- c. Significant assumptions (based on weighted averages) that were used in valuation estimated are as follows:

Income-generating residential real estate

	December 31,	
	2018	2017
Discount rate (%) *	4.65	5.82
Cap rate (%) *	5.25	5.27
Long-term vacancy rate (%)	3.28	1.99
Representative monthly rental fees per sq. m. (in Euros)	8.31	7.54

Income-generating commercial real estate (**)

	December 31,	
	2018	2017
Discount rate (%) *	4.89	6.06
Cap rate (%)**	5.69	6.10

Lands for betterment, Düsseldorf, Germany ***

	December 31,	
	2018	2017
Discount rate (%)	3.40	3.23
Representative monthly rental fees for residential per sq. m. (in Euros)	8.85	8.98
Expected construction costs per sq.m (in Euro)	2,500	2,225

- *) It is noted that according to the methodology applied in the valuations, the estimated cash flow for the first 10 years are capitalized based on the Discount Rate basis. Cash flows effective from the eleventh year onwards are capitalized based on the Cap Rate basis.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

d. Fair value adjustment of investment property (level 3 in the fair value hierarchy):

All investment properties – rights to real estate and income generating assets are classified in level 3 of the fair value hierarchy.

Sensitivity analysis

The following is a sensitivity analysis of investment property at capitalization rate based on standardized NOI:

Based on NOI of € 65.0 million (standardized NOI) any change of 25 points at the capitalization rate over fair value adjustment is € 77.4 million.

- e. Regarding charges see Note 17a.
- f. Purchases and sales of investment property during the year
1. Purchase of residential units in Dortmund - On February 26, 2018, the Company (via a wholly-owned sub subsidiary) entered into a notarized sale agreement with a third party unrelated to the Company and/or its controlling shareholder for the purchase of 43 residential units in Dortmund for € 2.4 million. The transaction was completed at the end of May 2018 and was financed by a bank loan in the amount of about € 1.8 million, bearing fixed annual interest at the rate of 1.46%, and the balance by the Company own sources.
 2. Sale of hotel in Hamburg, Germany - on February 23, 2018, a notarized sale agreement was signed ("the sale agreement") between a sub- subsidiary (100%) of the Company on the one hand and a third party unrelated to the Company and/or its controlling shareholder for the sale of all of its holdings in a hotel in Hamburg to the Purchaser for a consideration of € 11.9 million. The Sold Property with a leasable area of 5,000 square meters is a 3-star hotel with 100 rooms in Hamburg, Germany, leased to a well-known German hotel chain under a lease agreement until 2027. The Sold Property was purchased by the Seller in 2007 for € 8.5 million. The fair value of the Sold Property in the Company's consolidated financial statements as of December 31, 2017 was € 11.6 million. The transaction, the subject of said sale agreement, was completed on April 25, 2018 upon the full payment to Seller, of which € 6.2 million was used to repay the loan that financed the Sold Property.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

3. The Company owns an income generating residential real estate where all of its lease agreements are shorter than one year. As of December 31, 2018, the Company has residential lease agreements reflecting an annual rental income of € 48.9 million.

In addition, the Company has an income generating commercial real estate consisting of assets leased to third parties. The future minimum rental fees receivable from existing tenants in the income generating commercial real estate are as follows:

	December31	
	2018	2017
	Euros in thousands	
First year	27,765	28,503
Second to the fifth year	74,184	96,550
Sixth year and thereafter	85,044	61,079
	<u>186,993</u>	<u>186,132</u>

NOTE 9:- OTHER ACCOUNTS RECEIVABLE AND OTHER FINANCIAL ASSETS

	December31	
	2018	2017
	Euros in thousands	
Financial assets – currency hedging and interest cap transactions (*)	110	-
Restricted bank accounts and other receivables	92	298
Advances for the purchase of investment property (**)	-	17,526
Fixed assets and others	224	199
	<u>426</u>	<u>18,023</u>

(*) see Note 13

(**) see Note 6(b)3, 8f.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10:- OTHER ACCOUNTS PAYABLE

	December,31	
	2018	2017
	Euros in thousands	
Expenses payable	2,187	3,281
Interest payable	1,891	1,896
Trade payables	1,152	776
Deposits from tenants	7,962	6,962
Government authorities	411	431
Tax provision, net	9,995	5,982
Expenses payable for completion of project under development	5,236	4,392
Prepaid income	763	1,249
Other payables	30	455
	<u>29,627</u>	<u>25,424</u>

NOTE 11:- LOANS FROM BANKS AND DEBENTURES

a. Composition

	interest rate as of December 31, 2018	December,31	
		2018	2017
		Euros in thousands	
	%		
Bank loans:			
Loans from banks presented at amortized cost	(*) (**)	763,197	660,797
Debentures linked to CPI (d) (e) (f)	(***)	107,415	127,471
		<u>870,612</u>	<u>788,268</u>
Less - current maturities		(118,551)	(179,130)
Less – loans from banks for financing inventory of buildings under construction		<u>(2,098)</u>	<u>(4,000)</u>
		<u>749,963</u>	<u>605,138</u>

(*) interest rate for loans at variable interest: Euribor+1%-Euribor+2.33% where the base interest is determined at 0.

(**) interest rate for loans at fixed interest: 2.67%-1.12%.

(***) interest rate on bonds: 3.29%-4.80%. Principal and interest are linked to Israeli CPI. Debentures are traded on TASE.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

b. Movement:

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
	<u>Euros in thousands</u>	
Balance as of January 1	788,268	739,240
Receipt of loans	197,771	142,302
Repayment of debentures	(17,309)	(18,101)
Repayment of loans	(96,825)	(67,357)
Classification to liabilities held for sale	-	(6,157)
Cost of receiving loans amortizations and others	2,421	2,884
Exchange differences	(3,714)	(3,308)
Fair value adjustment	-	(1,235)
	<u>870,612</u>	<u>788,268</u>
Balance as of December 31	<u>870,612</u>	<u>788,268</u>

c. Additional information on loans taken in the reported period:

- (1) As to loans received in 2018 for financing the purchase of investment properties see section 18(f)
- (2) Refinancing
 - a. On January 31, 2018, the Company refinanced a loan with one bank in the total amount € 33 million for 5 years. The new loan bears fixed interest rate of 1.34% (payable currently) with an annual principal repayment payable quarterly of about 2% of the new loan amount. On the final repayment date, which is on June 30, 2023, the unpaid principal balance plus accrued interest will be paid. The total scope of the repaid loan amounted to € 22.4 million. The loan bore fixed annual interest rate of 2.67%.
 - b. On June 20, 2018, the Company refinanced a loan in a total amount of € 44 million (which repayment date is due) that was replaced by a loan of € 55 million for a period of 5 years. The new loan bears fixed annual interest at the rate of approximately 1.613% (payable currently) with annual principal payment payable quarterly of 2.5% per annum of the amount of the new loan. On the final repayment date of June 20, 2023, the balance of the principal that has not yet been repaid will be paid plus accrued interest. The total unpaid principal balance plus accrued interest will be paid. The previous loan bore fixed annual interest at the rate of 2.66%.
 - c. In December 2018, the Company extended a non-recourse loan of € 55.3 million from a German bank, so that the repayment date of the loan was postponed to November 30, 2019. The loan bears variable interest on the basis of the Euribor for 3 months at the rate of 2.33%, compared to interest at the rate of 2.88%, prior to the extension of the loan.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

- d. During January 2019, the Company, through sub- subsidiaries, entered into a refinancing transaction with a German bank for 16 non-recourse loans taken from the same German banking corporation, due to enter into force on April 1, 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	1.84% - 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 501 million as of December 31, 2018.

- d. In 2011 and ,2012 the Company issued NIS 400 million of debentures) Series A (par value NIS 1 each by 2 IPOs and 1 private issuance .The debentures bear a yearly average interest denominated at 4.8% linked to the Consumer Price Index and paid every six months) effective interest of .(5.53% The debentures are payable in 7 equal annual principal payments on July 14 of each of the years between 2014and) 2020 inclusive .(The Company has undertaken that so long as the debentures) Series A (are still outstanding:

1. Equity attributable to Company shareholders shall not fall below €80 million.
2. No distribution of dividends, distribution of capital or share buy-back shall take place if as a result the equity attributed to Company shareholders falls below €80 million.
3. The ratio between the equity attributed to the Company's shareholders at the end of each quarter to the net financial debt (financial liabilities less cash, cash equivalents and short-term investments) according to the financial statements attributed to the Company ("Solo Reports") shall not fall below 187.5%.
4. The ratio between the Company's total net financial liabilities that are:
 - a. Company obligations for the repayment of loans with recourse.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

- b. The Company's obligations for the repayment of debentures (Series A) and other debentures, if any.
- c. The Company's obligations to repay other loans the repayment date of which falls during the period of the debentures (Series A).
- d. Any debt of the Company's subsidiaries towards a third party is pledged by a lien, but no more than the value of the pledged asset.

All less cash, cash equivalents and short-term investments, and the Company's total equity (including non-controlling rights) plus:

- a. The Company's total net financial liabilities (as defined above).
- b. Any loan received by the Company from any party that according to its conditions is subordinate in its repayment levels to the debentures (Series A) and which cannot be repaid (principal and/or interest) over the course of the debentures' (Series A) period.
- c. Reductions in value listed pursuant to the Consolidated Financial Statements (if any) for the assets pledged to guarantee loans of sums exceeding the borrower's recourse right.

Shall not exceed 90%.

- 5. The ratio between the value of the shares of subsidiary BGP, pledged to guarantee the repayment of debentures (Series A) calculated on the basis of the subsidiary's equity (attributed to Company shareholders) and the Company's debts to the holders of the debentures (Series A) defined as the balance of the debentures' (Series A) principal plus interest and linkage accumulated and not yet paid, shall not fall below 175%.

As of December 31, 2018, the Company is in compliance with said financial covenants.

- a. On May 21, 2013, the Company issued to the public in Israel new series (series B) of non convertible to shares debentures in a total amount of NIS 175,000,000 par value by way of uniform offer according to a shelf prospectus report dated May 19, 2013 by virtue of the Company's shelf prospectus dated May 24, 2012 (as amended in the modified prospectus dated May 9, 2013). The debentures bear annual interest of 3.29% (payable in semi annual payments in June and December effective December 2013) and are linked to the CPI as of April 2013.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The debentures (series B) will be payable (principal) in unequal annual 12 installments on December 31 in each of the years 2013 through 2024 (inclusive) such that each payment of the first 7 payments will constitute 4% of the principal of the total par value of the debentures (series B) and each payment of the last 5 payments will constitute 14.4% of the principal of the total par value of the debentures (series B). In addition, on January 27, 2014, the Company's Board of Directors approved a private placement of 72,000,000

debentures (Series B) of NIS 1 par value, listed for trade, to 10 institutional investors (the offerees) by expanding the existing debenture series of the Company (Series B) listed for trade ("the offered securities" and "the private placement"). The Company has undertaken that so long as the debentures (Series A) are still outstanding:

1. Equity attributable to Company shareholders shall not fall below €150 million.
2. No distribution of dividends, distribution of capital or share buy-back shall take place if as a result the equity attributed to Company shareholders falls below €160 million and/or debt ratio to CAP will exceed 70%.
3. The ratio between the Company's total net financial liabilities that are:
 - a. Company obligations for the repayment of loans with recourse.
 - b. The Company's obligations for the repayment of debentures (Series A and B) and other debentures, if any.
 - c. The Company's obligations to repay other loans the repayment date of which falls during the period of the debentures (Series B).
 - d. Any debt of the Company's subsidiaries towards a third party is pledged by a lien, but no more than the value of the pledged asset.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

All less cash, cash equivalents and short-term investments, and the Company's total equity (including non-controlling rights) plus:

- a. The Company's total net financial liabilities (as defined above).
 - b. Any loan received by the Company from any party that according to its conditions is subordinate in its repayment levels to the debentures (Series B) and which cannot be repaid (principal and/or interest) over the course of the debentures' (Series B) period.
 - c. Reductions in value listed pursuant to the Consolidated Financial Statements (if any) for the assets pledged to guarantee loans of sums exceeding the borrower's recourse right.
4. The ratio between the value of the shares of subsidiary BGP, pledged to guarantee the repayment of debentures (Series A) calculated on the basis of the subsidiary's equity (attributed to Company shareholders) and the Company's debts to the holders of the debentures (Series B) defined as the balance of the debentures' (Series A) principal plus interest and linkage accumulated and not yet paid, shall not fall below 175%.

As of December 31, 2018, the Company is in compliance with said financial covenants.

- b. In July 2014, the Company completed the issuance to the public in Israel new series (series C) of non convertible to shares debentures. Under the shelf prospectus report dated July 20, 2014 (July 2014 shelf prospectus report) by virtue of the shelf prospectus dated May 24, 2012 (as amended in the modified prospectus dated May 9, 2013 and the modified prospectus dated July 14, 2014 (collectively: the prospectus), NIS 125,000,000 par value of debentures (series C) with a duration of 8.5 years were offered to the public. The debentures (series C) were offered by way of a uniform offer as prescribed in the securities regulations (manner of offering securities to the public) – 2007 in 125,000 units by way of tender on the annual interest rate to be borne by the debentures (series C). The annual interest rate determined in the tender, which was held on July 21, 2014, is 3.3%.

The interest on the debentures (series C) will be paid in two semiannual installments on January 20 and July 20 of each of the years 2015 – 2026 (inclusive) effective January 20, 2015. On July 22, 2014, the Company allocated according to the outcome of the issuance, NIS 102,165,000 par value of debentures (series C). On July 24, 2014, trading has commenced in the above securities in the Tel Aviv Stock Exchange (the Stock Exchange). In addition, on April 4, 2016, the Company completed an issuance to the public in Israel of 60,058,000 debentures (series C) of NIS 1 listed for trade by expanding existing series of debentures (series C).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The debentures (series C) will be linked to the CPI and payable (principal) in unequal annual 12 installments on July 20 in each of the years 2015 through 2026 (inclusive) such that each payment of the first 9 payments will constitute 2% of the principal of the total par value of the debentures (series C), the tenth payment will constitute 17% of the principal of the total par value of the debentures (series C) and each payment of the last 2 payments will constitute 32.5% of the principal of the total par value of the debentures (series C). The Company has undertaken that so long as the debentures (Series C) are still outstanding:

1. Equity attributable to Company shareholders shall not fall below €190 million.
2. No distribution of dividends, distribution of capital or share buy-back shall take place if as a result the equity attributed to Company shareholders falls below €200 million.
3. The ratio between the Company's total net financial liabilities that are:
 - a. Company obligations for the repayment of loans with recourse.
 - b. The Company's obligations for the repayment of debentures (Series A, B and C) and other debentures, if any.
 - c. The Company's obligations to repay other loans the repayment date of which falls during the period of the debentures (Series C).
 - d. Any debt of the Company's subsidiaries towards a third party is pledged by a lien, but no more than the value of the pledged asset.

All less cash, cash equivalents and deposits and the debt in respect of inventory of apartments under construction and the Company's total equity (including non-controlling rights) plus:

- a. The Company's total net financial liabilities (as defined above).
- b. Any loan received by the Company from any party that according to its conditions is subordinate in its repayment levels to the debentures (Series C) and which cannot be repaid (principal and/or interest) over the course of the debentures' (Series C) period.
- c. Reductions in value listed pursuant to the Consolidated Financial Statements (if any) for the assets pledged to guarantee loans of sums exceeding the borrower's recourse right.

Shall not exceed 75%.

3. The ratio between the value of the shares of subsidiary BGP, pledged to guarantee the repayment of debentures (Series C) calculated on the basis of the subsidiary's equity (attributed to the Company's shareholders) and the Company's debts to the holders of the debentures (Series C) defined as the balance of the debentures' (Series A and B) principal plus interest and linkage accumulated and not yet paid, shall not fall below 175%.

As of December 31, 2018, the Company is in compliance with said financial covenants.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

 4) Financial covenants

In the context of credit framework agreements with banking corporations, subsidiaries undertook to comply with a number of financial covenants, including a loan to value (LTV) ratio between 65% and 80% and debt service coverage ratio (DSCR) (must be higher than the range between 105% to 160%). All loans are non-recourse and therefore failure to comply with the terms of one of the frameworks does not constitute violation of the other frameworks.

The Company undertook, as part of the recourse loan, as stated in Note 6 (B)3 to the lending bank that:

A. If the Company's credit rating is lower than the investment rating (i.e. lower than BBBil rating), the Company will have to make a deposit of € 10 million in addition to additional amounts that may have been made/to be made in the deposit as detailed below. It should be noted that the Company's credit rating as of the signing date of the report is il-AA.

In addition, the Company undertook in relation to the Development Plan (the "Development Stipulations") that:

- A. If, by March 31, 2019, the infrastructure agreement with the municipality of Dusseldorf is not signed, and the Urban Planning scheme will not be published for public comments, the Company will deposit € 24 million in an account to be pledged in favor of the lender (above and below: "the deposit").
- B. If, by September 30, 2019, the Urban Planning Scheme has not been approved, the Company will deposit an additional € 15 million in the deposit.
- C. If, by March 31, 2020, the Urban Planning Scheme has not been approved, the Company will deposit an additional € 15 million in the deposit.
- D. If, by September 30, 2020, the Urban Planning Scheme has not been approved, the Company will deposit an additional € 15 million in the deposit.

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

If the relevant condition was met after the funds have been deposited in the deposit, then the amount in the deposit will be returned to the Company. Upon the approval of the Urban Planning Scheme, the Company's guarantee to fulfill the obligations of the purchaser under the loan agreement will be limited to EUR 50 million. Upon commencement of construction of the project and if the construction loan is taken from the lender, the Company will cease to be a guarantor/debtor under the loan agreement.

As to the financial covenants on debentures (Series A, B and C), see d. e. and f above.

As of December 31, 2018, the Company complies with all of the financial covenants as set forth. It should be noted that as of the report signing date, the Company expects that it will not comply with the development stipulations specified above, and as a result, if there are no other agreements with the lending bank, the Company will be required to make such deposit. In March 2019, the bank notified the Company regarding the deposit that until the discussion in the credit committee in the matter, the bank will not demand the deposit.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12:- OTHER NON-CURRENT LIABILITIES

	December 31,	
	2018	2017
	Euros in thousands	
Liability due to lease (1)	3,072	3,136
Less - current maturities	<u>(31)</u>	<u>(41)</u>
	<u>3,041</u>	<u>3,095</u>

(1) The Company leased an asset from a local authority until 2047

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13:- OTHER FINANCIAL ASSETS AND LIABILITIES

a. Composition of other financial assets

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
	<u>Euros in thousands</u>	
Financial assets in respect of currency exchange transactions	110	-
Marketable financial asset measured fair value through profit or loss (*)	<u>37,019</u>	<u>-</u>
	<u><u>37,129</u></u>	<u><u>-</u></u>

b. Composition of other financial liabilities

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
	<u>Euros in thousands</u>	
Financial liabilities in respect of interest swap transactions (**)	460	449
Financial liabilities in respect of interest swap transactions (***)	<u>363</u>	<u>4,271</u>
	<u><u>823</u></u>	<u><u>4,720</u></u>

(*) On July 23, 2018, the Company acquired shares in a public company incorporated in Germany, whose shares are traded on the unofficial supervised Frankfurt Stock Exchange and in the German residential real estate development market, which is unrelated to the Company or its controlling shareholder and the purchased shares representing 4.1% of the issued and outstanding share capital of the target company, for a total consideration of € 35 million. The Company classified the investment as financial asset presented at fair value through profit or loss.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(**) A total of € 243 thousand and € 449 thousand as of December 31, 2018 and 2017, respectively, are presented as current maturities.

(***) A total of € 196 thousand and € 492 thousand as of December 31, 2018 and 2017, respectively are presented as a current maturity.

- c. Subsidiaries in Germany that own investment properties took loans and signed interest rate swap agreements. In these agreements, the subsidiaries hedge their exposure to future changes in variable interest rates on cash flows, by swapping it for a fixed interest rate. These transactions are not recognized as hedging transactions for accounting purposes. The change in the fair value of the hedging instrument was recognized in profit or loss.

As of December 31, 2018, the fixed interest rate (with no margin) is 0.235% on total funds of € 45,464 thousand.

NOTE 14:- FAIR VALUE MEASUREMENT

The following table presents the fair value measurement hierarchy for the Group's assets and liabilities.

Quantitative disclosures of the fair value measurement hierarchy of the Group's assets and liabilities as of December 31, 2018:

	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
	Euros in thousands			
Assets measured at fair value:				
Investment property (Note 8):				
Income generating commercial real estate	-	-	482,759	<u>482,759</u>
Income generating residential real estate	-	-	927,523	<u>927,523</u>
Land for betterment and real estate right	-	-	64,683	<u>64,683</u>
Derivative financial assets (Note 13)	110	-	-	<u>110</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14:- FAIR VALUE MEASUREMENT (Cont.)

	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
	Euros in thousands			
Liabilities measured at fair value:				
Derivative financial liabilities (Note 13):				
Foreign currency forward contracts – dollar	(363)	-	-	<u>(363)</u>
Interest swap contracts		(460)	-	<u>(460)</u>

The fair value of financial instruments that are not quoted on an active market is determined using valuation techniques. Valuation tools specific to financial instruments include:

- The fair value of interest swap contracts and interest CAP agreements is based on a calculation of the present value of an estimate of future cash flows, using observable return curves.

The following describes unobservable material data that are used in valuation:

	Valuation technique	unobservable data material	Range weighted) (average)	value fair of Sensitivity data in change to
Interest swap transactions	DCF	Payment curve	Euribor curve for transaction period	2% increase/decrease in Euribor curve will result in increase/decrease in fair value up to € 3.7 million

As to the data of investment property fair value, see note 8.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14:- FAIR VALUE MEASUREMENT (Cont.)

f. Derivatives and hedging

	<u>December 31, 2018</u>		<u>December 31, 2017</u>	
	<u>Asset</u>	<u>Liability</u>	<u>Asset</u>	<u>Liability</u>
	<u>Euros in thousands</u>			
Fair value of swap agreements (1)	-	(460)	-	(449)
Fair value of currency exchange transactions (2)	<u>110</u>	<u>(363)</u>	<u>-</u>	<u>(4,271)</u>

(1) Cash flow hedges:

As of December 31, 2018, the Group has interest rate swap agreements (SWAP) in the sum of € 45,464 thousand according to which the Group pays a fixed interest rate of 0.235% and receives variable interest at a rate equal to Euribor for three months .

(2) Currency exchange transactions:

As of December 31, 2018, the Group has various agreements for a future sale of EURO against future purchases of U.S dollar in the total amount of € 55 million and at average forward rate of € 1.178 to the dollar.

NOTE 15:- FINANCIAL INSTRUMENTS

a. Classification of financial assets and financial liabilities

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
	<u>Euros in thousands</u>	
<u>Cash, loans and receivables at amortized cost</u>		
Cash and cash equivalents	27,138	113,129
Balances receivable from banks	414	932
Restricted deposits and receivables (1)	20,189	8,680
Tenants and trade receivables, net	1,523	3,735
Other non-current receivables and restricted deposits	<u>92</u>	<u>298</u>
	<u>49,356</u>	<u>126,774</u>
<u>Derivative financial instruments (fair value)</u>		
Financial assets	110	-
Financial liabilities	<u>(823)</u>	<u>(4,271)</u>
	<u>(713)</u>	<u>(4,271)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15:- FINANCIAL INSTRUMENTS (Cont.)

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
	<u>Euros in thousands</u>	
<u>Financial liabilities at amortized cost</u>		
Debentures	(107,415)	(127,471)
Credit from banks	(763,197)	(660,797)
Other accounts payable (2)	(20,902)	(17,213)
Liability in respect of leasing	<u>(3,041)</u>	<u>(3,095)</u>
	<u>(894,555)</u>	<u>(808,576)</u>

- (1) With the exception of prepaid expenses.
(2) With the exception of deposits from tenants and prepaid income.

b. Market risk1. Foreign currency risk

The Company has debentures denominated in NIS and from time to time carries out hedging transactions against the strengthening of the NIS and accordingly, it is exposed to exchange rate risk deriving from exposure to this currency. This risk derives from recognized liabilities denominated in foreign currency which is other than the functional currency.

2. CPI risk

The Company has issued debentures that are fully linked to the changes in the CPI in Israel, subject to floor index.

3. Interest rate risk

The Group is exposed to risk resulting from changes in cash flows of loans bearing variable interest rates because of changes in interest rates.

The Company hedges most of its financial liabilities by taking loans at fixed interest rate or by entering into interest SWAP agreements or CAP agreements.

The interest swap contract conditions are suited to the base loans. As of the report date, approximately 70% of the Company's loans and debentures are hedged.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15:- FINANCIAL INSTRUMENTS (Cont.)

c. Credit risk

Credit risk could arise from cash and cash equivalents, derivatives and deposits with banking corporations and financial institutions, as well as from receivables, including tenants' debit balances.

Management has a credit and credit exposure policy that is examined on a regular basis. In principle, the Company does not provide credit to tenants. In cases in which tenants request credit, the Company carries out a credit assessment for those customers. The Group holds all or part of the tenants' deposits that are refundable until the tenants will settle their payments or in other cases of breach of contract.

The Company estimates the need for making an allowance for doubtful accounts according to the management's estimate of the balance's nature based on the cumulative experience in managing the asset.

Credit risk could also arise from an engagement by a number of financial instruments with a single entity. The Company holds cash and cash equivalents, short-term investments and other financial instruments in various financial institutions with high credit ratings. The Company's policy is to spread its investments among the various institutions.

As of the report date, there were no significant concentrations of credit risk. According to management estimate, the balance in the financial assets of each of the financial assets represents the maximum exposure to credit risk.

Other financial assets the redemption date of which was not yet due and with no collection in arrears

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
	<u>Euros in thousands</u>	
Restricted deposits and other receivables (except for prepaid expenses and institutions)	17,764	7,559
Tenants (accrued income)	105	1,198
Restricted deposits and other non-current receivables	92	298
Loans to associates	7,698	8,318

d. Liquidity risks

Liquidity risk is the risk that the Group will have difficulty meeting obligations in respect of a financial liability. Financial liabilities to banking corporations regarding interest payments are guaranteed through rental payments regularly deposited in designated accounts/collection accounts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15:- FINANCIAL INSTRUMENTS (Cont.)

The Group's goal is to maintain a balance between the receipt of financing and the flexibility in the use of bank loans and debentures.

As of December 31, 2018, 17.12% of the Group's debt will be redeemed within under a year (2017 – 25.37%) (See also Note 11).

The following table sets out the maturity dates of the Group's financial liabilities in accordance with the contractual conditions in non-discounted sums (including interest payments):

December 31, 2018

	<u>Up to one year</u>	<u>From one to two years</u>	<u>From two to three years</u>	<u>From three to four years</u>	<u>From four to five years</u>	<u>Over five years</u>	<u>Total</u>
<u>Euros in thousands</u>							
Accounts payable	27,736	-	-	-	-	-	27,736
Loans from banking corporations (1)	115,110	51,323	254,867	143,553	237,200	-	802,053
Debentures (1)	21,174	26,572	11,501	11,196	10,287	42,859	123,589
Liability for finance leasing	215	215	215	215	215	5,063	6,138
	<u>164,235</u>	<u>78,110</u>	<u>266,583</u>	<u>154,964</u>	<u>247,702</u>	<u>47,922</u>	<u>959,516</u>

December 31, 2017

	<u>Up to one year</u>	<u>From one to two years</u>	<u>From two to three years</u>	<u>From three to four years</u>	<u>From four to five years</u>	<u>Over five years</u>	<u>Total</u>
<u>Euros in thousands</u>							
Accounts payable	15,693	-	-	-	-	-	15,693
Loans from banking corporations (1)	175,322	50,740	43,772	160,842	124,443	148,739	703,858
Debentures (1)	22,441	21,646	27,153	11,767	10,631	55,549	149,187
Liability for finance leasing	215	215	215	215	215	5,279	6,354
	<u>213,671</u>	<u>72,601</u>	<u>71,140</u>	<u>172,824</u>	<u>135,289</u>	<u>209,567</u>	<u>875,092</u>

- (1) The balance of loans from banking corporations and debentures includes interest payments, including the influence of interest swap agreements and interest fixing agreements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15:- FINANCIAL INSTRUMENTS (Cont.)

e. Fair value

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

As of December 31, 2018

	Carrying amount in the statement of financial position	Fair value
	Euros in thousands	
<u>Financial liabilities</u>	_____	_____
Debentures and interest payable on debentures	<u>108,555</u>	<u>115,940</u>

As of December 31, 2017

	Carrying amount in the statement of financial position	Fair value
	Euros in thousands	
<u>Financial liabilities</u>	_____	_____
Debentures and interest payable on debentures	<u>129,003</u>	<u>142,868</u>

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

The following are the methods and assumptions used to determine fair value:

- The fair value of marketable debentures is based on quoted prices as of the cut-off date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15:- FINANCIAL INSTRUMENTS (Cont.)

f. Sensitivity tests relating to changes in market factors

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
	<u>Euros in thousands</u>	
<u>Sensitivity test to changes in interest rates</u>		
<u>Effect on profit and loss and other comprehensive income</u>		
<u>For loans</u>		
Interest increase of 200 base points	(6,105)	(4,033)
Interest decrease of 200 base points *)	(*) -	*
<u>For Swap</u>		
Interest increase of 200 base points	2,483	4,588
Interest decrease of 200 base points *)	(3,714)	(5,079)
<u>For debentures</u>		
CPI increase of 3%	(3,512)	(3,442)
CPI decrease of 3%	1,641	1,440
EURO/NIS exchange rate increase of 5%	(5,086)	(5,118)
EURO/NIS exchange rate decrease of 5%	5,086	5,118
<u>For currency hedging transactions</u>		
EURO/Dollar exchange rate increase of 5%	2,750	3,500
EURO/ Dollar exchange rate decrease of 5%	(2,750)	(3,500)

*) the Company's financing agreements determine that the Euribor rate for charging interest will not be below 0%.

Sensitivity tests and principal working assumptions

The fluctuations chosen in the relevant risk variables were set in accordance with management assessments regarding possible reasonable changes in these risk variables.

The Company has performed sensitivity tests of principal market risk factors that are liable to affect its reported operating results or financial position.

The sensitivity tests present the profit or loss and/or the comprehensive income with respect to each financial instrument for the relevant risk variable chosen for that instrument as of each reporting date. The test of risk factors was determined based on the materiality of the exposure of the operating results or financial condition of each risk with reference to the functional currency and assuming that all the other variables are constant.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15:- FINANCIAL INSTRUMENTS (Cont.)

The Group is not exposed to changes in profit/loss due to interest risk with respect to long-term loans at fixed interest.

In non-current variable-interest loans measured at amortized cost, the sensitivity test for interest risk was only performed on the variable component of interest.

NOTE 16:- TAXES ON INCOME

a. Tax laws applicable to the Group companies

1. The Company has revenues from real estate investments in Germany. In accordance with the tax treaty between Germany and the Netherlands and between Germany and Luxemburg, real estate revenues are only taxed at the location of the real estate.
2. The following are tax rates applicable to the Company and its key subsidiaries:

<u>State</u>	<u>%</u>
The Netherlands	25
Germany (*)	15.825 – 31.225
Luxemburg	26.01

- *) Earnings from the sale of apartments are subject to a local business tax in Germany. The corporate tax and the local business tax rate amount to 31.225%.
3. Earnings from the sale of the shares of a Dutch company, Luxembourgian company or by a Dutch company are tax-exempt in the Netherlands subject to meeting the terms of exemption from participation set forth in Dutch law. Earnings from the sale of a German company by a German company are taxable at a 5% corporate tax rate on the taxable income. As of 2019, as a result of changes in the German law, earnings deriving from the sale of shares of a limited company that holds assets in Germany will be taxed at 5% of the taxable income.

Earnings from the sale of the shares of a Luxembourgian company by a Luxembourgian company are tax-exempt in Luxemburg subject to meeting the terms of exemption from participation set forth in Luxembourgian law which are minimal holding of 10% or investment of at least € 6 million for 12 consecutive months and both companies (seller and sold) are subject to tax in Luxemburg (and pursuant to the prescribed laws).

b. Tax assessmentsFinal tax assessments

The Company was issued final tax assessments in Holland until and including 2014. Some subsidiaries that are tax assessed in Holland were issued final tax assessments until and including 2014 and some were issued final tax assessment from their establishment date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16:- TAXES ON INCOME (Cont.)

Most of the companies that are tax assessed in Germany were issued tax assessments until and including 2012 or that these assessments are deemed final due to the statute of limitations.

c. Losses carried forward for tax purposes and other temporary differences

The Group has business losses and capital losses for tax purposes carried forward for tax purposes on the coming years, totaling as of December 31, 2018 approximately € 37,953 thousand. In respect of these losses, deferred tax assets have been recognized in the financial statements in the amount of approximately € 6,006 thousand. In addition, the Group has business losses and capital losses for tax purposes carried forward for tax purposes on the coming years, totaling as of December 31, 2018 approximately € 32,048 thousand for which the Company did not recognize deferred tax assets.

d. Deferred taxes

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
	<u>Euros in thousands</u>	
<u>Deferred tax liabilities</u>		
Inventory of buildings under construction, inventory of real estate and investment property	(117,886)	(101,049)
Non-current liabilities	(1,116)	(968)
Debentures	(286)	(160)
Temporary differences in respect of revenue recognition from sale of apartments	(5,045)	
Other payables	-	-
	<u>(124,333)</u>	<u>(102,117)</u>
<u>Deferred tax assets</u>		
Losses carried forward for tax purposes	7,861	5,252
Revaluation of financial derivatives	32	892
Accounts receivable	-	98
	<u>7,893</u>	<u>6,242</u>
Deferred tax liabilities, net	<u>(116,440)</u>	<u>(95,935)</u>
Deferred taxes are presented in the statement of financial position as follows:		
Non-current assets	1,231	1,438
Non-current liabilities	<u>(117,671)</u>	<u>(97,373)</u>
	<u>(116,440)</u>	<u>(95,935)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16:- TAXES ON INCOME (Cont.)

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

	December 31,	
	2018	2017
	Euros in thousands	
<u>Deferred tax liabilities</u>		
Inventory of buildings under construction, inventory of real estate and investment property	16,837	20,060
Non-current liabilities	148	733
Revaluation of financial derivatives	860	(2,097)
Temporary differences in respect of revenue recognition from sale of apartments	3,203	
Other payables	-	(264)
	<u>21,048</u>	<u>18,432</u>
<u>Deferred tax assets</u>		
Losses carried forward for tax purposes	(2,654)	6,066
Debentures	126	(85)
	<u>(2,528)</u>	<u>5,981</u>
Deferred tax expenses, net	<u>18,520</u>	<u>24,413</u>

The deferred taxes are computed at an average tax rate of 15.825% (2017 and 2016 - 15.825%) based on the tax rates expected to apply on realization. Deferred taxes in respect of inventory of apartments under construction and inventory of real estate are calculated at a tax rate of 31.225%. Deferred taxes in respect of carryforward tax losses in Holland are calculated at a tax rate for these losses to be utilized.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16:- TAXES ON INCOME (Cont.)

- e.
- Taxes on income included in the statements of profit or loss

	<u>Statement of profit or loss</u>		
	<u>Year ended December 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
	<u>Euros in thousands</u>		
Deferred taxes, see also d. above	18,520	24,413	24,159
Current taxes and taxes in respect of previous years	10,985	7,276	2,427
Tax expenses	<u>29,505</u>	<u>31,689</u>	<u>26,586</u>

- f.
- Theoretical tax

The following is the reconciliation between the tax expense, assuming that all revenues and expenses, gains and losses in the statement of profit or loss had been taxed at the statutory tax rate in Holland and the amount of taxes on income charged in the statement of profit or loss:

	<u>Year ended December 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
	<u>Euros in thousands</u>		
Income before taxes on income	<u>148,548</u>	<u>150,733</u>	<u>115,292</u>
Statutory tax rate in Holland	<u>25%</u>	<u>25%</u>	<u>25%</u>
Tax calculated using statutory tax rate	37,137	37,683	28,823
Balances for which deferred taxes were not recognized	378	(1,023)	2,910
Deferred tax assets created in other tax rate	(11,752)	(7,399)	(8,010)
Taxes for previous periods and others, net	<u>3,742</u>	<u>2,428</u>	<u>2,863</u>
Taxes on income	<u>29,505</u>	<u>31,689</u>	<u>26,586</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17:- CONTINGENT LIABILITIES, COMMITMENTS AND LIENS

a. Commitments, liens and collaterals

- As collateral for non-recourse loans from banking corporations, liens have been registered on investment properties and real estate inventory and also on the bank accounts into which rental fees are received, rights in respect of insurance policies, a lien on the shares of the company holding the asset etc. (see Note 11). Each property is owned by a consolidated SPV company. In respect of some of the properties, a cross-guarantee secures credit facilities taken for acquisition of the properties.

Some of the loan agreements contain "negative lien" provisions, whereby the borrowers are prohibited from creating additional liens on the encumbered assets and revenues, without receiving the prior explicit consent of the lender.

- As part of the Grafental project development in Dusseldorf (see Note 6) the Company extended various bank guarantees the balance of which as of December 31, 2018 amounted to EUR 9 million.
- Regarding the pledge provided in respect of debentures, see Note 11e - g.
- The balances of secured liabilities are as follows:

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
	<u>Euros in thousands</u>	
Non-current liabilities (including current maturities), see Note 11	<u>877,360</u>	<u>814,490</u>

- As part of the development of the inventory of buildings under construction for Stage A (see Note 6), the Company entered into a contract with the contractor. As of December 31, 2017 the construction work was finalized by the contractor. In the final settlement of accounts, the contractor requested additional payment from the Company in the amount of € 12.5 million. The Company rejected the arguments of the contractor and demanded that the contractor will compensate the Company for an amount (which is still not final) of € 4 million due to various breaches of the contract by the contractor. As per the Company and based on the opinion of its legal counsel the likelihood that the Company will be required to bear any extra payment to the contractor is low.

b. Claims

- Lawsuits have been filed against the Group totaling some € 207 thousand. In the estimation of Group management, relying *inter alia* on the opinions of its legal counsel, the provisions contained in the financial statements are sufficient to cover the possible exposure, if any, as a result of these lawsuits.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

2. On April 8, 2018, a motion to approve a class action ("the motion") was filed against ADLER, Redzone Empire Holding (the former controlling shareholder in the Company) and former officers in the Company with the Tel Aviv District Court by a shareholder in the Company regarding the alleged violations of the provisions of the Companies Law-1999 (above and below – the companies' law) as well as Tender Offer Regulations with regard to the special tender offer submitted by ADLER to the shareholders of the Company on February 19, 2018 (which was amended on March 20, 2018).

- c. Commitments

With respect to some of the Company's assets, the Company entered into agreements with various investors (the investors) for the purpose of investments in joint ventures such that the Company's share in the joint ventures amounts to 58% - 77% and the investors' share amounts to 23%- 42%. To the best knowledge of the Company, these investors are members of the "investors' club" that was established by the ultimate parent company and some of the investors are related parties in the Company.

The following are the main terms of the joint venture commitment:

1. The Company shall be, at anytime, the managing partner and the controlling shareholder in the joint venture.
2. The joint venture shall pay the Company management fees of 2.5% of the rental income.
3. The Company shall be entitled to 20% of the investors' share in the profit after the full return of their investment plus an annual yield of 8% on their investment (Promote).
4. For their relative share in the joint ventures, the investors paid the Company and/or the joint venture their relative share of the total purchase cost.

The share of the investors is presented in non controlling interests and their investment balance, as of December 31, 2018, amounts to € 92 million.

In January and February 2019 , as part of the exercise of the refusal right/offer to acquire the rights of non-controlling interests ("the investors") in several subsidiaries by the Company, the Company and the holders of rights began negotiations for the acquisition of the investors' rights. The consideration for the transaction is expected to amount to EUR 91 million, and to the best of the Company's knowledge, it is based on the value of the assets that are the object of the transaction, in the Company's books as of the date on which the investors received the offer, with certain adjustments, which were determined under the agreement for purchasing the control of the Company by the previous controlling shareholder from its preceding controlling shareholder. The company reviews the issue of purchase tax which may apply to the purchase transaction or on any part thereof.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18:- EQUITY

a. Composition of share capital

	<u>December 31, 2018</u>		<u>December 31, 2017</u>	
	<u>Authorized</u>	<u>Issued and paid-up</u>	<u>Authorized</u>	<u>Issued and paid-up</u>
Ordinary shares of € 0.01par value each	<u>22,500,000</u>	<u>7,730,875</u>	<u>22,500,000</u>	<u>7,730,875</u>

.b. Capital management in the Company

The Company acts in order to guarantee a capital structure allowing the Company to support its channels and maximize value to its shareholders. The Company manages the structure of its capital and makes changes in accordance with changes in the environment in which the Company operates.

c. Treasury shares - shares of the Company held by the Company

The holding of the Company in the Company's shares includes 31,688 treasury shares constituting 0.4% of the Company's issued and outstanding share capital.

d. Employee options

In 2017, the vesting period of all the options granted to the Company's employees as part of the allotment plans approved by the Company's organ in previous years has ended. As of December 31, 2018, there is no option plan in effect. In addition, in 2017, the remaining outstanding 426,274 options were exercised to 251,386 shares of the Company using Cashless mechanism such that the exercise increment amounted to 10 Agorot for each share.

e. Classifications according to Dutch law - statutory capital reserve

In accordance with Dutch law provisions applicable to the Company, gains from fair value adjustments, which have not been realized, cannot be distributed as dividends. In addition, earnings of investees cannot be distributed as dividends, unless distributed by the subsidiaries themselves. At the same time, according to Dutch law, these earnings can be distributed only after their conversion into share capital and a reduction in equity as a result of the dividend distribution.

In the reported period, the Company classified the distributable earnings out of the statutory capital reserve. Accordingly, the balance of distributable earnings as of December 31, 2018 is EUR 170,808 thousand.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	Year ended December 31,		
	2018	2017	2016
	Euros in thousands		
a. <u>Cost of maintenance of rental properties:</u>			
Salaries, electricity, water and gas	2,301	2,456	1,941
Maintenance and repairs	4,397	3,876	3,342
Land taxes	691	748	749
Insurance	110	91	124
Doubtful accounts and bad debts	3,945	1,579	1,714
Marketing	1,059	939	933
Others	213	-	-
	<u>12,717</u>	<u>9,689</u>	<u>8,803</u>
b. <u>general and administrative expenses</u>			
Property management, salary expenses and others	7,742	7,428	9,108
Legal and other professional services	2,767	2,755	2,271
Travel expenses, rent and office maintenance and others	2,011	1,316	1,215
	<u>12,520</u>	<u>11,499</u>	<u>12,594</u>
c. <u>Interest income, deposits and others</u>	-	39	25

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	<u>Year ended December 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
	<u>Euros in thousands</u>		
d. <u>Financial expenses, net</u>			
(1) <u>Interest, bank charges and others</u>			
Interest expenses on loans and debentures	(17,333)	(16,222)	(18,012)
Bank charges, guarantee commission and others	(151)	(163)	(157)
Leasing finance expenses	(215)	(206)	(206)
	<u>(17,699)</u>	<u>(16,591)</u>	<u>(18,375)</u>
(2) <u>Amortization of finance costs and others</u>			
Amortization of financial costs on loans and debentures	(1,947)	(2,938)	(2,341)
	<u>(19,646)</u>	<u>(19,529)</u>	<u>(20,716)</u>
e. <u>Effect of exchange rate differences and currency hedging transactions, net</u>			
Gain (Loss) from exchange rate differences in respect of debentures and cash, net	3,887	4,047	(7,185)
Linkage differences in respect of debentures	(1,062)	(483)	512
Income(loss) from currency hedging transactions	3,684	(6,569)	3,274
	<u>6,509</u>	<u>(3,005)</u>	<u>(3,399)</u>
f. <u>Change in value of loans and interest rate swap and currency hedging transactions, net</u>			
Gain from revaluation of interest rate swap, net	(80)	421	75
Gain from revaluation of marketable financial assets measured at fair value through profit or loss	2,019		
Gain (Loss) from revaluation of loans according to fair value, net and others	(359)	264	(3,868)
	<u>1,580</u>	<u>685</u>	<u>(3,793)</u>
g. Other income			

In 2017, the Company received EUR 2 million in respect of early evacuation of a tenant in one of its assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 20:- NET EARNINGS PER SHARE

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

	Year ended December 31,					
	2018		2017		2016	
	Weighted number of shares	Net income attributable to equity holders of the Company	Weighted number of shares	Net income attributable to equity holders of the Company	Weighted number of shares	Net income attributable to equity holders of the Company
	In thousands	Euros in thousands	In thousands	Euros in thousands	In thousands	Euros in thousands
For the purpose of calculating basic net earnings	7,731	100,919	7,379	101,124	6,606	76,276
For the purpose of calculating diluted net earnings	7,731	100,919	7,379	101,124	6,798	76,276

NOTE 21:- OPERATING SEGMENTS

General

Operating segments have been determined based on information reviewed by the Chief Operational Decision Maker (CODM) for the purpose of making decisions with regard to resource allocation and performance assessment (Company Board of Directors). Accordingly, for management purposes, the Group consists of operating segments of business units and has four operating segments, as follows:

Income generating commercial real estate	-	Leasing property for commercial purposes.
Income generating residential real estate	-	Leasing residential real estate.
Land for betterment and value of construction rights	-	Land undergoing betterment.
Residential development	-	Inventory of apartments under construction and inventory of real estate

The operating segments data are based on the accounting policy of the Company.

Segment revenues include rental revenues and revenues from property management.

The segment results reported to the operational decision maker include items that relate directly to segment. Items not allocated include mainly general and administrative expenses, financing costs, financing income, adjustment to fair value of financial instruments and taxes on income, which are managed on a Group basis. See also Note 2y.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 21:- OPERATING SEGMENTS (Cont.)

Assets allocated directly to the segment represent the balance of investment property and inventory of real estate and apartments under construction and financial derivatives relating directly to the asset company, whilst liabilities allocated directly to the segment are loans and derivatives relating directly to the asset company and also long-term liabilities that are capable of being attributed specifically. The balance of assets and liabilities is not allocated directly to segments.

a. Operating segment report

	Income- generating commercial real estate	Income- generating residential real estate	Land for betterment	Residential development	Total
Euros in thousands					
<u>For the year ended</u>					
<u>December 31, 2018</u>					
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					<u>148,548</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 21:- OPERATING SEGMENTS (Cont.)

	Income- generating commercial real estate	Income- generating residential real estate	Land for betterment	Residential development	Total
Euros in thousands					
<u>For the year ended</u>					
<u>December 31, 2017</u>					
Revenues from sale of apartments	-	-	-	58,958	58,958
Cost of sale of apartments	-	-	-	(47,203)	(47,203)
Gain from sale of apartments	-	-	-	11,755	11,755
Revenues from property rental	30,821	43,105	198	-	74,124
Revenues from property management and others	6,045	20,879	98	-	27,022
Property management expenses	(6,031)	(20,386)	(96)	-	(26,513)
Rental property maintenance expenses	(3,326)	(5,823)	(540)	-	(9,689)
Total rental and management revenues (expenses), net	27,509	37,775	(340)	-	64,944
Net revenues before other expenses, management and finance					76,699
Other income	2,008	-	-	-	2,008
General and administrative expenses					(11,499)
Selling and marketing and general and administrative expenses attributed to inventory of buildings under construction and inventory of real estate	-	-	-	(2,530)	(2,530)
Cost of share based payment					(871)
Appreciation of investment property, net	3,486	76,748	28,502	-	108,736
Financial expenses, net					(21,810)
Income before taxes on income					<u>150,733</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 21:- OPERATING SEGMENTS (Cont.)

	Income- generating commercial real estate	Income- generating residential real estate	Land for betterment	Residential development	Total
Euros in thousands					
For the year ended					
December 31, 2016					
Revenues from sale of apartments	-	-	-	73,935	73,935
Cost of sale of apartments	-	-	-	(58,537)	(58,537)
Gain from sale of apartments	-	-	-	15,398	15,398
Revenues from property rental	35,016	36,800	295	-	72,111
Revenues from property management and others	7,308	18,128	103	-	25,539
Property management expenses	(7,274)	(17,687)	(103)	-	(25,064)
Rental property maintenance expenses	(3,027)	(5,546)	(230)	-	(8,803)
Total rental and management revenues, net	32,023	31,695	65	-	63,783
Net revenues before other expenses, management and finance					79,181
General and administrative expenses					(12,594)
Selling and marketing and general and administrative expenses attributed to inventory of buildings under construction and inventory of real estate	-	-	-	(2,644)	(2,644)
Cost of share based payment					(1,227)
Appreciation of investment property, net	17,758	58,445	4,256	-	80,459
Financial expenses, net					(27,883)
Income before taxes on income					115,292

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 21:- OPERATING SEGMENTS (Cont.)

	Income- generating commercial real estate	Income- generating residential real estate	Land for betterment	Residential development (*)	Total
	Euros in thousands				
<u>For the year ended</u>					
<u>December 31, 2018</u>					
Capital investments	<u>5,043</u>	<u>21,328</u>	<u>1,357</u>	<u>-</u>	<u>27,728</u>
<u>For the year ended</u>					
<u>December 31, 2017</u>					
Capital investments	<u>1,695</u>	<u>139,186</u>	<u>450</u>	<u>-</u>	<u>141,313</u>
<u>For the year ended</u>					
<u>December 31, 2016</u>					
Capital investments	<u>12,112</u>	<u>93,040</u>	<u>1,268</u>	<u>-</u>	<u>106,420</u>
<u>As of December 31, 2018</u>					
Segment assets	<u>483,451</u>	<u>933,268</u>	<u>64,683</u>	<u>249,289</u>	<u>1,730,691</u>
Unallocated assets					<u>92,384</u>
Segment liabilities	<u>244,307</u>	<u>423,480</u>	<u>7,812</u>	<u>91,942</u>	<u>767,541</u>
Unallocated liabilities					<u>255,074</u>
<u>As of December 31, 2017</u>					
Segment assets	<u>463,042</u>	<u>828,694</u>	<u>67,094</u>	<u>128,999</u>	<u>1,487,829</u>
Unallocated assets					<u>142,778</u>
Segment liabilities	<u>242,672</u>	<u>402,522</u>	<u>9,503</u>	<u>32,590</u>	<u>687,287</u>
Unallocated liabilities					<u>250,833</u>

See Note 2AE regarding initial adoption of IFRS 15 "Revenues from Contracts with Customers"

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 22:- TRANSACTIONS WITH INTERESTED AND RELATED PARTIES

a. Transactions with interested and related parties

	<u>Year ended December 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
	<u>Euros in thousands</u>		
Management fees and participation in the expenses of related companies	-	50	198

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 22:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (Cont.)

- b. Benefits for key management personnel (including directors) not employed by the Company:

	Year ended December 31,					
	2018		2017		2016	
	No. of people	Amount - Euros in thousands	No. of people	Amount - Euros in thousands	No. of people	Amount - Euros in thousands
Cost of share-based payment and capital attribution in respect of transactions with controlling shareholder (excluding directors)	-	-	7	871	7	1,254
Short-term employee benefits (excluding directors)	8	2,039	7	3,717	7	2,235
Total benefits for directors	14	390	11	451	6	290

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 23:- DISCLOSURE ACCORDING TO IAS 1 FOR AMOUNTS EXPECTED TO BE SETTLED OR EXTINGUISHED 12 MONTHS AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

As stated in note 2k, the Group has two operating cycles. The operating cycle of apartments under construction is three years. The operating cycle of the remaining activities is one year. Accordingly, current assets and liabilities include items designated and expected to be materialized during the Company's operating cycle.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 23:- DISCLOSURE ACCORDING TO IAS 1 FOR AMOUNTS EXPECTED TO BE SETTLED OR EXTINGUISHED 12 MONTHS AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION (Cont.)

The following is a disclosure regarding assets and liabilities that are expected to be settled or extinguished, at the most, before 12 months after the date of statement of financial position and assets and liabilities that are expected to be settled or extinguished, at the most, after 12 months after the date of statement of financial position.

	December 31,	
	2018	2017
	EUR in thousands	
Assets that are expected to be settled, at the most, before 12 months after the date of statement of financial position	54,969	175,812
Assets that are expected to be settled, at the most, after 12 months after the date of statement of financial position	<u>1,768,106</u>	<u>1,471,467</u>
Total assets	<u>1,823,075</u>	<u>1,647,279</u>
Liabilities that are expected to be extinguished, at the most, before 12 months after the date of statement of financial position	151,555	239,335
Liabilities that are expected to be extinguished, at the most, after 12 months after the date of statement of financial position	<u>871,060</u>	<u>709,374</u>
Total liabilities	<u>1,022,615</u>	<u>948,709</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 24:- EVENTS AFTER THE REPORTING PERIOD

- 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.
- 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).

- 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 24:- EVENTS AFTER THE REPORTING PERIOD (Cont.)

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

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

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Appendix of holdingsMaterial subsidiaries and partnerships

<u>Name of entity</u>	<u>Country of incorporation</u>	<u>December 31,</u>	
		<u>2018</u>	<u>2017</u>
		<u>% in equity</u>	
Brack German Properties BV	The Netherlands	100	100
Brack European Management KFT	Hungary	100	100
Brack Capital (Remscheid) BV	The Netherlands	100	100
Brack Capital (Neubrandenburg) BV	The Netherlands	100	100
Brack Capital (Chemnitz) BV (1)	The Netherlands	60	60
Brack Capital (Hamburg) BV	The Netherlands	100	100
Brack Capital (D-Rosstrasse) BV	The Netherlands	100	100
Brack Capital (D-Schanzenstrasse) BV	The Netherlands	100	100
Brack Capital Germany (Gelsenkirchen) BV	The Netherlands	99.8	99.8
Brack Capital (Ludwigsfelde) BV	The Netherlands	100	100
Brack Capital (Bad Kreuznach) BV	The Netherlands	100	100
Brack Capital Germany (Netherlands) XIX BV	The Netherlands	100	100
Brack Capital Beta BV	The Netherlands	84.98	84.98
Brack Capital Germany XXVI BV (Netherlands)	The Netherlands	84.98	84.98
Brack Capital Germany XXVII BV (Netherlands)	The Netherlands	84.98	84.98
Brack Capital Germany XXX BV (Netherlands)	The Netherlands	100	100
Brack Capital Germany XXI BV (Netherlands)	The Netherlands	100	100
Brack Capital Germany (Netherlands) XII B.V.	The Netherlands	100	100
Brack Capital Germany (Netherlands) XLIX B.V.	The Netherlands	100	100
Brack Capital Alfa B.V.	The Netherlands	52.3	52.3
Brack Capital Delta B.V.	The Netherlands	52.3	52.3
Brack Capital Epsilon B.V.	The Netherlands	100	100
Brack Capital Kaufland S.a.r.l.	Luxemburg	100	100
TPL Augsburg S.a.r.l.	Luxemburg	92	92
TPL Bad Aibling S.a.r.l.	Luxemburg	92	92
TPL Borken S.a.r.l.	Luxemburg	92	92
TPL Erlangen S.a.r.l.	Luxemburg	92	92
TPL Geislingen S.a.r.l.	Luxemburg	92	92
TPL Vilshofen S.a.r.l.	Luxemburg	92	92
TPL Biberach S.a.r.l.	Luxemburg	92	92
TPL Ludwigsburg S.a.r.l.	Luxemburg	92	92
TPL Neckarsulm S.a.r.l.	Luxemburg	92	92
BCP Leipzig B.V.	The Netherlands	100	100
BCRE Leipzig Wohnen Nord B.V.	The Netherlands	100	100
BCRE Leipzig Wohnen Ost B.V.	The Netherlands	100	100

(1) jointly controlled

Appendix of holdings (Cont.)

	Country of incorporation	December 31,	
		2018	2017
		% in equity	
BCRE Leipzig Wohnen West B.V.	The Netherlands	100	100
BRACK CAPITAL (WUPPERTAL) GMBH	Germany	94.4	94.4
BCRE Kassel I B.V (former BCRE UK B.V)	The Netherlands	100	100
Brack Capital Germany (Netherlands) XXII B.V.	The Netherlands	100	100
BCRE Dortmund Wohnen B.V.	The Netherlands	100	100
BCRE Duisburg Wohnen B.V.	The Netherlands	100	100
BCRE Essen Wohnen B.V.	The Netherlands	100	100
Brack Capital Germany (Netherlands) XXXVI B.V.	The Netherlands	100	100
Brack Capital Germany (Netherlands) XVII B.V.	The Netherlands	100	100
Brack Capital Germany (Netherlands) XVIII B.V.	The Netherlands	100	100
Brack Capital Germany (Netherlands) XXIII B.V.	The Netherlands	100	100
Brack Capital Germany (Netherlands) XXV B.V.	The Netherlands	100	100
Admiralty Holdings Ltd	Gibraltar	94.9	94.9
BCRE Eta B.V.	The Netherlands	100	100
Brack Capital Labda B.V.	The Netherlands	100	100
Hanse Holdings S.á r.l.	Luxemburg	94.9	94.9
Graniak Leipzig Real Estate GmbH & Co. KG	Germany	94.9	94.9
Brack Capital Germany (Netherlands) XXIV B.V	The Netherlands	100	100
Brack Capital Germany (Netherlands) XXXV BV	The Netherlands	100	100
Brack Capital Germany (Netherlands) XXXVII BV	The Netherlands	100	100
Brack Capital Germany (Netherlands) XXXVIII BV	The Netherlands	100	100
Brack Capital Germany (Netherlands) XL BV	The Netherlands	100	100
Parkblick GmbH & Co. KG	Germany	100	100
Capital Germany (Netherlands) XXXIX BV	The Netherlands	100	100
Brack Capital Germany (Netherlands) XLI BV	The Netherlands	100	100
Brack Capital Germany (Netherlands) XLII BV	The Netherlands	100	100
Brack Capital Germany (Netherlands) XLV BV	The Netherlands	100	100
Brack Capital Theta B.V.	The Netherlands	100	100
Brack Capital Germany (Netherlands) XLIII BV	The Netherlands	100	100
Brack Capital Germany (Netherlands) XLIV BV	The Netherlands	100	100
Brack Capital Germany (Netherlands) XXXI BV	The Netherlands	100	100
Brack Capital Germany (Netherlands) XLVI BV	The Netherlands	100	100
NFB SÜD GmbH & Co. KG (2)	Germany	50	50
Brack Capital Germany (Netherlands) L B.V.	The Netherlands	100	100
Brack Capital Germany (Netherlands) LI B.V.	The Netherlands	100	100
Brack Capital Germany (Netherlands) LII B.V.	The Netherlands	100	100
Brack Capital Germany (Netherlands) LIII B.V.	The Netherlands	100	100
Brack Capital Germany (Netherlands) LIV B.V.	The Netherlands	100	100
Brack Capital Germany (Netherlands) LV B.V.	The Netherlands	100	100

BRACK CAPITAL PROPERTIES N.V.

Brack Capital Germany (Netherlands) LVI B.V.	The Netherlands	100	100
Brack Capital Germany (Netherlands) XLVII B.V.	The Netherlands	100	100
Brack Capital Germany (Netherlands) XLVIII B.V.	The Netherlands	100	100
SHIB Capital Future Services Ltd.	Israel	100	100
RT Facility Management GmbH & Co. KG	Germany	100	100
Mahren Grundbesitz Magdeburg GmbH	Germany	94.9	94.9
Mahren Grundbesitz Halle I GmbH	Germany	94.9	94.9
Mahren Grundbesitz Halle II GmbH	Germany	94.9	94.9
Mahren Grundbesitz Halle III GmbH	Germany	94.9	94.9
Mahren Grundbesitz Halle IV GmbH	Germany	94.9	94.9
Mahren Grundbesitz Halle V GmbH	Germany	94.9	94.9
Mahren Grundbesitz Leipzig I GmbH	Germany	94.9	94.9
Mahren Grundbesitz Leipzig II GmbH	Germany	94.9	94.9
Mahren Grundbesitz Leipzig III GmbH	Germany	94.9	94.9
Mahren Grundbesitz Leipzig IV GmbH	Germany	94.9	94.9
Mahren Grundbesitz Leipzig V GmbH	Germany	94.9	94.9
Mahren Grundbesitz Leipzig VI GmbH	Germany	94.9	94.9
Mahren Grundbesitz Magdeburg II GmbH	Germany	94.9	94.9
Mahren Grundbesitz Magdeburg III GmbH	Germany	94.9	94.9
Mahren Grundbesitz Magdeburg IV GmbH	Germany	94.9	94.9
Mahren Grundbesitz Magdeburg V GmbH	Germany	94.9	94.9
Mahren Grundbesitz Magdeburg VI GmbH	Germany	94.9	94.9
Glasmacherviertel GmbH & Co. KG	Germany	100	100

(2) Jointly controlled

COMPANY FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018

IN THOUSANDS OF EUROS

COMPANY BALANCE SHEET

	December 31,	
	2018 *	2017
	Euros in thousands	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (1)	5,686	41,382
Cash and cash equivalents in trust	1,940	24,554
Balances receivable from banks	414	932
Other receivables	4,874	89
	<u>12,914</u>	<u>66,957</u>
NON-CURRENT ASSETS:		
Investment in investee	755,917	-
Investment in marketable financial asset measured at equity (**)	37,019	657,608
	<u>792,936</u>	<u>657,608</u>
	<u>805,850</u>	<u>724,565</u>
<u>Current Liabilities</u>		
Other accounts payable	3428	1,655
Current maturity of debentures	17,066	17,399
Other financial liabilities	196	492
	<u>20,690</u>	<u>19,546</u>
<u>Non-Current Liabilities</u>		
Debentures	90,349	110,072
Other financial liabilities	167	3,779
	<u>90,516</u>	<u>113,851</u>
<u>Equity</u>		
Share Capital	77	77
Premium on Shares	144,237	144,237
Treasury Shares	(746)	(746)
Other capital reserves	1,512	2,322
Statutory capital reserve	378,756	311,648
Retained earnings	170,808	133,630
	<u>694,644</u>	<u>591,168</u>
<u>Total equity</u>	<u>805,850</u>	<u>724,565</u>

(*) see Note 2AE of the consolidated financial statements regarding the initial adoption of IFRS 15, "revenues from contracts with customers".

(**) see Note b3 regarding the purchase of shares in a public company.

(1) As of December 31, 2018, the Company has a balance of € 5,704 thousand (in 2017 - € 25,109 thousand) denominated in NIS

September 6, 2019			
Date of approval of the financial statements	Patrick Burke Chairman of the Board of Directors	Tomas de Vargas Machuca CEO	Thomas Stienlet CFO

COMPANY PROFIT AND LOSS ACCOUNT

	Year ended December 31,		
	2018	2017	2016
	Euros in thousands		
Administrative and general expenses	(1,925)	(3,542)	(2,761)
Financial income (expenses), net	3,696	(9,395)	(11,187)
Equity in earnings of investess	<u>99,148</u>	<u>114,061</u>	<u>90,224</u>
Net income	100,919	101,124	76,276
Other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income	<u>100,919</u>	<u>101,124</u>	<u>76,276</u>

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

NOTES TO COMPANY FINANCIAL STATEMENTS

a. **General**

The consolidated financial statements are part of the 2018 financial statements of the company.

With regard to the company profit and loss account, the company applies the exemption of article 2:402 BW.

If there is no further explanation provided to the items in the company balance sheet and the company profit and loss account, please refer to the notes in the consolidated statement of financial position and statement of income.

The principles for the valuation of assets and liabilities and the determination of the result are the same as those applied to the consolidated statement of income.

Subsidiaries are accounted for at fair value in accordance with IAS 27. Management has estimated that the net asset value of its subsidiaries is a reliable indicator of the fair value.

As at 31 December 2018 the company has two direct 100% subsidiaries: Brack German Properties B.V. (The Netherlands) and Brack European KFT (Hungary).

Brack Capital Properties N.V. forms a fiscal unity with Brack German Properties B.V., Brack Capital Germany (Netherlands) XLV BV and Brack Capital Germany (Netherlands) Hedging B.V. for the corporate income tax in the Netherlands.

Shares of Brack German Properties B.V. are pledged as part of certain financing agreements.

b. **Material events during the reported period**

1. A motion to approve a class action - on April 8, 2018, a motion to approve a class action was filed against ADLER, Redzone Empire Holding Limited (the former controlling shareholder in the Company) and some of the previous managers of the Company with the Tel Aviv District Court (the motion) by a shareholder in the Company regarding the alleged violations of the provisions of the Companies Law-1999 (above and below – the companies' law) as well as Tender Offer Regulations with regard to the special tender offer submitted by ADLER to the shareholders of the Company on February 19, 2018 (which was amended on March 20, 2018).
2. On April 25, 2018, the meetings of the bondholders (Series A and B) determined to approve by a required majority not to put the bonds for immediate repayment in respect of the cause contained in the trust deed that was established for the bond holders in respect of the transfer of control; and in connection with the trust deed of Series B the amended trust deed on the above cause of action. The meeting of the bondholders (Series C) decided not to approve the following issues: (i) not to put the bonds for immediate repayment in respect of the cause contained in the trust deed that was established for the bondholders in respect of the transfer of control and (ii) amend the trust deed (Series C) in the matter of such cause as aforesaid. Further to the above, it should be noted that on May 21, 2018, the bondholders (Series C) resolved to grant a waiver in connection with the cause for immediate repayment in respect of the transfer of control of the Company and amending the trust deed.
3. On July 23, 2018, the Company acquired shares in a public company incorporated in Germany, whose shares are traded on the unofficial supervised Frankfurt Stock Exchange and which is one of the leaders in the residential real estate development market in Germany, which is not related to the Company or its controlling shareholder representing 4.1% of issued and outstanding equity of the target company, for a total consideration of € 35 million. The Company classified this investment as financial instrument presented fair value through profit or loss.

NOTES TO COMPANY FINANCIAL STATEMENTS (Cont.)

c. **Material events after the report date**

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 exercise of the refusal right and as a result the Company and the holders of rights began negotiations for the acquisition of the investors' rights. The consideration for the transaction is expected to amount to EUR 91 million, and to the best of the Company's knowledge, it is based on the value of the assets that are the object of the transaction, in the Company's books as of the date on which the investors received the offer, with certain adjustments, which were determined under the agreement for purchasing the control of the Company by the previous controlling shareholder from its preceding controlling shareholder. The company reviews the issue of purchase tax which may apply to the purchase transaction or on any part thereof.

d. **Taxes on income**

1. Tax laws applicable on the Company

The tax rate applicable on the Company is 25%. A gain deriving from sale of shares of a Dutch company by a Dutch company is tax exempt subject to meeting the terms of the exemption from participation prescribed by the Dutch law.

2. The Company received final tax assessments in Holland until 2013 tax year inclusive.

NOTE 25:- EMOLUMENTS OF DIRECTORS

The emoluments, as intended in Section 2:383(1) of the Netherlands Civil Code, which were charged in the financial year to the Company and group companies, amounted to EUR 451 thousand for directors.

**Total remuneration
of the directors in
2018**

EUR in thousands

Meir Jacobson	71
Noah Schaham	60
Lambertus van den Heuvel	45
Friedrich Munsberg	28
Willem Van Hassel	27
Alexander Dexne	26
Jeroen Dorenbos	24
Daniel Moser	24
Patrick Burke	23
Claus Jorgensen	18
Ulrich Tappe	13
Noam Sharon	11
Ljudmila Popova	11
Nicolaas van Ommen	9
	390
	390

NOTES TO COMPANY FINANCIAL STATEMENTS (Cont.)

NOTE 26:- FEES OF THE AUDITOR

With reference to Section 2:382a(1) and (2) of the Netherlands Civil Code, the following fees for the financial year have been charged by IUS Statutory Audits Coöperatie U.A. and other auditors to the Company, its subsidiaries and other consolidated entities:

	IUS Statutory Audits	Other auditors	Total
	Euros in thousands		
Audit and assurance services	29	285	314
Other services	31	-	31
	<hr/>	<hr/>	<hr/>
	60	285	345
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

OTHER INFORMATION

Provisions of the Articles of Association for the appropriation of profits

Regarding the dividend policy of the company, please refer to the Board of director reports under section 4 of the preamble. Profits are appropriated in accordance with article 20 of the Articles of Association Brack Capital Properties N.V. of which the text is stated below.

Article 20.

20.1 The allocation of profits accrued in a financial year shall be determined by the General Meeting. If the General Meeting does not adopt a resolution regarding the allocation of the profits prior to or at latest immediately after the adoption of the annual accounts, the profits will be reserved.

20.2 Distribution of profits shall be made after adoption of the annual accounts if permissible under the law given the contents of the annual accounts.

20.3 Without prejudice to Article 20.5, the General Meeting may resolve to make interim distributions on Shares and/or to make distributions on Shares at the expense of the freely distributable reserves of the Company. In addition, the Board of Directors may decide to make interim-distributions on Shares.

20.4 Distributions on Shares shall be made payable immediately after the resolution to make the distribution, unless another date of payment has been determined in the resolution.

20.5 Distributions may be made only up to an amount which does not exceed the amount of the Distributable Equity and, if it concerns an interim distribution, the compliance with this requirement is evidenced by an interim statement of assets and liabilities as referred to in Section 2:105, paragraph 4, of the Dutch Civil Code. The Company shall deposit the statement of assets and liabilities at the office of the commercial register within eight days after the day on which the resolution to distribute is published.

20.6 The General Meeting may resolve that a distribution of dividend on Shares shall not be paid in whole or in part in cash but in Shares.

20.7 In addition to the above mentioned in Articles 20.1-20.6 in regards to profits and distributions, and subject to the forgoing provisions and for the fullest extent permitted under Dutch law, as long as the Company's securities are held by the public in Israel – any dividend/distribution by the Company will be executed in compliance with the following provisions 20.8 to 20.15 as described below:

20.8 Either the Board of Directors or the General Meeting may undertake in a contract with third parties - such as creditors of the Company - that it will not make distributions within additional limitations to the provisions of these sections 20.8 to 20.15. A distribution in contradiction to the provisions of these sections 20.8 to 20.15 is a Prohibited Distribution. Prior to the execution of any distribution, the Board of Directors shall be provided with adequate opportunity to determine that the certain distribution is not a Prohibited Distribution.

20.9 (a) Either the Board of Directors or the General Meeting may make a distribution out of its profits (hereafter: "the Profit Test"), provided that there is no reasonable suspicion that the distribution will prevent the Company from paying its existing and expected liabilities as they fall due (hereafter: "the Solvency Test"); (b) In this section - "Profits", for purposes of the Profit Test - the larger of retained profits or profits accrued in the last two years, all according to the last adjusted audited or reviewed financial statements prepared by the Company, subtracting previous distributions if they were not already subtracted from surpluses, provided that the date for which the financial statements were prepared is not more than six months earlier than the distribution date; "Adjusted Financial Statements" – financial statements adjusted to the index or the financial statements that take

or will take their place, all in accordance with accepted accounting principles; "Surpluses" - amounts included in the Company's equity, which stem from its net profit as determined according to accepted accounting principles.

20.10 (a) The Israeli court may, on application by the Company, approve it to make a distribution that does not comply with the Profit Test, provided that it is satisfied that it meets the Solvency Test, (b) The Company shall inform its creditors that it filed an application with the Israeli court as stated in subsection (a), (c) A creditor may apply to the Israeli Court and object to the Company's application for permission to make a distribution, (d) After the Israeli Court has given objecting creditors an opportunity to state their arguments, it may approve the Company's application, in whole or in part, reject it or make its approval subject to conditions. Article 20.5 must be applied.

20.11 If the Company acquired securities that can be converted into or exercised as shares of the Company, it may cancel them; if the Company did not cancel said securities, the Company may resell them or convert them into or exercise them as shares; shares converted or exercised as aforesaid shall be Treasury Shares as long as they are owned by the Company.

20.12 (a) A subsidiary or any other corporation under the Company's control (in this section: "the Acquiring Corporation") may acquire shares of the Company or securities that can be converted into or exercised as shares of the Company to the extent to which the Company is allowed to make a distribution, provided that the subsidiary's Board of Directors or managers of the Acquiring Corporation determined that if the acquisition of the shares or securities that can be converted into or exercised as shares had been made by the Company, the acquisition would have been a permitted distribution, (b) If a Prohibited Distribution was in contradiction of sections 20.8 to 20.15 made, the refund stated in Section 20.15 shall be made to the subsidiary or to the Acquiring Corporation and the provisions of Section 20.15 shall apply, mutatis mutandis, to the directors of the subsidiary and to the managers of the Acquiring Corporation; however, if the Company's Board of Directors determined that the distribution is permitted, the liability shall be with the Company's Directors, as stated in Section 20.15. (c) Notwithstanding the provisions of subsection (a), acquisition by a subsidiary or by an Acquiring Corporation that is not wholly owned by the Company constitutes a distribution in an amount equal to the amount of the acquisition, multiplied by the rate of rights in the subsidiary's capital or in the capital of the Acquiring Corporation held by the Company.

20.13 The acquisition of securities that can be converted into shares, at the amount that was presented as a short- or long- term liability in the last Adjusted Financial Statements due to said securities, shall not be deemed a distribution.

20.14 If the Company made a Prohibited Distribution the Shareholders shall return to the Company whatever they received, unless they did not know and should not have known that the distribution carried out was prohibited.

20.15 If the Company carried out a Prohibited Distribution, every person who was a Director at the time of the distribution shall be treated like a person who thereby breached his duties to the Company under Articles 13.11, 15.15, 15.20 and 15.21, as applicable, unless he proved one of the following: (i) That he opposed to the Prohibited Distribution and took all the reasonable measures to prevent it; (ii) That he has, in good faith, exercised reasonable reliance on information under which, had it not been misleading, the distribution would have been permitted; (iii) That under the circumstances, he did not know and should not have known of the distribution.

INDEPENDENT AUDITOR'S REPORT INDEPENDENT AUDITOR'S REPORT

To: The shareholders of Brack Capital Properties N.V.

A. Report on the audit of the financial statements 2018 included in the annual report

Our opinion

We have audited the financial statements 2018 of Brack Capital Properties N.V., based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Brack Capital Properties N.V. as at December 31, 2018, and of its result and its cash flows for 2018 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

1. the consolidated and company statement of financial position as at December 31, 2018;
2. the following statements for 2018:
the consolidated and company income statement, the consolidated and company statements of comprehensive income, changes in equity and cash flows; and
3. the notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Brack Capital Properties N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

B. Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The management board's report;
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the board of directors' report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

C. Description of responsibilities regarding the financial statements

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements.

Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern;
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Amstelveen, 6 September 2019

IUS Statutory Audits Coöperatie U.A.

Original signed by:

R. Groen
registeraccountant

Ref: IUS-BCP-RG-WC-JR18-6/9/2019

נספח ב' – הצהרות המועמדים לכהן כדירקטורים בחברה

נספח ג' (1) – מדיניות התגמול החדשה



Brack Capital Properties N.V.

Remuneration Policy for members of the Board of Directors and Officers

1. **General**

- 1.1 Brack Capital Properties N.V. (herein after: "**BCP**" or "**The Company**") is a Dutch Company incorporated in the year 2006. The Company issued shares to the public in Israel in 2010 and accordingly certain of the provisions of the Israeli Companies Law, 5759-1999 (the "**Companies Law**") apply to the Company. The Company operates in the German real estate market since its establishment.
- 1.2 In accordance with the provisions of the Companies Law, Dutch law and the articles of association of the Company (the "**Articles of Association**"), and subject to the approval of the Company's shareholders meeting (the "**General Meeting**") on [____], the Company's Board of Directors approved the Remuneration Policy with respect to the remuneration of Officers¹ (as defined below) at the Company, after having discussed and considered the recommendations of the Remuneration Committee in this respect.
- 1.3 The provisions of the Remuneration Policy will be subject to the provisions of any peremptory law that applies to the Company and its Officers in any territory whatsoever and in accordance with the Articles of Association.
- 1.4 This Remuneration Policy includes information about the compensation components to which Officers may be entitled (in whole or in part) by virtue of employment agreements or management service agreements² between them (or companies controlled by such Officers (as the case may be)) and the Company. It should be emphasized that the Officers will not have a vested right to receive any of the compensation components presented below by virtue of the adoption of the Remuneration Policy alone. This Remuneration Policy replaces in full the former remuneration policy of the Company as approved by the General Meeting in 2016.

It is hereby clarified that in case an Officer receives compensation that is less than the compensation under this Policy, this will not, in and of itself, be regarded as a deviation from or an exception to the Remuneration Policy, and his terms of employment, as previously stated, will not consequently necessitate the approval of the General Meeting, which is required in cases of the approval of terms of service and employment that deviate from the Remuneration Policy.

¹ Except where specifically provided for differently in the framework of this Remuneration Policy; The meaning of the term "Officer" when used in this Remuneration Policy shall be as defined in the Companies Law and includes: both an executive and a non-executive director, general manager, chief business manager, deputy general manager, vice-general manager, any person filling any of these positions in a company even if he holds a different title, and any other manager directly subordinate to the general manager, as well as any other Executive Officers as such term is defined under the Articles of Association.

² The amounts set forth in this Remuneration Policy reflect the maximum compensation to which an Officer may be entitled to receive from the Company in accordance with this Remuneration Policy. Such maximum compensation amounts shall be amended annually in line with the consumer price index in the territory relevant for such Officer on the date on which this Remuneration Policy is approved.

- 1.5 This Remuneration Policy is a multi-annual policy that will remain in effect for a period of three years as of the date of its approval, and subject to the provisions of the Articles of Association and Section 5 below.
- 1.6 The Remuneration Policy is written in the masculine gender solely for the sake of convenience, and it is intended for both men and women.

2. **Corporate Governance; Roles and Responsibilities as to Officers Remuneration**

2.1 **Remuneration Committee**

2.1.1 The Remuneration Committee is responsible for advising the Board of Directors and the shareholders on the Remuneration Policy covering all the Officers. The Committee analyzes and monitors market remuneration trends, practices and pay levels to provide advice to the shareholders and the Board of Directors with reference to the Officers.

2.1.2 The Committee's main roles are:

- Recommendation to the shareholders and the Board of Directors regarding the adoption of a Remuneration Policy for Officers.
- Recommendation to the shareholders and the Board of Directors once every three years as to approving continuance of the current Remuneration Policy, make changes to the current Remuneration Policy or adopt a new Remuneration Policy.
- Recommendation to the shareholders and the Board of Directors regarding the need to update the Remuneration Policy, from time to time, and examining its implementation.
- Recommendation to the shareholders and the Board of Directors regarding the determination of the remuneration of the individual Directors in accordance with the Remuneration Policy.
- Discussion and decision making regarding the employment terms and agreements of Officers and controlling shareholder and their relatives requiring the approval of the Remuneration Committee.
- Discussion and decision whether to exempt the terms of office of a candidate to serve as CEO from the need for the General Meeting's approval.
- Any other matters required to be discussed or approved by the Remuneration Committee under applicable law.

2.2 **Board of Directors**

- 2.2.1 The Board of Directors' main role is to design and, where applicable, approve the Remuneration Policy and to present to the General Meeting for approval without derogating from any of the provisions of the Companies Law. The executive directors shall not participate in discussion and shall not vote on matters concerning the remuneration for executive directors or this Remuneration Policy insofar as it relates to the remuneration for executive directors.
- 2.2.2 The Board of Directors is responsible for the review from time to time (and at least once every three years) of the Remuneration Policy and the need to revise/update it.
- 2.2.3 The Board of Directors is entrusted with the implementation of the Remuneration Policy, and also with all activities required for this, including the authority to interpret the terms of the Remuneration Policy in any case of doubt in regards to its implementation.

2.3 **General Meeting**

The General Meeting's role is to discuss and approve (or disapprove) the Remuneration Policy and, establish the Remuneration of the individual executive and non-executive directors (following the approval of the Remuneration Committee and Board of Directors).

3. **The purposes of the Remuneration Policy and the Considerations in its Determination**

3.1 **Underlying the Remuneration Policy, *inter alia*, are the following considerations:**

- Enabling the Company to recruit, retain and motivate qualified Officers.
- The Company's objectives for the strategy for the implementation of long-term value creation.
- The outcome of the scenario analyses carried out in advance.
- The pay ratios within the Company and its enterprise.
- The development of the market price of the shares of the Company.
- Promoting long-term sustainable performance of the Company without encouraging Officers to take inappropriate risk.
- Aligning the interests of Officers with the performance of the Company and the interests of its shareholders.
- The size of the Company and the scope of its operations.

- Creating a reasonable and appropriate set of incentives for Officers, in view of the Company’s size and operations, the market in which it operates, its business activities, and its risk management policy.
- Creating a proper balance between the various compensation components with a variable remuneration component linked to measurable performance criteria determined in advance, which are predominantly long-term in character.

3.2 As a rule, the terms of compensation for Officers are to be examined according to this Remuneration Policy, in view of the following parameters:

- The education, skills, expertise, professional experience and achievements of the Officer.
- The role of the Officer, his responsibilities, and previous wage agreements signed with him.
- The contribution of the Officer to the Company’s performance and the attainment of his individual objectives.
- The Company’s overall economic performance.
- The Company’s need to retain an Officer who possesses unique skills, knowledge or expertise.
- The Company being a multinational company whose business operations are managed outside of Israel.
- The market conditions, competition and the regulatory environment in which the Company operates.
- An examination of the ratio between the fixed component and the variable components in accordance with the definitions set forth in the Remuneration Policy.
- The ratio between the cost of the terms of service or employment of the Officer and the cost of the wages of all of the other employees of the Company and the contract employees employed at the Company³ (if any), and particularly the ratio between the above and the average and median wages of said employees, and the effect of the differences between them on the Company’s labor relations as provided in Section 4.114.10 below.

³ In this context: **“Contract employees employed by the Company”** – The employees of a Human Resources Contractor whose Actual Employer is the Company, and the employees of a Service Contractor who are employed by way of providing services at the Company. In this context, **“Human Resources Contractor,” “Service Contractor,” “Actual Employer”** – As defined in the Employment of Employees by Human Resources Contractors Law, 5756-1986. **“Salary”** – Income for which National Insurance fees are paid in accordance with Chapter O of the National Insurance [Combined Version] Law 5755-1995.

- With respect to the terms of the termination of service: the effect of the duration of the service, the terms of employment, the Officer's performance, his contribution to the attainment of the Company's objectives and the improvement of its profits and the circumstances of retirement on the terms of termination of service.
 - Any other matter specified in the Articles of Association as amended from time to time.
- 3.3 This Remuneration Policy is based, *inter alia*, on past experience accumulated by the Company in the context of the compensation of Officers, on the Company's acquaintance with and assessment of the competitive environment in which it operates, and of the challenge of recruiting and retaining high-quality human resources in that environment, as well as of the conventional terms of service or employment at global companies that are active in the Company's sphere of operations and in the countries in which it operates, and on the provisions of the existing service and employment agreements between the Company and its Officers, which, for the avoidance of doubt, this Remuneration Policy does not change.
- 3.4 Salary survey

Prior to the approval of the remuneration terms of any Officer, the Company will, to the best of its ability, endeavor to conduct or purchase a salary survey (or rely on an existing survey), which will be performed internally or by means of an external consultant, and which will compare and analyze the overall compensation level offered to Officers compared to the overall compensation packages of Officers who, as much as practicable, have roles that are similar to the roles of the relevant Officers at other companies that are active in the Company's sphere of operations and/or other companies in the global market⁴ whose scope of operations is similar to the Company's. The Company will make every effort so that the salary survey will include the compensation data of Officers of at least four (4) companies that are similar to the Company in terms of the sphere of operations and the scope/complexity of the operation/market value (if found), all as of the date of the Remuneration Policy's approval by the Board of Directors, and in accordance with a salary survey as stated above. It is hereby clarified that in light of the fact that the Company's operations and management are concentrated outside of Israel, it is not necessary for the reference companies to be companies whose securities are traded on the Tel Aviv Stock Exchange Ltd.

⁴ In this context, and in light of the differences between expense components and social benefits in different countries, the examination of the base salary component within the framework of the salary survey will be conducted without taking social and supplementary expenses into account.

4. Remuneration terms for Officers

4.1 Aspects of the Remuneration Policy

4.1.1 The compensation of the Officers could consist of several components:

- **Base salary component:** Base salary⁵/ management fees.
- **Fringe benefits, bonuses, and social benefits:** Fringe benefits and reimbursement of expenses, as provided in Section 4.7.2 of this Remuneration Policy and as required under the law of the country according to the laws of which the relevant Officer is employed.
- **Variable component:** Short- and medium-term compensation that includes an annual performance-based and objective-conditional bonus. In addition, the Company may determine that an Officer will receive an annual bonus that is discretionary, taking into account the assessment of his contribution to the Company and according to the restrictions and provisions of this Remuneration Policy. Moreover, from time to time, the Company may provide an Officer with a one-time bonus in addition to the annual bonus, in light of his special contributions to the Company and the attainment of its objectives, and in accordance with the restrictions and provisions of this Remuneration Policy below (the components in this Section will be referred to as the “**Variable Components**”).

In addition, the Officers may be entitled to other benefits (including compensation in connection with termination of service or employment), as provided in this Remuneration Policy.

- 4.2 As a rule, in case where an Officer (including the CEO) provides services to both the Company and its controlling shareholder (“**Parent**”), the Remuneration Committee and the Board of Directors of the Company may decide that the compensation paid to such Officer shall consist solely of the Base Salary Component and fringe and social benefits and provided that the Remuneration Committee and Board of Directors shall be convinced that such Officer is properly incentivized through bonuses and other variable payments by the Parent to which he may be entitled by the Parent.
- 4.3 As a rule, the Officers’ remuneration package will be approved before the commencement of their service or employment at the Company, and not retroactively. The retroactive approval of compensation terms will be provided, as much as practicable, only in unusual

⁵ Wherever the term “**Base Salary**” is used in this Remuneration Policy, it refers to the “gross” monthly salary of that employee (excluding social and supplementary expenses), and wherever the term “**Annual Base Salary**” is used, it refers to the base salary in December of the relevant year, times 12.

cases⁶ and after the approval of the Remuneration Committee and the Board of Directors is received.

- 4.4 The remuneration terms for Officers in accordance with this Remuneration Policy will be approved by the Company's corporate bodies as provided by law and the Article of Association.
- 4.5 Subject to the provisions of the Companies Law, a deviation of up to 10% above the rates or ranges specified in this Remuneration Policy will not be regarded as a deviation from the provisions of the Remuneration Policy.

Moreover, non-material changes in the terms of services or employment of Officers who are subordinated to the CEO of the Company, in accordance with the restrictions set forth in the Remuneration Policy, will be subject only to the approval of the CEO, provided that the terms of the service or employment are in line with the Remuneration Policy. For the purpose of this Section, changes will be viewed as non-material changes to the extent the effect of such changes on the total annual cost of the Officer's compensation does not cumulatively exceed 10% with respect to the terms of service or employment that are set forth in the Officer's employment agreement.

- 4.6 In Sections 4.7-4.11 of this Remuneration Policy, the term "Officers" will not include members of the Board of Directors with the exception of the executive directors of the Board of Directors who may be covered by the relevant Sections to the extent so decided by the General Meeting (following the approval of the Remuneration Committee and Board of Directors). The compensation terms to which non-executive directors of the Board of Directors will be entitled are presented in Section 4.13 of this Remuneration Policy (which terms shall also apply to the executive directors to the extent so decided by the General Meeting). For the avoidance of doubt, unless otherwise decided by the General Meeting (following the approval of the Remuneration Committee and Board of Directors), the executive directors shall be entitled to the same remuneration paid to the non-executive directors of the Board of Directors.

4.7 **Compensation terms – fixed components:**

4.7.1 **Base salary**

- 4.7.1.1 The base salary of Officers (fixed component only, without variable components) will be determined with respect to the parameters set forth in Section 3.2 above, and in view of the salary survey as provided in Section 3.4 above (it being understood that to the extent that an Officer (including CEO) is only entitled to fixed compensation from the Company as set out in Section 4.2 above, the base salary to be paid

⁶ An example of an unusual case is an Officer who is immediately required for the Company's operations, and whose services are commissioned concurrently with starting the requisite approval processes at the Company.

to such Officer may exceed the highest amount set out in the table under 4.7.1.3 (maximum monthly/annual salary) with respect to fixed compensation by no more than 100%.

4.7.1.2 The base salary will be in absolute numbers. The Company may determine that the base salary of an Officer will be linked to a relevant consumer price index or to a currency, and, in such cases, the maximum base salaries as provided in Section 4.7.1.3 below will be linked according to the relevant index or currency.

4.7.1.3 The maximum monthly base (gross) salaries of Officers will be as provided below:

Title	Maximum Monthly Salary	= Maximum Annual Salary	Maximum Annual Salary where Officer is only entitled to Fixed Compensation
CEO	EUR 29,167	EUR 350,000	EUR 700,000
Executive Director	EUR 14,583	EUR 175,000	-----
CFO	EUR 20,833	EUR 250,000	EUR 500,000
CXO	EUR 14,583	EUR 175,000	EUR 350,000

4.7.1.4 The base salary of an Officer is determined based on his position, responsibilities, contribution to the Company, his professional experience and achievements, his skills, expertise, and education, and according to the compensation previously paid to him at the Company.

4.7.1.5 Without derogating from the generality of the foregoing, with respect to Officers who provide services, by way of a management service agreement, the maximum amount set out above will be calculated as 70% of the amounts set out above.

4.7.2 **Social⁷ and fringe benefits and reimbursement**

The Officers will receive, at the very least, the conventional social benefits under the law of the country of which the Officer is employed, such as a retirement fund, severance pay contributions, loss of working capacity insurance, leave days, sick leave, vacation pay, travel expenses, etc. In addition, the compensation package could include additional and conventional fringe benefits (including the grossing up of their expenses), which could include, *inter alia*: a vehicle that level is acceptable to the Company, the grossing up of the vehicle's value, a mobile phone, newspapers and other communications devices, holiday gifts, holiday pay, medical insurance, accident insurance, contributions for managers insurance/retirement fund contributions (including contributions for compensation, severance pay and loss of working capacity) and continuing education fund contributions. Additionally, Officers could be entitled to reimbursement of expenses in connection with their role as Officer of the Company (including, but not limited to, reimbursement of expenses and meals, travel expenses, accommodation and lodging expenses). The reimbursement will be in accordance with the Company's procedures with respect to all of its employees and in the amounts that will be determined from time to time, and will be subject to the approval of the CFO or Remuneration Committee, as the case may be.

The fringe benefits are the fringe benefits that are customary at the Company on the date on which the Remuneration Policy is approved, and they may be examined and updated from time to time by the Remuneration Committee.

4.7.3 **Indemnification and insurance**

4.7.3.1 The Officers will be entitled to the customary insurance arrangement in accordance with the provisions of the law and the Articles of Association. The maximum coverage amount under the Officers' insurance policy that will be adopted by the company will not exceed USD 20 million per event per year, and the annual premium that will be paid by the Company will not exceed USD 45,000 per year, cumulatively, for all Officers. The deductible amounts that will be determined under the policies will not exceed the customary values in the insurance market for policies of this type and scope, as of the date on which the insurance is procured, and as of the date of its periodic renewal. Moreover, the Company may purchase, at its discretion, a run off insurance policy for Officers for a period that will not exceed seven years, with the scopes of coverage being those specified above, and

⁷ With respect to Officers who have entered into an agreement with the Company that does not give rise to employer-employee relations, the Company may pay, in addition to his salary and in lieu of the aforementioned expenses, an amount that is equal to no more than the maximum employer's cost that reflects the aforementioned social benefits.

with the premium not exceeding 300% of the aforementioned maximum annual premium.

4.7.3.2 Moreover, the Officers will be entitled to letters of indemnity in the form approved by the General Meeting on July 4, 2012, or another form that will be approved by the General Meeting of the Company, as is customary and in accordance with the provisions of the applicable law and the Articles of Association. The total indemnification of all Officers will not exceed 25% of the Company's equity.

4.7.3.3 Under the Dutch law and the Articles of Association, the General Meeting may grant discharge to Directors from liability for their actions in a particular financial year, provided that these actions are reflected in the Company's annual financial statements for that year (which are to be prepared in accordance with Dutch law), or provided that they were brought to the attention of the General Meeting before the adoption of the Company's annual financial statements of that year. It is hereby clarified that such a resolution is a common resolution is a standard resolution at annual general meetings of shareholders in the Netherlands.⁸

4.7.4 **Signing bonus**

A compensation package may include a signing bonus, which will be given to the Officer subject to the approval of the Company's competent organ(s), and in view of the principles of the Remuneration Policy, and particularly in view of the degree of the Company's dependence on the Officer and the unique nature of his role, the officer's skills, the competition in the market and the difficulty of recruiting Officers, or other special circumstances that will be in effect when the employment commences. It is hereby clarified that a signing bonus will be deemed a part of the overall compensation package of that Officer. In any event, a signing bonus will not be given to an Officer that exceeds the product of the gross monthly base salary in 300%.

⁸ As part of the process of adopting financial statements, it is market practice in the Netherlands to discharge the members of the board of directors from existing or potential liability, *inter alia* towards the company, with respect to the performance of their duties, provided that the performance of these roles is reflected in the company's annual statements, or provided that they were brought to the attention of the General Meeting prior to the approval of the company's financial statements of that fiscal year. The scope of the discharge does not extend to any matter or (potential) liability that is not included in the annual financial statements, has not been discussed at the General Meeting or is not otherwise known to the General Meeting and is further subject to the restrictions of general law in the Netherlands, such as the duty of care and the principles of reasonableness and fairness. The aforementioned principles of reasonableness and fairness could, under certain circumstances, prevent the granting of discharge from liability to members of the board of directors. The aforementioned discharge has internal effect only and is not binding on third parties. It also cannot exclude the provisions of the securities laws in Israel that apply to the Company, including the rights granted by virtue thereof to its shareholders.

4.8 **Variable component**

4.8.1 **Annual Bonus**

In addition to the base salary, and subject to the provisions of Section 4.2 above, the compensation package may include an annual bonus that is based on his performance and the attainment of his objectives, as well as a discretionary annual bonus, all in accordance with this Section below (the “**Annual Bonus**”). The Annual Bonus should reflect:

- the Officer’s contribution to the Company’s economic performance,
- the attainment of his individual objectives,
- the Company’s overall economic performance.

If the Officer is entitled to an Annual Bonus in accordance with the terms of his employment, the Annual Bonus has to be approved in accordance with the following:

4.8.1.1 **Maximum Annual Bonus**

The maximum Annual Bonus will be recommended at the beginning of every year by the Remuneration Committee, and will be determined the Board of Directors (subject to applicable law). The maximum Annual Bonus will be defined as a multiple of the (gross) base salary, as follows:

Title	Maximum Annual Bonus
CEO	Up to 12 monthly salaries
Executive Director	Up to 12 monthly salaries
CFO	Up to 12 monthly salaries
COO	Up to 12 monthly salaries

4.8.1.2 **Annual Bonus for Officers who are not the CEO or directors**

The Annual Bonuses of Officers of the Company who are not the CEO or a director will be recommended by the Remuneration Committee and determined by the Board of Directors (subject to changes in any laws, if applicable), in accordance with their judgment and under the

circumstances in the relevant year and in accordance with the restrictions set forth in this Remuneration Policy. Within that framework, the Company's corporate bodies may also consider, *inter alia* (although not necessarily only) the criteria set forth in Section 4.8.1.4 below.

4.8.1.3 Annual Bonus of the CEO and the executive directors

The Annual Bonuses of the CEO and the executive directors will be determined in accordance with predefined criteria, which may be quantitative and/or qualitative (as provided below).

4.8.1.4 Criteria for granting the Objective-Based Annual Bonus

Subject to applicable law, the Annual Bonus granted to the CEO and the executive directors will be based on compliance with objectives that will be recommended every year by the Remuneration Committee and determined by the Board of Directors and, with respect to an executive director, by the General Meeting as well. Subject to applicable law, the amount of the Objective-Based Annual Bonus for Officers who are not the CEO, if determined, will be based on compliance with objectives that will be determined every year by the CEO and subject to the approval of the Remuneration Committee and the Board of Directors. The bonus objectives will be based on the following objectives:

A. Company-wide financial performance indicators

Company-wide financial performance indicators, the compliance with which will be a precondition for an Officer's Objective-Based Annual Bonus, such as: the Company's revenues, profit objectives, cash flow objectives or EBITDA objectives or a similar significant indicator that, in the view of the relevant organs, reflects a significant financial objective for the Officer in the relevant year (the "**Financial Indicators**"), and all according to the budget for that year, the Company's objectives and the nature and scope of its expected operations in the relevant year. The bonus plan of the CEO and the executive directors will include at least one and no more than three of the Financial Indicators. The weight that will be ascribed to this component within the framework of the Objective-Based Annual Bonus of the CEO and the executive directors will amount to 40%-60% of the Objective-Based Annual Bonus.

B. Measurable personal performance indicators

The measurable personal performance indicators will be based on measurable indicators that pertain to the professional responsibilities of the Officer (e.g., improved efficiency of business and operating processes, completion of transactions, leading regulatory processes and compliance with the law, etc.). The bonus plan will include up to five personal indicators. The weight that will be ascribed to this component within the framework of the Objective-Based Annual Bonus of the CEO and the executive directors will be up to 50% of the Objective-Based Annual Bonus.

4.8.1.5 If payable, the Annual Bonus or Objective-Based Annual Bonus, as the case may be, will be paid once a year. The calculation of the Officer's compliance with measurable objectives that were determined for that Officer, provided that these are objectives that are reflected by the Company's financial statements, will be made in accordance with the actual results of the Company, as reflected in the Company's annual financial statements.

4.8.1.6 Method of calculating the Annual Bonus

- The Objective-Based Annual Bonus will be determined according to the degree to which the Officer is in compliance with the objectives that were set as previously stated, in a manner that will be measured in “percentage of achievement” with respect to each objective, on a scale of 0% to 100%.
- The amount of the Objective-Based Annual Bonus will be determined in practice by the product of the weight ascribed to each objective and the percentage of compliance with the objective, out of the total possible objective-based Annual Bonus amount of each Officer for whom such objectives have been set, and provided that the company-wide and individual preconditions as stated above were met.
- The Objective-Based Annual Bonus should also reflect the overall economic performance of the Company in the relevant period.

4.8.1.7 The CEO will separately examine the criteria of each Officer and, accordingly, will submit his recommendations and reasons to the Remuneration Committee and the Board of Directors for the purpose of determining the bonuses for those Officers. The aforementioned notwithstanding, the Remuneration Committee and the Board of Directors may decide that a certain indicator, which serves as the basis for entitlement to grants as previously stated, will be calculated

without taking events into account that, in the view of the Remuneration Committee and the Board of Directors, exert a one-time effect on the Company's results as reflected by the aforementioned indicator.

4.8.1.8 The Company may pay an Officer, who did not work for a full year, a proportional Annual Bonus based on the period of his work, and it may set objectives over the course of the year for Officers who were appointed in the course of a calendar year with respect to the period of their service in the relevant year.

4.8.1.9 The Board of Directors may reduce the amount of the Annual Bonus of the Officer at its discretion under special circumstances that justify such a reduction and at the sole discretion of the Board of Directors.

4.8.2 **Discretionary bonus for Officers**

Discretionary Bonuses for Officers are subject to the Maximum Annual Bonus amount, as determined in this Remuneration Policy and to the provisions of Section 4.2 above. The Remuneration Committee and the Board of Directors may grant Officers, based on their judgment and the assessment of the Board of Directors (with respect to Officers who are subordinate to the CEO), a discretionary bonus (that is not granted on account of their service as directors) that will not exceed three (3) monthly salaries.

4.8.3 **One-time bonus**

The Remuneration Committee and the Board of Directors may, subject to the procurement of approvals that are required by applicable law, grant to Officers a one-time bonus that will not exceed three (3) monthly salaries on account of a unique contribution and/or notable efforts and/or special and extraordinary achievements for the Company with respect to which the Officer was dominant in terms of his attainment (such as the sale of an operation or part thereof, on account of which capital gains were generated that are not reflected in the Company's operating profit) and/or upon the occurrence of a significant and extraordinary business event that serves to promote the benefit of the Company and its strategic plan.

4.8.4 **Return of amounts**

If it is found that amounts were paid to an Officer as a bonus, which were based on data that proved to be incorrect and that were restated in the financial statements, the Officer will return to the Company the excess amounts, which were paid to him due to the criteria that entitled him to the payment of said amounts and that were retroactively restated in the financial statements. Such repayment will not

take place in cases of representation in the Company's financial statements that stems from changes in applicable law or accounting principles or practices.

Subject to applicable law, the Company may deduct the recovery amount payable to it from any amount that it is required to pay the Officer (including in cases where the Officer's employment has ended). In any event, the Company's corporate bodies will determine the timing, manner and conditions of such recovery.

4.9 **Termination of service terms**

4.9.1 Retirement bonus

An Officer may be entitled to a retirement bonus in an amount that will not exceed the cost of the fixed component (as defined above) with respect to a period of six (6) months and subject to applicable law. In pre-determining the mechanism used to calculate the retirement bonus within the framework of the individual agreement with the Officer, the term of service or employment that will elapse until the date of retirement, the terms of service and employment of the Officer, the Company's performance during the period of the Officer's service, the contribution of the Officer in achieving the Company's targets and enhancing its profits and the circumstances of the retirement will be taken into account, *inter alia*, as required under the circumstances and according to the judgment of the Remuneration Committee.

4.9.2 Prior notice

Within the framework of employment agreements between the Company and its Officers, the parties may terminate their agreement by way of prior and written notice that is provided up to three (3) months in advance for the Officer and up to six (6) months for the Company. In the course of the first year of the Officer's service or employment, it will be possible to terminate the agreement between the parties by way of prior notice that is given one month in advance. In any event, during the prior notice period, the Officer will be required to continue performing his duties, unless the Company decides otherwise.

The Officer may be entitled to the payment of salaries, social and fringe benefits during the prior notice period as well, in whole or in part, and all subject to the requirements of the applicable law. It is hereby clarified that an Officer who did not actually work during the prior notice period will not be entitled to the payment of bonuses for that period.

4.9.3 Adjustment period

In addition to the prior notice period, the Company may approve an adjustment period of up to (6) six months after the end of the prior notice period. The

aforementioned adjustment period will be individually determined in the service or employment agreement of each Officer and will be subject to a noncompetition undertaking and, in that period, the Officer will only be entitled to receive the base salary.

An adjustment bonus will not be granted if the Officer resigned or if he was dismissed or his service was terminated (as applicable) due to circumstances that deny the right to severance pay under applicable law (including, *mutatis mutandis*, in cases where the Officer is not considered an employee).

4.10 **Ratio to the average and median salary at the Company**

The ratio between the cost of the terms of service and employment of the Officer who receives the greatest compensation at the Company, as of the date of approval of the Remuneration Policy, relative to the average cost of the salary of the other employees of the Company, is 10.59 times that amount, and 12.94 times relative to the median salary. As of the date of approval of the Remuneration Policy by the Remuneration Committee and the Board of Directors, such an examination was conducted and its results were presented to the Remuneration Committee and the Board of Directors. The Remuneration Committee and the Board of Directors believe that the ratio is appropriate and reasonable given the nature of the Company, its size, the mix of human resources that are employed at the Company, the various geographic regions in which various employees of the Company are employed, and its sphere of operations, and they further believe that the difference between the compensation paid to Officers and the average and median salary at the Company of all of the Company's employees does not affect the labor relations at the Company.

4.11 **Ratio between the base salary component and the variable components**

Subject to the provisions of Section 4.2 above, The ratio between the annual cost of the variable components in an Officer's compensation package and the annual cost of the fixed components in his compensation package will not exceed 125% (without taking one-time bonuses into account).

4.12 **Re-appointment of executive directors and extension of existing agreements with Officers at the Company**

Prior to the re-appointment of an executive director or the approval of the extension of a service or an employment agreement with an Officer at the Company (whether or not the extension involves changes in the terms of employment), the current Remuneration package of the Officer will be examined with respect to this Remuneration Policy, and particularly with respect to the parameters in Section 3.2 above, and in view of the most current salary survey performed by the Company, as provided in Section 3.4 above.

4.13 **Remuneration of non-executive directors**

4.13.2 Non-executive directors will receive compensation in accordance with the Companies (Rules for the Payment of Expenses for External Directors) Regulations, 5760-2000 (the “**Compensation Regulations**”), which will not exceed the maximum compensation set forth in the Compensation Regulations (including the maximum compensation amount of expert external directors that is set forth in the Compensation Regulations).

4.13.3 Serving non-executive directors of the Company will be entitled to the reimbursement of reasonable personal expenses (including travel and lodging expenses subject to applicable law) as well as insurance, indemnification and exemption arrangements as provided in Section 4.7.3 above, and all in accordance with the provisions of the Articles of Association and the Remuneration Policy.

4.13.4 Every member of the Board of Directors will be entitled to Officers’ liability insurance and indemnification arrangements, as provided in the Articles of Association and as customary at the Company and in accordance with section 4.7.3.

4.14 **Existing arrangements**

The Remuneration Policy does not serve to adversely change existing agreements between the Company and its Officers and, inasmuch as this is possible under applicable law, the Company will comply with all of the existing agreements that are in effect on the date of approval of this Remuneration Policy, as long as these agreements remain in effect.

5. **Powers of the Remuneration Committee and the Board of Directors with respect to the Remuneration Policy**

5.1 The Remuneration Committee and the Board of Directors of the Company will examine, from time to time, the Remuneration Policy and the need to adjust it, *inter alia*, based on the considerations and principles described in the Remuneration Policy and the examination of changes in the Company’s objectives, market conditions, the consideration of the Company’s profits and revenues in previous periods of time and in real time and any other relevant information. Such changes or adjustments will be presented for approval in the manner determined under applicable law.

נספח ג' (2) – מדיניות תגמול החדשה, תרגום לא רשמי בעברית



בראק קפיטל פרופרטיז א.נ.וי

מדיניות תגמול לחברי הדירקטוריון ולנושאי המשרה בחברה

1. כללי

- 1.1. Brack Capital Properties NV (להלן: "BCP" או "החברה") היא חברה הולנדית, אשר התאגדה בשנת 2006. החברה הנפיקה את מניותיה לציבור בישראל בשנת 2010 ובהתאם לכך חלק מהוראות חוק החברות, התשנ"ט-1999 ("חוק החברות") חלים על החברה. החברה פועלת בשוק הנדל"ן הגרמני מאז הקמתה.
- 1.2. בהתאם להוראות חוק החברות, החוק ההולנדי ותקנון החברה (להלן: "התקנון"), ובכפוף לאישור אסיפת בעלי המניות של החברה (להלן: "האסיפה הכללית") ביום [____], אישר דירקטוריון החברה מדיניות תגמול לנושאי משרה בחברה¹ (כהגדרתם להלן), וזאת לאחר שדן ושקל את המלצות ועדת התגמול של החברה בעניין.
- 1.3. הוראות מדיניות התגמול תהינה כפופות להוראות כל דין קוגנטי החל על החברה ונושאי המשרה בה בטריטוריה כלשהי ולהוראות התקנון.
- 1.4. מדיניות תגמול זו כוללת פירוט בדבר מרכיבי תגמול אשר נושאי המשרה עשויים להיות זכאים להם (כולם או חלקם) מכוח הסכמי העסקה או הסכמי שירותי ניהול² ביניהם (או לבין חברות בשליטת נושאי משרה אלו (לפי העניין)) לבין החברה. יודגש כי לנושאי משרה לא תעמוד זכות מוקנית לקבלת איזה ממרכיבי התגמול המפורטים להלן מכוח אימוצה של מדיניות התגמול בלבד. מדיניות תגמול זו מחליפה במלואה את מדיניות התגמול הקודמת של החברה כפי שאושרה על ידי האסיפה הכללית בשנת 2016.
- מובהר, כי במקרה שנושא משרה יקבל תגמול אשר הינו פחות מהתגמול על-פי מדיניות זו, לא ייחשב דבר זה לכשעצמו כסטייה או כחריגה ממדיניות התגמול, ותנאי העסקתו כאמור לא יצריכו בשל כך את אישור האסיפה הכללית, הנדרש במקרה של אישור תנאי כהונה והעסקה בסטייה ממדיניות התגמול.**
- 1.5. מדיניות תגמול זו הינה מדיניות רב שנתית אשר תעמוד בתוקפה לתקופה של שלוש שנים ממועד אישורה, וזאת בכפוף להוראות התקנון וסעיף 5.1 להלן.
- 1.6. המדיניות מנוסחת בלשון זכר מטעמי נוחות בלבד והיא מיועדת לנשים וגברים כאחד.

2. ממשל תאגידי ; תפקידים ואחריות לגבי תגמול נושאי משרה**2.1. ועדת תגמול**

- 2.1.1. ועדת התגמול אחראית לייעץ לדירקטוריון ולבעלי המניות בנושא מדיניות התגמול המכסה את כל בעלי המשרה. הוועדה מנתחת ומפקחת אחר מגמות תגמול בשוק, פרקטיקות ורמות שכר לשם מתן ייעוץ לבעלי המניות ולדירקטוריון בהתייחס לבעלי המשרה.
- 2.1.2. התפקידים המרכזיים של הועדה:

- להמליץ לבעלי המניות ולדירקטוריון בדבר אימוץ מדיניות תגמול לבעלי משרה.

¹ למעט במקרים בהם נקבע באופן שונה במסגרת מדיניות תגמול זו; משמעות המונח "נושא משרה" בהקשר מדיניות תגמול זו תהיה כהגדרתו בחוק החברות והיא כוללת: Executive director ו-Non-Executive Director, מנהל כללי, מנהל עסקים ראשי, משנה למנהל כללי, סגן מנהל כללי, כל ממלא תפקיד כאמור בחברה אף אם תוארו שונה או מנהל הכפוף במישורין למנהל הכללי וכן מנהלים אחרים כהגדרתם בתקנון.

² הסכומים המפורטים במדיניות זו משקפים את התגמול המקסימאלי לו עשוי להיות זכאי נושא משרה מהחברה, בהתאם למדיניות תגמול זו. סכום התמורה המקסימאלי כאמור יעודכן מדי שנה בהתאם למדד המחירים לצרכן במדינה הרלבנטית עבור אותו נושא משרה במועד בו אושרה מדיניות תגמול זו.

- להמליץ לבעלי המניות ולדירקטוריון אחת לשלוש שנים על אישור המשך מדיניות התגמול הנוכחית, עריכת שינויים במדיניות התגמול הנוכחית או אימוץ מדיניות תגמול חדשה.
- להמליץ לבעלי המניות ולדירקטוריון בדבר הצורך לעדכן מדיניות התגמול מעת לעת ובחינת יישומה.
- להמליץ לבעלי המניות ולדירקטוריון בדבר קביעת תגמול לדירקטורים ספציפיים בהתאם למדיניות התגמול.
- לדון ולקבל החלטות בנוגע לתנאי העסקה והסכמים של נושאי משרה ובעל שליטה וקרוביהם הדורשים את אישור ועדת התגמול.
- לדון ולקבל החלטות בקשר האם לפטור מהצורך באישור אסיפה כללית לעניין תנאי כהונתו של מועמד לכהן כמנכ"ל.
- כל נושא אחר הנדרש לדיון או אישור של ועדת התגמול על פי החוק החל.

2.2. הדירקטוריון

- 2.2.1. תפקידו העיקרי של הדירקטוריון הוא לתכנן ולאשר, לפי העניין, את מדיניות התגמול ולהגישה לאישור האסיפה הכללית מבלי לגרוע מהוראות חוק החברות. ה-Executive Directors לא ישתתפו בדיון ולא יצביעו בעניינים הנוגעים לתגמולם או מדיניות תגמול זו, ככל שהיא קשורה לתגמולם.
- 2.2.2. הדירקטוריון אחראי לבדיקה מעת לעת (ולפחות אחת לשלוש שנים) של מדיניות התגמול ואודות הצורך לתקן / לעדכן אותה.
- 2.2.3. הדירקטוריון מופקד על יישום מדיניות התגמול, וכן על כל הפעילויות הנדרשות לכך, לרבות הסמכות לפרש את תנאי מדיניות התגמול בכל מקרה של ספק בכל הנוגע ליישומה.

2.3. האסיפה הכללית

תפקיד האסיפה הכללית הוא לדון ולאשר (או לא לאשר) את מדיניות התגמול, ולקבוע את שכרם הפרטני של Executive Directors ו-Non-Executive Directors (לאחר אישור ועדת התגמול והדירקטוריון).

3. מטרות מדיניות התגמול ושיקולים בקביעתה

3.1. בבסיס מדיניות התגמול עמדו, בין היתר, השיקולים הבאים:

- לאפשר לחברה לגייס, לשמר ולהניע נושאי משרה איכותיים.
- יעדי החברה לצורך הטמעת אסטרטגיית החברה, יישומה ויצירת ערך לטווח ארוך.
- תוצאות ניתוחי התרחישים שבוצעו מראש.
- יחסי השכר בתוך התאגיד והתעשייה בה פועלת.
- התפתחות מחיר השוק של מניות החברה.
- קידום ביצועי בר-קיימא לטווח הארוך מבלי לעודד את נושאי המשרה לקיחת סיכונים בלתי הולמים.
- יישור האינטרסים של נושאי המשרה עם ביצועי החברה ואינטרסים של בעלי מניותיה.
- גודל החברה והיקף פעילותה.

- יצירת מערך תמריצים סביר וראוי לנושאי המשרה, בהתחשב בגודל ופעילות החברה, בשוק בו היא פועלת, בפעילותה העסקית ובמדיניות ניהול הסיכונים של החברה.
- יצירת איזון ראוי בין רכיבי התגמול השונים, כאשר רכיב תגמול המשתנה מקושר לפרמטרים הנמדדים על בסיס ביצועים אשר שנקבעו מראש והניתנים למדידה ושהינם בעיקר בעלי אופי ארוך טווח.

3.2. ככלל, תנאי התגמול לנושא משרה נבחנו בהתאם למדיניות תגמול זו, בשים לב לפרמטרים הבאים:

- השכלתו, כישוריו, מומחיותו, ניסיונו המקצועי והישגיו של נושא המשרה.
- תפקידו של נושא המשרה, תחומי אחריותו והסכמי שכר קודמים שנחתמו עמו.
- תרומת נושא המשרה לביצועי החברה והשגת יעדיו האישיים.
- הביצועים הכלכליים הכלליים של החברה.
- הצורך של החברה לשמר נושא משרה בעל כישורים, ידע או מומחיות ייחודיים.
- עובדת היות החברה חברה רב לאומית אשר עסקיה מנוהלים מחוץ לישראל.
- תנאי השוק, התחרות והסביבה הרגולטורית בה פועלת החברה.
- בחינת היחס בין הרכיב הקבוע לרכיבים המשתנים בהתאם להגדרות שנקבעו במסגרת מדיניות התגמול.
- היחס בין עלות תנאי הכהונה או ההעסקה של נושא המשרה לעלות השכר של כל שאר עובדי החברה ועובדי קבלן³ המועסקים בחברה (ככל שמועסקים), ובפרט היחס לשכר הממוצע והחציוני של עובדים כאמור, והשפעת הפערים ביניהם על יחסי העבודה בחברה, כמפורט בסעיף 4.10 להלן.
- ביחס לתנאי סיום כהונה: השפעת תקופת הכהונה, תנאי העסקה, ביצועים של נושא המשרה, תרומתו להשגת יעדי החברה והשאת רווחיה ונסיבות הפרישה על תנאי סיום הכהונה.
- כל עניין אחר המפורט בתקנון כפי שיעודכן מעת לעת.

3.3. מדיניות תגמול זו מבוססת, בין היתר, גם על ניסיון העבר שנצבר בחברה בנוגע לתגמול נושאי משרה, על היכרות והערכת החברה את הסביבה התחרותית בה היא פועלת ואת האתגר בגיוס ושימור כוח אדם איכותי בסביבה זו, וכן את תנאי העסקה או השירותים המקובלים בחברות גלובליות בתחום פעילותה של החברה ובמדינות בהן היא פועלת, ועל הוראות הסכמי העסקה או שירותים הקיימים בין החברה לבין נושאי המשרה בה – אשר, למען הסר ספק, אין במדיניות זו כדי לשנות מהם.

3.4. סקר שכר

טרם אישור תנאי התגמול לכל נושא משרה, תפעל החברה כמיטב יכולתה, לערוך או לרכוש סקר שכר (או להתבסס על סקר שכר קיים), אשר ייערך באופן פנימי או באמצעות יועץ חיצוני, ואשר ישווה וינתח את רמת התגמול הכוללת המוצעת לנושא המשרה מול חבילות תגמול כוללות של נושאי משרה בתפקידים דומים ככל האפשר לתפקיד נושא המשרה הרלוונטי, בחברות אחרות הפועלות בתחומי עיסוקה של החברה ו/או בחברות אחרות בשוק הגלובאלי⁴ בעלות היקף פעילות דומה לזה של החברה. החברה תעשה כמיטב יכולתה שסקר השכר יכלול נתוני תגמול של נושאי משרה בלפחות ארבע (4) חברות הדומות לחברה

³ לעניין זה: "עובדי קבלן המועסקים על ידי החברה" – עובדים של קבלן כוח אדם שהחברה היא המעסיק בפועל שלהם, ועובדים של קבלן שירות המועסקים במתן שירות אצל החברה; לעניין זה "קבלן כוח אדם", "קבלן שירות", "מעסיק בפועל" – כהגדרתם בחוק העסקת עובדים על ידי קבלני כוח אדם, התשנ"ו-1996; "שכר" – ההכנסה שבעדה משולמים דמי ביטוח לאומי לפי פרק ט"ו לחוק הביטוח הלאומי (נוסח משולב) התשנ"ה-1995.

⁴ לעניין זה, ולאור גם ההבדלים הקיימים ברכיבי ההוצאות והתנאים הסוציאליים בין מדינות שונות, הבחינה של רכיב שכר הבסיס במסגרת סקר השכר תעשה בנטרול הוצאות סוציאליות ונלוות.

מבחינת תחום הפעילות היקף הפעילות/מורכבות הפעילות/שווי שוק (ככל שתימצאנה), והכל נכון למועד אישור המדיניות על ידי הדירקטוריון ובהתאם לסקר שכר כמפורט לעיל. יובהר כי לאור העובדה כי פעילות החברה וניהולה מרוכזים מחוץ לישראל אין הכרח כי חברות ההשוואה יהיו חברות אשר ניירות הערך שלהם נסחרים בבורסה בתל-אביב בע"מ.

4. תנאי התגמול לנושאי המשרה

4.1. רובדי מדיניות התגמול

4.1.1. תגמול נושאי המשרה עשוי להיות מורכב ממספר רכיבים :

- **מרכיב שכר בסיס**: שכר בסיס⁵/דמי ניהול ;
- **תנאים נלווים, מענקים ותנאים וסוציאליים**: תנאים נלווים והחזר הוצאות, כמפורט בסעיף 4.7.2 למדיניות זו וכנדרש בהתאם לדין המדינה אשר לפי חוקיה מועסק נושא המשרה הרלוונטי.
- **מרכיב משתנה**: תגמול לטווח קצר ובינוני, הכולל מענקים שנתיים מבוססי תוצאות ומותני יעדים. בנוסף, החברה תהיה רשאית לקבוע כי לנושא משרה כלשהו ישולמו מענקים שנתיים על פי שיקול דעת וזאת בהתחשב בהערכת תרומתו של נושא המשרה לחברה ובמגבלות וכמפורט במדיניות זו. כמו כן, עשויה החברה מעת לעת להעניק לנושאי משרה בה מענקים חד פעמיים בנוסף למענק השנתי, וזאת לאור תרומה מיוחדת לחברה והשגת יעדה, ובמגבלות וכמפורט במדיניות תגמול זו להלן (הרכיבים בסעיף זה יכוננו: "**הרכיבים המשתנים**").

בנוסף, עשויים נושאי המשרה בחברה להיות זכאים להטבות אחרות (לרבות תגמול בקשר עם סיום העסקה או השירותים) כמפורט במדיניות תגמול זו.

4.2. ככלל, במקרה בו נושא משרה (לרבות המנכ"ל) מספק שירותים הן לחברה והן לחברה האם ("**חברת האם**"), ועדת התגמול ודירקטוריון החברה רשאים להחליט כי התגמול שישולם לנושא משרה כאמור יהיה מורכב אך ורק משכר בסיס, תנאים נלווים ותנאים סוציאליים ובלבד שוועדת התגמול והדירקטוריון השתכנעו כי נושא המשרה כאמור מתומרץ באופן ראוי על-ידי חברת האם, באמצעות מענקים ורכיבים משתנים אחרים, להם הוא עשוי להיות זכאי מחברת האם.

4.3. ככלל, תנאי התגמול לנושאי משרה יאושרו טרם מועד תחילת העסקתם בחברה ולא בדיעבד. אישור בדיעבד של תנאי תגמול ייעשה, ככל האפשר, במקרים חריגים בלבד⁶ ולאחר קבלת אישור ועדת התגמול ודירקטוריון החברה.

4.4. אישור תנאי תגמול לנושאי משרה בהתאם למדיניות זו, ייעשה על ידי האורגנים המוסמכים על פי כל דין והתקנון.

⁵ בכל מקום במדיניות תגמול זו בו נעשה שימוש במונח "**שכר הבסיס**", הכוונה היא למשכורת החודשית "ברוטו" של אותו העובד (ללא הוצאות סוציאליות ונלוות) ובכל מקום בו נעשה שימוש במונח "**שכר הבסיס השנתי**", הכוונה היא לשכר הבסיס לחודש דצמבר בשנה הרלוונטית כפול 12.

⁶ דוגמא למקרה חריג הינה נושא משרה אשר דרוש לפעילות החברה באופן מיידי ועל כן, שירותיו נשכרים במקביל להתנעת הליכי האישור הנדרשים בחברה.

4.5. בכפוף להוראות חוק החברות, חריגה של עד 10% מעל לשיעורים או לטווחים הנקובים במדיניות תגמול זו, לא תחשב לחריגה או כסטייה מהוראות מדיניות התגמול.

כמו כן, שינויים לא מהותיים בתנאי הכהונה וההעסקה של נושאי משרה הכפופים למנכ"ל החברה במגבלות הקבועות במדיניות התגמול, יהיו טעונים אישור המנכ"ל בלבד ובכפוף לכך שתנאי הכהונה וההעסקה או השירותים תואמים את מדיניות התגמול. לעניין סעיף זה, שינויים יחשבו כלא-מהותיים כאשר השפעתם על העלות השנתית הכוללת של תגמול נושא המשרה אינה עולה על 10% במצטבר ביחס לתנאי הכהונה הקבועים בהסכם ההעסקה או השירותים של נושא המשרה.

4.6. בסעיפים 4.114.12-4.7 למדיניות תגמול זו, המונח "נושאי משרה" לא יכלול דירקטורים בחברה, למעט Executive Directors, אשר סעיפים כאמור עשויים לחול עליהם במידה שהוחלט על כך על ידי האסיפה הכללית (לאחר אישור ועדת התגמול והדירקטוריון). תנאי התגמול להם יהיו זכאים Non-Executive Directors יהיו בהתאם לאמור בסעיף 4.13 למדיניות תגמול זו (אשר יחולו גם על ה-Executive Directors בהתאם להחלטת האסיפה הכללית). למען הסר ספק, אלא אם כן הוחלט אחרת על ידי האסיפה הכללית אחרת (לאחר אישור ועדת התגמול והדירקטוריון), Executive Directors יהיה זכאי לאותו התגמול ששולם ל-Non-Executive Directors.

4.7. תנאי התגמול - רכיבים קבועים :

4.7.1. שכר בסיס

4.7.1.1. שכר הבסיס לנושא משרה (רכיב קבוע בלבד, ללא רכיבים משתנים) ייקבע בהתייחס לפרמטרים המפורטים בסעיף 3.2 לעיל ולאור סקר השכר כאמור בסעיף 3.4 לעיל. ככל שנושא משרה (כולל המנכ"ל) זכאי רק לתגמול קבוע מהחברה כמפורט בסעיף 4.2 לעיל, שכר הבסיס שישולם לנושא משרה כאמור עשוי לחרוג מהסכום הגבוה ביותר שנקבע בטבלה בסעיף 4.7.1.3 (שכר מקסימאלי חודשי / שנתי) בגין תגמול קבוע בלא יותר מ-100%.

4.7.1.2. שכר הבסיס יהא במספרים אבסולוטיים. החברה רשאית לקבוע כי שכר הבסיס של נושא המשרה יוצמד למדד מחירים רלוונטי או למטבע כלשהו, ובמקרה כאמור, תקרות שכר הבסיס כמפורט בסעיף 4.7.1.3 להלן יוצמדו בהתאם למדד או למטבע הרלוונטיים.

4.7.1.3. תקרות שכר הבסיס החודשי (ברוטו) לנושאי משרה יהיו כמפורט להלן :

דרג	תקרת שכר חודשית	= תקרת שכר שנתית	תקרת שכר שנתית כאשר נושא המשרה זכאי לרכב קבוע בלבד
מנכ"ל	29,167 אירו	350,000 אירו	700,000 אירו
Executive Director	14,583 אירו	175,000 אירו	-
סמנכ"ל כספים	20,833 אירו	250,000 אירו	500,000 אירו
מנהל אחר הכפוף למנכ"ל או נושאי משרה אחרים	14,583 אירו	175,000 אירו	350,000 אירו

4.7.1.4. שכר הבסיס לנושא המשרה, נקבע בהתאם לתפקידו תחומי אחריותו, תרומתו לחברה, ניסיונו המקצועי והישגיו, כישוריו, מומחיותו, והשכלתו ובהתאם לתגמולים ששולמו לו בעבר בחברה.

4.7.1.5. מבלי לגרוע מכלליות האמור לעיל, ביחס לנושאי משרה המספקים שירותים בדרך של הסכם שירותי ניהול, הסכום המקסימלי שנקבע לעיל יחושב כ-70% מהסכומים המפורטים לעיל.

4.7.2. תנאים סוציאליים⁷, תנאים נלווים, החזר הוצאות

לנושאי המשרה יתווספו לכל הפחות תנאים סוציאליים כמקובל בדין המדינה אשר על פי חוקיה מועסקה נושא המשרה, כגון חסכון פנסיוני, הפרשות לפיצויים, ביטוח לאובדן כושר עבודה, ימי חופשה, מחלה, הבראה, הוצאות נסיעה וכיוצ"ב. בנוסף, חבילת התגמול יכולה לכלול תנאים נלווים מקובלים נוספים (לרבות גילום ההוצאות בגינם), אשר עשויים לכלול, בין היתר: רכב בדרגה המקובלת על החברה, גילום שווי רכב, טלפון נייד, עיתונים ואמצעי תקשורת אחרים, מתנות לחג, דמי חופשה, ביטוח רפואי, ביטוח תאונות אישיות, הפרשות לביטוח מנהלים/קרן פנסיה (לרבות הפרשות בגין תגמולים, פיצויי פיטורין והפרשה בגין אובדן כושר עבודה) והפרשות לקרן השתלמות. כמו-כן, נושאי המשרה עשויים להיות זכאים גם להחזר הוצאות במסגרת תפקידם (לרבות, אך לא רק, החזר הוצאות וארוחות, הוצאות נסיעה, הוצאות אירוח ולינה). החזר ההוצאות יהא בהתאם לנהלי החברה ביחס לכלל עובדיה ובסכומים שיקבעו מעת לעת, ויהא כפוף לאישור סמנכ"ל הכספים או ועדת התגמול, לפי העניין.

התנאים הנלווים הינם כמקובל בחברה במועד אישור מדיניות התגמול, ויכול שיבחנו ויעודכנו מעת לעת על ידי ועדת התגמול.

4.7.3. שיפוי וביטוח

4.7.3.1. נושאי המשרה יהיו זכאים ליהנות מהסדר ביטוח כמקובל ובהתאם להוראות הדין החל והתקנון. סכום הכיסוי המקסימאלי בהתאם לפוליסת ביטוח נושאי המשרה שתאמץ החברה לא יעלה על 20 מיליון דולר ארה"ב פר אירוע ולשנה, כאשר הפרמיה השנתית שתשולם על ידי החברה לא תעלה על 45,000 אלפי דולר ארה"ב במצטבר לכלל נושאי המשרה. סכומי ההשתתפות העצמית שיקבעו במסגרת הפוליסות לא יחרגו מהמקובל בשוק הביטוח לפוליסות מסוג והיקף זה נכון למועד עריכת הביטוח וחיידושו מדי תקופה. כמו כן, החברה תהיה רשאית לרכוש, לפי שיקול דעתה, פוליסת ביטוח Run Off לדירקטורים, לנושאי המשרה ובעלי תפקיד מרכזי לתקופה שלא תעלה על שבע שנים, בהיקפי הכיסוי האמורים לעיל ובפרמיה שלא תעלה על 300% מהפרמיה השנתית המקסימאלית המפורטת לעיל.

4.7.3.2. כמו כן, נושאי המשרה יהיו זכאים לקבל כתבי שיפוי בנוסח שאושר על ידי האסיפה הכללית של החברה ביום 4 ביולי, 2012 או נוסח אחר שיאושר על ידי האסיפה הכללית

⁷ בהתייחס לנושא משרה אשר התקשר עם החברה בהסכם שאינו מקים יחסי עובד מעביד, תהיה החברה רשאית לשלם כתוספת לשכרו וחלף ההוצאות האמורות, עד תקרת העלות למעביד המגלמת את ההטבות הסוציאליות המפורטות לעיל.

של החברה, כמקובל ובהתאם להוראות הדין החל והתקנון. גובה השיפוי הכולל לכלל נושאי המשרה, לא יעלה על 25% מהונה העצמי של החברה.

4.7.3.3. בהתאם לחוק החברות ההולנדי ולתקנון, האסיפה הכללית תהא רשאית לפטור את חברי הדירקטוריון מאחריותם לביצוע פעולותיהם, בשנת כספים ספציפית, ככל שביצוע פעולות אלה משתקף בדוחות הכספיים השנתיים של החברה לאותה שנה (הנערכים בהתאם לחוק ההולנדי), או ככל שהובאו לתשומת לב האסיפה הכללית לפני אימוץ הדוחות הכספיים השנתיים של החברה לאותה שנה. מובהר כי החלטה כאמור הינה החלטה סטנדרטית באסיפות כלליות שנתיות של בעלי מניות בהולנד⁸.

4.7.4. מענק חתימה

חבילת תגמול יכול שתכלול מענק חתימה, אשר יינתן לנושא משרה באישור האורגנים המוסמכים בחברה ובשים לב לעקרונות מדיניות התגמול ובפרט מידת התלות של החברה בנושא המשרה וייחודיות תפקידו, כישוריו של נושא המשרה, התחרות בשוק והקושי בגיוס נושאי משרה או נסיבות מיוחדות אחרות השוררים בעת תחילת ההעסקה. מובהר כי מענק חתימה ייחשב כחלק מחבילת התגמול הכוללת לאותו נושא משרה. בכל מקרה לא יוענק מענק חתימה לנושא משרה אשר עולה על מכפלת שכר הבסיס ברוטו ב-300%.

4.8. מרכיב משתנה

4.8.1. מענק שנתי

בנוסף לשכר הבסיס, וכפוף לסעיף 4.2 לעיל, עשויה חבילת התגמול לכלול מענק שנתי מבוסס ביצועים והשגת יעדים וכן מענק שנתי בשיקול דעת, הכל בהתאם למפורט בסעיף זה להלן ("המענק השנתי"):

- תרומתו של נושא המשרה לתפקוד הכלכלי של החברה,
- השגת יעדיו האישיים,
- הביצועים הכלכליים הכלליים של החברה.

אם נושא המשרה זכאי למענק שנתי בהתאם לתנאי העסקתו, יש לאשר את המענק השנתי בהתאם לסעיפים הבאים:

⁸ כחלק מהליך אימוץ הדו"ח הכספי, נהוג בהולנד לפטור את חברי הדירקטוריון מחבות קיימת או פוטנציאלית, בין היתר כלפי החברה לביצוע תפקידיהם וזאת אך ורק ככל שביצוע תפקידים אלה משתקף, בדו"ח השנתי של החברה או ככל שהובאו לידיעת האסיפה הכללית, קודם לאישור הדו"ח הכספי של החברה לאותה שנת כספים. היקף הפטור אינו מתייחס לכל נושא או התחייבות (פוטנציאלית) שאינה כלולה בדוחות הכספיים השנתיים, לא נדונה באסיפה הכללית או שאינה ידועה בדרך אחרת לאסיפה הכללית והיא כפופה למגבלות הדין הכללי ההולנדי, כגון חובת זהירות ועקרונות סבירות והגינות. כמו כן, עקרונות הסבירות וההגינות כאמור עשויים, בנסיבות מסוימות, למנוע מתן פטור לחברי הדירקטוריון מאחריות. הפטור כאמור הינו בעל תוקף פנימי ואינו מחייב כלפי צד ג' ואין בו כדי להתנות על הוראות דיני ניירות ערך בישראל, החלים על החברה, לרבות הזכויות המוקנות מכוחם לבעלי מניותיה.

4.8.1.1. תקרת המענק השנתי

ועדת התגמול תמליץ בתחילת כל שנה על תקרת המענק השנתי שתאושר על ידי הדירקטוריון (בכפוף לדין החל). תקרת המענק תוגדר במונחי מכפלת שכר הבסיס (ברוטו) כדלקמן:

תקרת המענק השנתי	תפקיד
עד 12 משכורות	מנכ"ל
עד 12 משכורות	Executive Director
עד 12 משכורות	סמנכ"ל כספים
עד 12 משכורות	סמנכ"ל תפעול

4.8.1.2. מענק שנתי לנושאי משרה שאינם מנכ"ל או דירקטור

המענקים השנתיים לנושאי המשרה בחברה, שאינם מנכ"ל או דירקטור, יומלצו על ידי ועדת התגמול ויאושרו על ידי הדירקטוריון (כפוף לשינויים בכל דין, כפי שיהיו), בהתאם לשיקול דעתם בנסיבות העניין בשנה הרלוונטית ובהתאם למגבלות שנקבעו במדיניות תגמול זו. במסגרת זו, יהיו רשאים האורגנים בחברה, להתחשב, בין היתר (אך לא בהכרח רק) בקריטריונים המפורטים בסעיף 4.8.1.4 להלן.

4.8.1.3. מענק שנתי למנכ"ל ו-Executive Director

המענקים השנתיים למנכ"ל ו-Executive Director יקבעו על פי קריטריונים מוגדרים מראש, כמותיים ו/או איכותיים (כמפורט להלן).

4.8.1.4. קריטריונים לחלוקת מענק שנתי מבוסס היעדים

בכפוף לכל דין, סכום המענק למנכ"ל ול-Executive Director יבוסס על עמידה ביעדים שיומלצו מידי שנה על ידי ועדת התגמול ויאושרו על ידי הדירקטוריון וביחס ל-Executive Director, גם על ידי האסיפה הכללית של החברה. בכפוף לדין החל, סכום המענק מבוסס היעדים לנושאי משרה שאינם מנכ"ל, ככל שייקבע, יבוסס על עמידה ביעדים שיקבעו מידי שנה על ידי המנכ"ל ובאישור ועדת התגמול ודירקטוריון החברה. יעדי המענק ייקבעו מבין היעדים המפורטים להלן:

א. מדדי ביצועים פיננסיים של החברה

מדדי ביצועים פיננסיים של החברה, אשר עמידה בהם תהווה תנאי סף לזכאות של נושא משרה למענק שנתי מבוסס יעדים, לדוגמת: הכנסות החברה, יעדי רווח, יעדים תזרימיים או EBITDA או מדד דומה מהותי אחר המשקף לדעת האורגנים הרלוונטיים, יעד פיננסי מהותי לנושא המשרה לשנה הרלוונטית ("המדדים הפיננסיים") והכל בהתאם לתקציב לאותה השנה, יעדי החברה ואופי והיקף פעילותה הצפוי בשנה הרלוונטית. תכנית המענקים של המנכ"ל וה-Executive Director תכלול לפחות אחד ולא יותר משלושה מהמדדים

הפיננסיים. המשקל שיינתן לרכיב זה במסגרת המענק השנתי מבוסס היעדים למנכ"ל ול-Executive Director יהיה בין 40% ל-60% מהמענק השנתי מבוסס היעדים.

ב. מדדי ביצועים אישיים מדידים

מדדי ביצועים אישיים מדידים יהיו מבוססים על פרמטרים מדידים בתחום אחריותו המקצועית של נושא המשרה (כדוגמת ייעול תהליכים עסקיים ותפעוליים, השלמת עסקאות, הובלת תהליכים רגולטוריים וציות לדין וכו'). תכנית המענקים תכלול עד חמישה מדדים אישיים. המשקל שיינתן לרכיב זה במסגרת מענק שנתי מבוסס היעדים למנכ"ל ול-Executive Director יהיה עד ל-50% מהמענק השנתי מבוסס היעדים.

4.8.1.5. ככל שישולם, ישולם המענק השנתי או המענק השנתי מבוסס היעדים, לפי העניין, ישולם אחת לשנה. חישוב עמידת נושא המשרה ביעדים מדידים שנקבעו לו, ככל שהינם יעדים המשתקפים מהדוחות הכספיים של החברה, ייעשה על פי תוצאות החברה בפועל כפי שיבואו לידי ביטוי בדוחות הכספיים השנתיים של החברה.

4.8.1.6. אופן חישוב המענק השנתי

- המענק השנתי מבוסס היעדים יקבע על פי מידת עמידתו של נושא המשרה ביעדים שהוצבו כאמור לעיל, באופן אשר יימדד ב"אחוזי השגה" ביחס לכל יעד, על פי סרגל בטווח שבין 0% ועד לתקרה של 100%.
- גובה המענק השנתי מבוסס היעדים בפועל יקבע על פי מכפלת המשקל שניתן לכל יעד ושיעור העמידה ביעד מתוך סך המענק השנתי מבוסס היעדים האפשרי לכל נושא משרה לו נקבעו יעדים כאמור, ובלבד שתנאי הסף הכלל חברתיים והפרטניים כמפורט לעיל התקיימו.
- המענק השנתי מבוסס היעדים צריך לשקף גם את הביצועים הכלכליים הכלליים של החברה בתקופה הרלוונטית.

4.8.1.7. מנכ"ל החברה יבחן את הקריטריונים לכל נושא משרה בנפרד, ובהתאם יגיש את המלצותיו ונימוקיו לוועדת התגמול ולדירקטוריון לקביעת המענקים לנושאי המשרה. על אף האמור לעיל, ועדת התגמול ודירקטוריון החברה יהיו רשאים לקבוע כי מדד מסוים המהווה בסיס לזכאות למענקים כמפורט לעיל, יחושב לאחר נטרול אירועים אשר לדעת ועדת התגמול והדירקטוריון, הינם בעלי השפעה חד פעמית על תוצאות החברה כפי שהן משתקפות במדד האמור.

4.8.1.8. החברה תהא רשאית לשלם לנושא משרה אשר לא עבד שנה מלאה, מענק שנתי באופן יחסי לתקופת עבודתו וכן לקבוע במהלך השנה יעדים לנושאי משרה שמונו במהלך שנה קלנדרית, ביחס לתקופת כהונתם בשנה הרלוונטית.

4.8.1.9. הדירקטוריון רשאי להפחית את סכום המענק השנתי של נושא המשרה על פי שיקול דעתו בנסיבות מיוחדות המצדיקות צמצום כזה ולפי שיקול דעתו הבלעדי של הדירקטוריון.

4.8.2. מענק בשיקול דעת לנושאי משרה

מענק בשיקול דעת לנושאי משרה כפוף לתקרת המענק, כפי שנקבעה על ידי ועדת התגמול ובכפוף לסעיף 4.2 לעיל. וועדת התגמול והדירקטוריון יהיו רשאים להעניק מענק לנושאי המשרה על פי הערכתם והערכת הדירקטוריון (ביחס לנושאי משרה שכפופים למנכ"ל), לנושאי בשיקול דעת (שלא מוענק בהקשר למשרתם כדירקטורים) שלא יעלה על שלוש (3) משכורות חודשיות.

4.8.3. מענק חד פעמי

ועדת התגמול והדירקטוריון יהיו רשאים להעניק, כפוף לקבלת האישורים הנדרשים על פי דין, מענק חד פעמי שלא יעלה על שלוש (3) משכורות חודשיות בשל תרומה ייחודית ו/או מאמצים ניכרים ו/או הישגים מיוחדים ויוצאי דופן לחברה בהם נושא המשרה היה דומיננטי בהשגתם (כגון מכירה של תחום פעילות או חלק ממנו אשר בגינה נוצר רווח הון שאינו קיבל ביטוי ברווח התפעולי של החברה) ו/או בקרות אירוע עסקי מהותי ויוצא דופן אשר יש בו כדי לקדם את טובתה של החברה ואת תכניתה האסטרטגית.

4.8.4. השבת סכומים

מקום בו יימצא כי שולמו לנושא משרה סכומים בגין מענק אשר התבססו על נתונים שהתבררו מוטעים והוצגו מחדש בדוחות הכספיים, יחזיר נושא המשרה לחברה את אותם סכומים ששולמו לו ביתר בגין אותו קריטריון שזיכה אותו בתשלום הסכומים האמורים ואשר תוקן בדוחות הכספיים בדיעבד. השבה כאמור לא תחול במקרה של הצגה מחדש של דוחותיה הכספיים של החברה הנובע משינוי בדין החל או בתקינה או נוהג הנוגעים לכללים החשבונאיים.

בכפוף לדין החל, החברה תהיה רשאית לקזז את סכום ההשבה המגיע לה מכל סכום שעליה לשלם לנושא המשרה (גם במקרה בו נסתיימה העסקתו של נושא המשרה). בכל מקרה, האורגנים המוסמכים בחברה יקבעו את עיתוי, אופן ותנאי ההשבה כאמור.

4.9. תנאי סיום כהונה**4.9.1. מענק פרישה**

נושא משרה עשוי להיות זכאי למענק פרישה בסכום שלא יעלה על עלות הרכיב הקבוע (כהגדרתה לעיל) ביחס לתקופה של שישה (6) חודשים, זאת בכפוף לדין החל. בעת קביעתו מראש של מנגנון חישוב מענק הפרישה במסגרת ההסכם הפרטני עם נושא המשרה, יובאו בחשבון, בין היתר, כפי הנדרש בהתאם לנסיבות ובהתאם לשיקול דעת ועדת התגמול, תקופת הכהונה או ההעסקה שתחלוף עד למועד הפרישה, תנאי הכהונה וההעסקה של נושא המשרה, ביצועי החברה בתקופת כהונת נושא המשרה, תרומת נושאי המשרה להשגת יעדי החברה והשאת רווחיה ונסיבות הפרישה.

4.9.2. הודעה מוקדמת

במסגרת הסכמי העסקה בין החברה לבין נושאי המשרה בה, רשאים הצדדים לסיים את ההתקשרות ביניהם, בהודעה מוקדמת מראש ובכתב של עד שלושה (3) חודשים מראש לנושא משרה ועד שישה (6) חודשים לחברה. במהלך השנה הראשונה להעסקת נושא המשרה או הסכם

השירותים, ניתן יהיה לסיים את ההתקשרות בין הצדדים, בהודעה מוקדמת של חודש ימים. בכל מקרה, מהלך תקופת ההודעה המוקדמת יידרש נושא המשרה להמשיך ולמלא את תפקידו, אלא אם החליטה החברה אחרת.

נושא המשרה עשוי להיות זכאי לתשלום שכר ותנאים נלווים וסוציאליים גם בתקופת ההודעה המוקדמת, כולם או חלקם והכל בכפוף לדרישות הדין החל. יובהר כי נושא משרה אשר לא עבד בפועל בתקופת ההודעה המוקדמת לא יהיה זכאי לתשלום מענקים בגין תקופה זו.

4.9.3. תקופת הסתגלות

בנוסף לתקופת ההודעה המוקדמת, תהא רשאית החברה לאשר לנושא המשרה תקופת הסתגלות של עד שישה (6) חודשים לאחר תום תקופת ההודעה המוקדמת. תקופת ההסתגלות כאמור תקבע באופן פרטני בהסכם העסקתו או הסכם השירותים של כל נושא משרה, תהא כפופה להתחייבות לאי-תחרות ובמהלכה יהיה זכאי נושא המשרה לעלות שכרו הקבוע בלבד.

לא יינתן מענק הסתגלות אם נושא המשרה התפטר או פוטר או נסתיימה כהונתו (לפי העניין) בשל נסיבות השוללות את הזכות לקבלת פיצויי פיטורין על-פי דין (לרבות, בשינויים המחויבים, במקרה שנושא המשרה אינו נחשב עובד).

4.10. יחס לשכר הממוצע והחציוני בחברה

היחס בין עלות תנאי העסקתו או השירותים של נושא המשרה שהינו בעל התגמול הגבוה ביותר בחברה, נכון למועד אישור מדיניות התגמול, אל מול עלות השכר הממוצע של יתר העובדים בחברה, הינו פי 10.59, ומול השכר החציוני הינו פי 12.94. נכון למועד אישור מדיניות התגמול על ידי ועדת התגמול והדירקטוריון, בוצעה בחינה כאמור ותוצאותיה הובאו בפני ועדת התגמול והדירקטוריון. ועדת התגמול והדירקטוריון סבורים, כי מדובר ביחס ראוי וסביר בהתחשב באופייה של החברה, גודלה, תמהיל כוח האדם המועסק בה, האזורים הגיאוגרפיים השונים בהם מועסקים עובדים שונים של החברה, ותחום העיסוק שלה וסבורים כי אין בפער שבין גובה התגמולים המשולמים לנושאי המשרה לבין השכר הממוצע והשכר החציוני בחברה של כלל עובדי החברה, כדי להשפיע על יחסי העבודה בחברה.

4.11. היחס בין רכיב שכר הבסיס לרכיבים המשתנים

בכפוף לסעיף 4.2 לעיל, היחס בין העלות השנתית של הרכיבים המשתנים בחבילת התגמול של נושא המשרה לבין העלות השנתית של הרכיבים הקבועים בחבילת התגמול של נושא המשרה לא יעלה על 125% (בנטרול מענקים חד פעמיים).

4.12. מינוי מחדש של Executive Directors והארכת הסכמים קיימים עם נושאי משרה בחברה

טרם המינוי מחדש של Executive Directors או אישור הארכת הסכם העסקה או שירותים עם נושא משרה בחברה (בין אם הארכה נעשית תוך שינוי תנאי העסקה ובין אם לאו), תיבחן חבילת התגמול הקיימת של נושא המשרה בהתייחס למדיניות תגמול זו, ובפרט בהתייחס לפרמטרים בסעיף 3.2 לעיל, ובשים לב לסקר שכר העדכני ביותר שנערך על ידי החברה, כאמור בסעיף 3.4 לעיל.

4.13. גמול Non-Executive Directors

4.13.1. ל- Non-Executive Directors ישולם תגמול על פי תקנות החברות (כללים בדבר תגמול הוצאות לדירקטור חיצוני), תש"ס-2000 ("תקנות הגמול"), אשר לא יעלה על הגמול המרבי הקבוע בתקנות הגמול (לרבות סכום התגמול המרבי לדירקטור חיצוני מומחה הקבוע בתקנות הגמול).

4.13.2. Non-Executive Directors המכהנים בחברה יהיו זכאים להחזר הוצאות אישיות סבירות (לרבות הוצאות נסיעה ואירוח בכפוף לכל דין) ולהסדרי ביטוח, שיפוי ופטור כמפורט בסעיף 4.7.3 לעיל, והכול בהתאם להוראות תקנון החברה ומדיניות תגמול.

4.13.3. כלל חברי דירקטוריון החברה יהיו זכאים ליהנות מהסדרי ביטוח אחריות נושאי משרה ושיפוי כקבוע בתקנון החברה וכמקובל בחברה ובכפוף לסעיף 4.7.3 לעיל.

4.14. הסדרים קיימים

מדיניות התגמול אינה באה לשנות לרעה הסכמים קיימים בין החברה לבין עובדיה וככל שהדבר מתאפשר על פי כל דין, תקיים החברה את כל ההסדרים הקיימים שבתוקף במועד אישור מדיניות תגמול זו, כל עוד הסכמים אלו יישארו בתוקף.

5. סמכויות ועדת התגמול ודירקטוריון החברה ביחס למדיניות התגמול

5.1. ועדת התגמול ודירקטוריון החברה יבחנו, מעת לעת, את מדיניות התגמול וכן את הצורך בהתאמתה, בין היתר, בהתאם לשיקולים ולעקרונות המפורטים במדיניות התגמול, ובתוך כך, בחינת שינויים ביעדי החברה, תנאי שוק, התחשבות ברווחי החברה והכנסותיה בתקופות קודמות ובזמן אמת וכל מידע רלבנטי אחר. שינויים או התאמות כאמור, יובאו לאישור בדרך הקבועה על פי דין.

נספח ד' - כתב הצבעה לפי תקנות החברות (הצבעה בכתב והודעות עמדה), תשס"ו-2005