



BRACK CAPITAL PROPERTIES NV

בראק קפיטל פרופרטיז אן.וי. ("החברה")

4 באוקטובר, 2022

לכבוד

לכבוד

הבורסה לניירות ערך בתל-אביב בע"מ

רשות ניירות ערך

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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 ("תקנות הודעה ומודעה") ותקנות החברות (הצבעה בכתב והודעות עמדה), התשס"ו-2005 ("תקנות הצבעה בכתב") ובהתאם להוראות הרלוונטיות של תקנון החברה והדין ההולנדי, מתכבדת החברה להודיע על כינוס אסיפה כללית שנתית ומיוחדת של בעלי המניות של החברה, שתתכנס ביום ג', 8 בנובמבר, 2022, בשעה 14:00 CET ("האסיפה").

בהתאם לדין ההולנדי, האסיפה תתקיים באמצעות שיחת ועידה טלפונית, בה כל המשתתפים יוכלו לשמוע זה את זה. פרטי השיחה יימסרו על ידי נציגי החברה לעניין דוח זה (כמפורט בסעיף 2.8 לדוח זה) וזאת כנגד אישור בעלות, תעודה מזוהה ו/או ייפוי כוח להשתתפות באסיפה (ככל ורלוונטי).

1. ההחלטות על סדר יומה של האסיפה

1.1. דיון בדוח השנתי והדוחות הכספיים של החברה לשנת 2021 (נערך בהתאם לתקנות הדוחות בישראל)

בהתחשב בכך שמניות החברה רשומות למסחר 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 2021 ניתן להשיג במשרדי החברה בכתובת Herengracht 456 1017 CA, Amsterdam, the Netherlands ("משרדי החברה") והוא זמין באופן מקוון דרך אתר החברה ואתרי הבורסה והמגנ"א (מס' אסמכתא: 2022-01-029652) ("הדוח התקופתי לשנת 2021").

בנושא זה ייערך דיון ולא תתקיים הצבעה.

1.2. דיון ואישור הדוח השנתי והדוחות הכספיים של החברה לשנת 2021 (נערך בהתאם לדין ההולנדי)

מוצע לאשר את הדוח הכספי השנתי הסטטוטורי לפי הדין ההולנדי לשנת 2021, כפי שהוא נערך בהתאם לתקני IFRS ("הדוח הכספי הסטטוטורי ההולנדי"). עותק של הדוח הכספי הסטטוטורי ההולנדי לשנת 2021 ניתן להשיג במשרדי החברה, וכן באופן מקוון דרך אתר החברה. העתק של הדוח הכספי הסטטוטורי ההולנדי מצורף כנספת א' לדוח זימון זה.

1.3 מינוי מחדש של רואי חשבון מבקרים בישראל

מוצע למנות מחדש את משרד סומך חייקין (KPMG) כמשרד רואה החשבון המבקר של החברה עד לתום האסיפה הכללית השנתית הבאה, ולהסמיך את הדירקטוריון לקבוע את שכרם.

1.4 מינוי מחדש של רואי חשבון מבקרים בהולנד

מוצע למנות מחדש את משרד IUS Statutory Audits Cooperatie U.A כמשרד רואה החשבון המבקר האחראי לביקורת הדוחות השנתיים של החברה לשנת 2022, לצורך ביקורת הדוח השנתי הסטטוטורי של החברה לשנת 2022, בהתאם לדין ההולנדי, ולהסמיך את הדירקטוריון לקבוע את שכרם.

1.5 פטור מאחריות לחברי דירקטוריון

מוצע לפטור את חברי הדירקטוריון (כפי שהיו במועדים הרלוונטיים) מאחריותם לגבי פעולותיהם במהלך שנת הכספים 2021, בהתאם לדין ההולנדי, ככל שהפעילות כאמור באה לידי ביטוי בדוח הכספי השנתי של החברה לשנת 2021. מובהר כי החלטה זו המוצעת לאישור הינה החלטה שגרתית באסיפות כלליות שנתיות של בעלי מניות 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 2021. היקף הפטור יהיה כפוף למגבלות הדין ההולנדי הכללי, כגון חובת זהירות ועקרונות הגינות וסבירות, למרות שאין 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.

1.6 מינוי מחדש של הדירקטורים שאינם דירקטורים חיצוניים לתקופה נוספת

1.6.1 מינוי מחדש של מר Patrick Burke כדירקטור בלתי תלוי לדירקטוריון החברה

1.6.1.1 מוצע למנות מחדש לדירקטוריון את מר Patrick Burke ("מר Burke") כ-Non-Executive Director ודירקטור בלתי תלוי, לתקופת כהונה שתחל החל מועד אישור מינויו על ידי האסיפה המוזמנת לפי דוח מיידית זה ועד למועד האסיפה השנתית הבאה של החברה.

1.6.1.2 מר Burke כיהן כיו"ר דירקטוריון החברה החל משנת 2018. בהתאם להחלטת וועדת הביקורת של החברה מיום 4 באוקטובר, 2022, יכהן מר Burke כ-Non-Executive Director וכדירקטור בלתי תלוי בחברה.

בהתאם להוראות סעיף 224ב לחוק החברות, מר Burke מסר לחברה הצהרה, אשר העתק ממנה מצורף **כנספח ב'** לדוח זימון זה. לפרטים נוספים בהתאם לתקנה 26 לתקנות הדוחות, ראו פרק "מידע נוסף" המצורף לדוח השנתי של החברה לשנת 2021.

- 1.6.1.3. התגמול המשולם למר Burke יישאר ללא שינוי ויכלול גמול שנתי וגמול עבור השתתפות בישיבות, אשר לא יעלה על הסכום המקסימלי המצוין בסעיפים 4, 5 ו-7 לתקנות החברות (כללים בדבר גמול והוצאות לדירקטור חיצוני), התש"ס-2000 ("תקנות הגמול"), כפי שיעודכנו מעת לעת, ובהתאם לדרגה שבה תסווג החברה, ובהתאם לתקנון ההתאגדות ומדיניות התגמול של החברה, וכפי שנהוג בחברה.
- 1.6.1.4. בנוסף, מר Burke זכאי להיכלל בהסדרים הסטנדרטים הקיימים בחברה, בין היתר, באשר לפוליסת הביטוח לדירקטורים ונושאי משרה והסדרי השיפוי, כמפורט בתקנון ההתאגדות ובמדיניות התגמול של החברה וכפי שנהוג בחברה, ואשר יישארו בתוקף לגבי הדירקטורים המכהנים או יכהנו בחברה מעת לעת.
- 1.6.1.5. מומלץ למנות מחדש את מר Burke, גם בשים לב לביצועיו במהלך תקופות כהונתו הקודמות בדירקטוריון החברה.
- 1.6.2. מינוי מחדש של גבי Elisabeth van der Kuijlen-Dalenoord כדירקטורית בלתי תלויה לדירקטוריון החברה
- 1.6.2.1. מוצע למנות מחדש לדירקטוריון את גבי Elisabeth van der Kuijlen-Dalenoord ("גבי Dalenoord") כ-Non-Executive Director ודירקטורית בלתי תלויה, לתקופת כהונה שתחל החל מועד אישור מינויה על ידי האסיפה המוזמנת לפי דוח מידי זה ועד למועד האסיפה השנתית הבאה של החברה.
- 1.6.2.2. גבי Dalenoord תכהן כ- Non-Executive Director ודירקטורית בלתי תלויה בחברה. בהתאם להוראות סעיף 224 לחוק החברות, גבי Dalenoord מסרה לחברה הצהרה, אשר העתק ממנה מצורף כ**נספח ב'** לדוח זימון זה. לפרטים נוספים בהתאם לתקנה 26 לתקנות הדוחות, ראו דוח מידי של החברה מיום 30 במרץ, 2022 (מס' אסמכתא: 2022-01-039265).
- 1.6.2.3. התגמול המשולם לגבי Dalenoord יישאר ללא שינוי ויכלול גמול שנתי וגמול עבור השתתפות בישיבות, אשר לא יעלה על הסכום המקסימלי המצוין בסעיפים 4, 5 ו-7 לתקנות הגמול, כפי שיעודכנו מעת לעת, ובהתאם לדרגה שבה תסווג החברה, ובהתאם לתקנון ההתאגדות ומדיניות התגמול של החברה, וכפי שנהוג בחברה.
- 1.6.2.4. בנוסף, גבי Dalenoord זכאית להיכלל בהסדרים הסטנדרטים הקיימים בחברה, בין היתר, באשר לפוליסת הביטוח לדירקטורים ונושאי משרה והסדרי השיפוי, כמפורט בתקנון ההתאגדות ובמדיניות התגמול של החברה וכפי שנהוג בחברה, ואשר יישארו בתוקף לגבי הדירקטורים המכהנים או יכהנו בחברה מעת לעת.
- 1.6.2.5. מומלץ למנות מחדש את גבי Dalenoord, גם בשים לב לביצועיה במהלך תקופת כהונתה הקודמת בדירקטוריון החברה.

מינוי דירקטורים (אשר אינם דירקטורים חיצוניים) לדירקטוריון החברה .1.7

1.7.1 מוצע למנות את ה"ה Thomas Josef Echelmeyer, Thomas Werner Ferdinand Zinnöcker ו-Thilo Ger Schmid כדירקטורים בחברה, בין היתר, בהתאם לבקשת ADLER Real Estate AG ("ADLER"), בעלת השליטה בחברה. וזאת החל מיום 1 בדצמבר, 2022 ועד למועד האסיפה השנתית הבאה של החברה.

יובהר, כי עד ליום 1 בדצמבר, 2022, ימשיכו ה"ה Jereon Dorenbus, Machiel Hoek ו-Thierry Beaudmoulin, לכהן בתפקידים כדירקטורים בדירקטוריון החברה.

1.7.2 **ההצבעה לגבי כל דירקטור תיעשה בנפרד.**

1.7.3 Thilo Ger Schmid מסרו לחברה הצהרה בהתאם לסעיף 224 לחוק החברות, אשר העתק ממנה מצורף **כנספח ב'** לדוח מידי זה.

1.7.4 ביום 4 באוקטובר, 2022, סיווג דירקטוריון החברה את ה"ה Thomas Josef Echelmeyer ו-Thomas Werner Ferdinand Zinnöcker כדירקטורים בעלי מומחיות חשבונאית ופיננסית ואת Thilo Ger Schmid כדירקטור בעל כשירות מקצועית, כהגדרת מונחים אלה בתקנות החברות (תנאים ומבחנים לדירקטור בעל מומחיות חשבונאית ופיננסית ולדירקטור בעל כשירות מקצועית) תשס"ו-2005 ("תקנות המומחיות"), בין היתר, לאור השכלתם וניסיונם העסקי. Thomas Josef Echelmeyer, Thomas Werner Ferdinand Zinnöcker ו-Thilo Ger Schmid מסרו לחברה הצהרה בהתאם לתקנה 3(א) לתקנות המומחיות, אשר העתק ממנה מצורף **כנספח ב'** לדוח מידי זה.

1.7.5 להלן הפרטים הנדרשים מכוח תקנה 26 לתקנות הדוחות בקשר עם מינויו של Thomas Werner Ferdinand Zinnöcker כדירקטור בחברה:

Name as appears in passport	Thomas Werner Ferdinand Zinnöcker
Identity Card Number	L3MX70YCW
Date of Birth	28 May 1961
Address for the submission of court documents	Herzog Tower, 6 Yitzhak Sadeh St. Tel Aviv 6777506, Israel
Citizenship	German.
Membership on Board Committees	No.
Is the Director an independent director or an external director as defined in the Israeli Companies Law, 1999; whether he has accounting and financial expertise or professional training and whether he is an external expert director;	Yes - has accounting and financial expertise.

Is the Director an employee of the Company, of a subsidiary, of an affiliated company or of a stakeholder?	Yes – member of the Board of Directors of Adler Group SA.
Date of Appointment	December 1, 2022.
Education	Diplom-Kaufman (MBA) – University of Colonge.
Employment during the past five (5) years	<ul style="list-style-type: none"> • 2014-2020 – Chairman of the Board at Institute for Corporate Governance in the German Real Estate Industry. • 2006-2021 – Member of the Board at ZIA German Property Federation (Immobilienverband ZIA). • 2016-2021 – CEO at Ista International. • Since 2013 - Member of the Board at trustees of Familienstiftung Becker & Kries • Since 2020 - Member of the Board of directors at Adler Group S.A. • Since 2022 - Member of the supervisory Board of ADLER Real Estate Aktiengesellschaft • Since 2022 - Chairman of the supervisory Board at Consus Real Estate AG.
List of corporations in which the Director serves as a director	Adler Group S.A.
Is the Director a relative of another stakeholder of the Company?	No.
Does the Company regard the Director as an accounting and financial expert for the purposes of meeting the minimum number determined by the Board of Directors?	No.

להלן הפרטים הנדרשים מכוח תקנה 26 לתקנות הדוחות בקשר עם מינויו של Thomas Josef Echelmeyer כדירקטור בחברה : 1.7.6

<u>Name as appears in passport</u>	Thomas Josef Echelmeyer
Identity Card Number	L731638KV
Date of Birth	November 18, 1960.
Address for the submission of court documents	Herzog Tower, 6 Yitzhak Sadeh St. Tel Aviv 6777506, Israel.
Citizenship	German.
Membership on Board Committees	No.

Is the Director an independent director or an external director as defined in the Israeli Companies Law, 1999; whether he has accounting and financial expertise or professional training and whether he is an external expert director;	Yes – has accounting and financial expertise.
Is the Director an employee of the Company, of a subsidiary, of an affiliated company or of a stakeholder?	Adler Group S.A.
Date of Appointment	December 1, 2022.
Does the Company regard the Director as an accounting and financial expert for the purposes of meeting the minimum number determined by the Board of Directors?	No.
Education	<ul style="list-style-type: none"> • Certified Public Accountant (<i>Wirtschaftsprüfer</i>) – Ministry of Economic Affairs and Technology of North Rhine-Westphalia. • Tax Consultant (<i>Steuerberater</i>) – Finance Ministry of North Rhine-Westphalia. • Diplom-Kaufman – Westfälische Wihelms Universitat, Munster. • Abitur (A-Levels) – Leibniz-Gymnasium, Gelsenkirchen-Buer.
Employment during the past five (5) years	<ul style="list-style-type: none"> • 2007-2017 – CFO at GWH Immobilien Holding GmbH. • 2017-2019 – CFO at A&O Holding GmbH & Co KG. • 2020-2021 – Interim Manager and Consultant at Independent • February-August 2021 – Senior Strategy Finance Adviser at FTI Touristik GmbH • 2021-2022 – Interim Manager and Consultant at Independent. • June-August 2022 – CFO-Interim at ADLER Group S.A. • Since 2022 – CFO at Adler Group S.A
List of corporations in which the Director serves as a director	No.
Is the Director a relative of another stakeholder of the Company?	No.

להלן הפרטים הנדרשים מכוח תקנה 26 לתקנות הדוחות בקשר עם מינויו של Thilo Ger Schmid כדירקטור בחברה: .1.7.7

Name as appears in passport	Thilo Ger Schmid
Identity Card Number	L4V4RKFLP
Date of Birth	9 March 1965
Address for the submission of court documents	Herzog Tower, 6 Yitzhak Sadeh St. Tel Aviv 6777506, Israel.
Citizenship	German.
Membership on Board Committees	No.
Is the Director an independent director or an external director as defined in the Israeli Companies Law, 1999; whether he has accounting and financial expertise or professional training and whether he is an external expert director;	Yes – has professional training.
Is the Director an employee of the Company, of a subsidiary, of an affiliated company or of a stakeholder?	Yes – Director at Adler Group S.A, including Consus Real Estate AG.
Date of Appointment	December 1, 2022
Does the Company regard the Director as an accounting and financial expert for the purposes of meeting the minimum number determined by the Board of Directors?	No.
Education	General matriculation standard.
Employment during the past five (5) years	<ul style="list-style-type: none"> • 2013-2018 – Member of the Supervisory Board at Adler Real Estate AG, Berlin. • 2021-2022 – Member of the Board at Whitebox Services AG, Wollerau (CH). • Since 1999 – Investment Manager at Care4 AG, Switzerland. • Since 2013 – Member of the Supervisory Board at Adler Real Estate AG, Berlin. • Since 2015 – Member of the Board of Directors at DTH Sarl. (formerly STH S.A), Luxemburg. • Since 2017 – Member of the Board at Yeditepe Marina Yatirim Turizm IAS, Istanbul.

	<ul style="list-style-type: none"> • Since 2018 – Deputy Chairman at Adler Real-Estate AG Berlin. • Since 2020 – Member of the Board at Adler Group S, Luxembourg. • Since 2022 – Member of the Supervisory Board at Consus Real Estate AG, Berlin. • Since 2022 – Member of the Advisory Board at Jedox GmbH (formerly Jedox AG), Freiburg in Breisgau.
List of corporations in which the Director serves as a director	Adler Group S.A, Consus Real Estate AG, Adler Real Estate AG, DTH sarl, Luxemburg, Yeditepe Marina, Istanbul.
Is the Director a relative of another stakeholder of the Company?	No.

1.7.8 כפי שאושר על ידי ועדת התגמול ודירקטוריון החברה ביום 30 בספטמבר, 2022, בכפוף למינויים כדירקטורים לדירקטוריון החברה על-ידי האסיפה הכללית המוזמנת בזאת, יהיו זכאים ה"ה Thomas Werner Ferdinand Zinnöcker, Thomas Josef Echelmeyer ו- Thilo Ger Schmid לתגמול אשר יורכב מתגמול שנתי ותגמול בגין השתתפות, שאינו עולה על הסכום המקסימלי המצוין בסעיפים 4, 5 ו-7 לתקנות הגמול, כפי שיעודכנו מעת לעת, בהתאם לרמה שבה תסווג החברה, ובהתאם לתקנון ההתאגדות ומדיניות התגמול של החברה, וכפי שנהוג בחברה, מיום המינוי על ידי האסיפה הכללית המוזמנת בזאת.

1.7.9 כמו כן, ה"ה Thomas Werner Ferdinand Zinnöcker, Thomas Josef Echelmeyer ו- Thilo Ger Schmid יהיו זכאי להיכלל בהסדרים הסטנדרטים הקיימים בחברה, וביניהם פוליסת הביטוח לדירקטורים ונושאי משרה והסדרי השיפוי, והכל כמפורט בתקנון ההתאגדות ובמדיניות התגמול של החברה, וכפי שנהוג בחברה.

1.8 תיקון ואישור מדיניות התגמול של החברה

1.8.1 בימים 22 ו-24 במרץ 2022, אישרו (פה אחד) ועדת התגמול ודירקטוריון החברה, בהתאמה, עדכון למדיניות התגמול של החברה. ביום 8 במאי, 2022, אישרה האסיפה הכללית של החברה את מדיניות התגמול של החברה בהתאם לסעיף 267א(א) לחוק החברות, לתקופה של שלוש שנים שתחילתה ביום 8 במאי 2022.

1.8.2 ממועד אישור מדיניות התגמול על ידי האסיפה הכללית כאמור לעיל, חלו שינויים בשוק העולמי (ובגרמניה בפרט). בהתאם להמלצת ועדת התגמול ודירקטוריון החברה מיום 30 בספטמבר, 2022, מוצע לאשר עדכון למדיניות התגמול בנוסח המצ"ב כנספח ג' ("מדיניות התגמול המעודכנת")¹.

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

1.8.3. השינויים העיקריים המוצעים במדיניות התגמול המעודכנת²

- 1.8.3.1. **משכורת מקסימלית לנושאי משרה** (סעיף 4.7.1.3) – המשכורת המקסימלית השנתית לסמנכ"ל כספים תעודכן ותעמוד על סך 300,000 אירו.
- 1.8.3.2. **מענק שנתי ומענק מבוסס יעדים** (סעיף 4.8.1.5) – מענק שנתי או מענק שנתי מבוסס יעדים עשוי להיות משולם לעיתים קרובות יותר מאחת לשנה, מקום בו ועדת התגמול והדירקטוריון יראו נסיבות ספציפיות המצדיקות זאת.
- 1.8.3.3. **מענק שימור שנתי** (סעיף 4.8.2) – יתווסף למדיניות התגמול מענק שימור שנתי, כך שבנסיבות מסוימות, כאשר קיים צורך מיוחד בהמשך כהונתו של נושא משרה בחברה, ועדת התגמול והדירקטוריון רשאים להעניק מענק שימור שנתי לנושא משרה בחברה, בסכום כולל שלא יעלה על 12 משכורות חודשיות, שיונתנה בהמשך כהונת נושא המשרה בחברה לתקופה שנקבעה מראש, וייתכן שישולם בתשלום אחד או יותר, כפי שיראו לנכון ועדת התגמול והדירקטוריון. למען הסר ספק, מענק זה יכול להינתן בנוסף למענק השנתי המתואר בסעיף 4.8.1 למדיניות התגמול וכן בנוסף לכל מענק אחר אשר עשוי להיות משולם בהתאם לסעיף 4.8 למדיניות התגמול.
- 1.8.3.4. **מענק חד פעמי** (סעיף 4.8.3) – מענק חד פעמי שיוענק לנושאי משרה בחברה על ידי ועדת התגמול והדירקטוריון לא יעלה על סך של 24 משכורות (בסך הכל), בין היתר, בקשר עם אירועים ייחודיים (כמפורט בהרחבה במדיניות התגמול), ועשוי להיות משולם במספר פעימות, בכפוף להתרחשותן של אבני דרך.
- 1.8.3.5. **מענק שינוי שליטה** (סעיף 4.8.4) – במקרה של שינוי שליטה (כהגדרתו במדיניות התגמול), נושא משרה עשוי להיות זכאי למענק שינוי שליטה שלא יעלה על 32 משכורות חודשיות, שעשוי להיות משולם בתשלום אחד או יותר, בכפוף להמשך כהונת נושא המשרה בחברה לתקופה שלאחר אירוע שינוי השליטה שתקבע מראש. למען הסר ספק, מענק שינוי שליטה לא יהא כפוף לתקרת המענק השנתי, כאמור בסעיף 4.8.1.1 למדיניות התגמול, וכן מענק זה יכול להינתן בנוסף למענק השנתי המתואר בסעיף 4.8.1 למדיניות התגמול וכן בנוסף לכל מענק אחר אשר עשוי להיות משולם בהתאם לסעיף 4.8 למדיניות התגמול.
- 1.8.4. בכפוף לאישור האסיפה הכללית המזומנת לפי דוח מידי זה, תיכנס מדיניות התגמול המעודכנת של החברה לתוקף במועד אישורה ותהא בתוקף לתקופה של שלוש שנים החל מאותו המועד.

² יובהר כי עיקרי העדכונים המפורטים להלן מובאים באופן תמציתי ואינם כוללים את כל השינויים שבוצעו במדיניות התגמול. הנוסח המחייב ואשר מובא לאישור האסיפה הינו הנוסח המצורף **כנספת ג'** לדוח זימון זה.

1.8.5 אישור מדיניות התגמול המעודכנת

ביום 30 בספטמבר, 2022, אישרו (פה אחד) ועדת התגמול ודירקטוריון החברה, את מדיניות התגמול המעודכנת, בין היתר, בהתבסס על סקר שכר חיצוני שהוצג בפניהם.³

1.8.6 נימוקי ועדת התגמול ודירקטוריון החברה לתיקון ואישור למדיניות התגמול

1.8.6.1 מדיניות התגמול המעודכנת עשויה לאפשר לחברה להתאים את שכרם של נושאי המשרה בה לתנאי השוק וכן ביחס לנושאי משרה בחברות הדומות לחברה במכלול מאפייני הפעילות שלהן, וזאת בשים לב לשינויים האחרונים שחלו בשוק העולמי.

1.8.6.2 כמו כן, ועדת התגמול והדירקטוריון סבורים כי מדיניות התגמול המעודכנת תאפשר לחברה להעסיק נושאי משרה שהעסקתם חיונית להמשכיות עסקיה, במטרה לקדם את מטרות החברה, את תכניותיה העסקיות והאסטרטגיה ארוכת הטווח של החברה, בין היתר, בהתחשב בשינויים האחרונים בשוק העולמי וכן במצבה של ADLER והשפעתה על מצבה הפיננסי של החברה.

1.8.6.3 ועדת התגמול והדירקטוריון סבורים כי מדיניות התגמול המעודכנת עשויה ליצור זיקה בין יעדי החברה לבין התגמול המשולם לנושאי המשרה, וכך יוצאת מערך תמריצים ראוי לנושאי המשרה, וזאת בהתחשב, בין היתר, בהיקף ומורכבות פעילותה העסקית של החברה, בעליית הריבית ובאינפלציה, בשינויים בשוק העבודה וביעדים שהחברה שואפת להשיג מעת לעת.

1.8.6.4 מדיניות התגמול המעודכנת משקפת את הסביבה העסקית שבה פועלת החברה, האתגרים שבגיוס נושאי משרה איכותיים ותנאי ההעסקה בחברות אחרות הפעולות בתחום פעילות דומה לתחום פעילות החברה.

1.8.6.5 מדיניות התגמול המעודכנת הינה לטובת החברה, בהתאם להוראות חוק החברות והינה הוגנת וסבירה.

1.8.6.6 נוכח האמור, חברי ועדת התגמול ודירקטוריון החברה סבורים כי מדיניות התגמול המוצעת ראויה ותשרת את צרכי החברה.

1.9 דיון בנוגע למדיניות הדיבידנד של החברה

לפרטים נוספים ביחס למדיניות הדיבידנד של החברה, ראו סעיף 1.4.6 לפרק א' לדוח השנתי של החברה לשנת 2021.

³ יצוין כי בכפוף לאישור מדיניות התגמול המעודכנת על ידי האסיפה הכללית, תנאי התגמול של סמנכ"ל הכספים של החברה, מר ערן אדלמן, יתוקנו בהתאם למדיניות התגמול המעודכנת, החל מאוקטובר 2022.

2. פרטים בדבר כינוס האסיפה הכללית

2.1. מועד כינוס האסיפה

האסיפה הכללית של החברה תתכנס ביום ג', 8 בנובמבר, 2022, בשעה 14:00 CET, באמצעות שיחת ועידה טלפונית. פרטי ההתקשרות יימסרו על ידי נציגי החברה לעניין דוח זה (כמפורט בסעיף 2.8 לדוח זה) וזאת כנגד הצגת אישור בעלות ויפוי כוח להשתתפות באסיפה (ככל שרלוונטי).

2.2. הרוב הנדרש לאישור הנושאים שעל סדר היום

2.2.1. הרוב הנדרש לקבלת ההחלטה המפורטת בסעיפים 1.2-1.5 לעיל הינו רוב קולות בעלי המניות הנוכחים באסיפה הכללית, הרשאים להצביע והצביעו בה, בעצמם או על ידי שלוחם, מבלי להביא בחשבון את קולות הנמנעים.

2.2.2. הרוב הנדרש לקבלת ההחלטה המפורטת בסעיף 1.8 לעיל, בהתאם לאמור בסעיף 267א(ב) לחוק החברות, קרי, רוב רגיל מכלל קולות בעלי המניות המשתתפים והמצביעים באסיפה, ובלבד שיתקיים אחד מאלה: (1) במניין קולות הרוב באסיפה הכללית ייכללו רוב מכלל קולות בעלי המניות שאינם בעלי השליטה בחברה או בעלי עניין אישי באישור מדיניות התגמול, המשתתפים בהצבעה; במניין כלל הקולות של בעלי המניות האמורים לא יובאו בחשבון קולות הנמנעים; על מי שיש לו עניין אישי יחולו הוראות סעיף 276, בשינויים המחויבים; (2) סך קולות המתנגדים מקרב בעלי המניות האמורים בפסקה (1) לא עלה על שיעור של שני אחוזים מכלל זכויות ההצבעה בחברה.

2.3. מנין חוקי לקיום האסיפה

האסיפה תתקיים בכל מספר משתתפים שהוא.

2.4. המועד הקובע, הזכאות להשתתף באסיפה ואופן ההצבעה

2.4.1. המועד הקובע לקביעת זכאות בעל מניה להשתתף ולהצביע באסיפה, כאמור בסעיף 182 לחוק החברות, סעיף 3 לתקנות הצבעה בכתב ובהוראות הרלוונטיות בדין ההולנדי הינו יום ב', 10 באוקטובר, 2022, 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.

2.4.2. 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 הני"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.

2.4.3. בהתאם להוראות תקנה 4א 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.

2.5. 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 המינני") יערך בכתב ויחתם על ידי הממנה ואם הממנה הוא תאגיד, יערך כתב המינני בכתב וייחתם בדרך המחייבת את התאגיד; הדירקטוריון רשאי לדרוש כי יימסר למשרד הרצוג פוקס נאמן ושות' – עורכי דין במגדל הרצוג, רח' יצחק שדה 6, תל אביב, ישראל, לפני כינוס האסיפה, אישור בכתב, להנחת דעתו של הדירקטוריון, בדבר סמכותם של החותמים לחייב את התאגיד. כתב המינני או העתק מתאים ממנו, להנחת דעתו של הדירקטוריון וכן ייפוי הכח שמכוחו נחתם כתב המינני (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 מינני. על אף האמור לעיל, יושב ראש האסיפה רשאי, לפי שיקול דעתו, לקבל כתב מינני כאמור, גם לאחר המועד האמור, אם מצא זאת לראוי, לפי שיקול דעתו. לא התקבל כתב מינני 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, עד חמישה (5) ימים לפני המועד הקובע, בלא תמורה, בדואר אלקטרוני, קישורית לנוסח כתב ההצבעה והודעות העמדה (ככל שתינתנה), באתר ההפצה, לכל בעל מניות של החברה שאיננו 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 דרכונו 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 לחברה⁴ על-ידי בעלי המניות של החברה הינו עד עשרה (10) ימים לפני מועד האסיפה, קרי היינו עד ליום ש', 29 באוקטובר 2022.

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 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 עוה"ד ניר דאש ועוה"ד קרן נכטיגל ממשרד הרצוג פוקס נאמן ושות' – עורכי דין, מגדל הרצוג, רחוב יצחק שדה 6, 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 מגדל הרצוג, רחוב יצחק שדה 6, 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 גארי וילדבאום, חשב

⁴ משרדי הרצוג פוקס נאמן ושות' – עורכי דין.

נספח א' – הדוח הכספי השנתי הסטטוטורי לפי הדין ההולנדי לשנת 2021

BRACK CAPITAL PROPERTIES NV

CONSOLIDATED AND COMPANY-ONLY FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2021

IN THOUSANDS OF EUROS

Company address:

Brack Capital Properties NV
Herengracht 456
1017 CA Amsterdam
The Netherlands

INDEX

	<u>Page</u>
Board of Directors' Report	3 - 33
Consolidated Statements of Financial Position	34 -35
Consolidated Statements of Profit or Loss and Other Comprehensive Income or Loss	36
Consolidated Statements of Changes in Equity	37 - 38
Consolidated Statements of Cash Flows	39 - 41
Notes to Consolidated Financial Statements	42 - 113
Appendix to Consolidated Financial Statements - list of material subsidiaries and partnerships	114 - 116
Company-Only Statement of Financial Position	118
Company-Only Income statement	119
Company-Only Statement of Cash Flows	120 - 121
Notes to the Company-Only Financial Statements	122
Other information	123 - 124
Independent Auditor's Report	125 - 127

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

Brack Capital Properties NV (hereinafter: "the Company") hereby submits the Board of Directors' report for a period of twelve months ending on December 31, 2021 (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 (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.

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

In this report:

"The report date" or "the date of the report" refers to December 31, 2021.

"Report signing date" or "the date of signing the report" refers to 14 August 2022.

"The reporting period" refers to the year of 2021.

Preamble

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

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

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

- **Income-producing real estate** - in 2021, the FFO amounted to EUR 24.7 million compared to EUR 25.3 million in 2020. In addition, in 2021, the Company's NOI amounted to EUR 49.1 million compared to EUR 50.1 million in 2020 and the EBITDA of the Company for 2021 amounted to EUR 37.8 million compared to EUR 36.9 million in 2020. It is indicated that the decline in FFO and NOI levels is due to the continued sale of assets from the Company's commercial real estate portfolio during 2021

- The growth in rent in the field of residential income producing real estate in the fourth quarter of 2021 amounted to about 3.5% in rent from identical assets compared to the corresponding quarter in 2020. As of the report signing date, the average rent is EUR 6.72 per square meter and the rental in new leases in the Company's income producing residential portfolio is about 13.6% higher than the current average.

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

2. Operating segments – key operational data¹

2.1 Residential development segment – Grafental project²

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

2.2 Income-producing real estate⁴

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

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

3 The Company's main financial data -

3.1 **Equity and EPRA NRV:** The equity attributed to the Company's shareholders amounted to approximately EUR 876.3 million and the EPRA NRV⁹ amounted to EUR 1,225.3 million, as of the report date.

3.2 **Debt ratios:** The LTV ratio¹⁰ is 35.51% as of the report date. The EBITDA ratio to interest expenses (from only the income producing portfolio, excluding operating income from development activity) was 3.84 in 2021.

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

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

¹ As of the report date.

² Stage I (Grafental) and Aachen are designated for lease and therefore the Company does not expect a profit from their sale.

³ Total actual revenues from the sale of flats, minus total development cost of flats, including land cost.

⁴ Assets consolidated in the Company's financial statements, including assets for which binding sale agreements were signed.

⁵ Data from December 2021 on an annual basis, divided by the carrying value.

⁶ "ERV" (Estimated rental value) – the expected annual return, provided that all assets are leased in full occupancy in return for the rental fees prevailing in the market.

⁷ Data from December 2021 on an annual basis, divided by the carrying value.

⁸ Actual NOI plus the difference between actual rental fees and the ERV, divided by the carrying values.

⁹ EPRA NRV – for details regarding the index and the calculation manner see section 9.4 of this report.

¹⁰ Net debt to total real estate assets and inventory

4 Concise description of the Corporation and its business environment

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

Further to that what is stated in the Company's periodic report for 2021 and the Company's previous reports¹¹ in connection with the Company's strategy in the income producing and residential development sectors, agreement and completion of transactions for selling part of its businesses, the Company is continuing to carry out actions for selling additional assets from its commercial real estate portfolio.

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

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

Changes in Company's management and shareholders

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

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

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

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

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

4.1 Residential Income-Producing Real-Estate - As of the report signing date, the Group owns 12,075 apartments with a total leasing area of approximately 714,000 m². For further details regarding the spread of the Corona virus and its impact on the Company's operations in this sector, see section 1.5.6 to Chapter A of this report.

Commercial Income-Producing Real-Estate - As of the report signing date, the Group owns 6 commercial income-producing properties in the commercial segment (commercial and offices) with an overall leasing area of approximately 56,000 m², including assets for which the Company has entered into a binding sale contracts (excluding an asset of associate with an area of 5,000 square meters). For further details regarding the spread of the Corona virus and its impact on the Company's operations in this sector, see section to Chapter A of this report.

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

¹¹ In the specifications of the special tender offer published by ADLER, the controlling shareholder of the Company, dated February 19, 2018, as it has been amended on March 20, 2018 (Reference No. 2018-09-016558 and 2018-09-026776, respectively); For the Company's immediate reports dated March 23, 2019, June 2, and June 30, 2019 and the Company's reports dated September 23, 2019, December 29, 2019 and March 31, 2020 (Reference No.: 2019-01-098212, 2019-01-114996 and 2020-01-033495, respectively which are hereby included by way of reference.

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

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

5 For details regarding the projected revenues costs and developer's profit for the stages in progress and stages under the approved urban planning scheme the performance of which has not yet commenced in the Grafental residential project and the residential project in Aachen see section 1.8 to Chapter A of this report.

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

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

7. Financial Position:

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

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

Liabilities	December 31, 2021	December 31, 2020	Explanation for the change
	EUR in thousands		
Current liabilities			
Current maturities of loans from banking corporations	244,468	130,739	Increase derives from cancelling the Gerresheim transaction and its full consolidation in the Company's balance sheets (see section 6b1 of Chapter C).
Current maturities of debentures	11,508	10,013	
Accounts payable and other financial liabilities	30,542	20,972	
Advances from apartment purchasers	-	33	
Total current liabilities	286,518	161,757	
Liabilities of disposal groups held for sale	287	3,961	
Non-current liabilities:	EUR in thousands		
Loans from banks	356,186	296,285	Increase derives from refinancing transactions signed during the period.
Debentures	60,841	62,967	
Leasing liabilities	-	2,990	Decrease derives from selling leasing liabilities as part of selling a subsidiary. See section 8 f(4) of Chapter C)
Other financial liabilities	-	254	
Deferred taxes	139,393	123,722	Increase mainly derives from revaluation of investment property for which the Company makes a tax provision.

Total noncurrent liabilities	556,420	486,218	
Total liabilities	843,225	651,936	
Equity			
Equity attributable to equity holders of the company	876,290	804,729	
Non-controlling interests	35,145	40,701	Decrease derives from purchasing minority rights in Grafental project. See section (5)18 of Chapter C).
Total equity	911,435	845,430	
Total liabilities and equity	1,754,660	1,497,366	

8. Activity Results:

	Year ended December 31			Explanation for the change
	2021	2020	2019	
	EUR in thousands			
Revenues from rental of properties	59,243	61,888	73,771	The decrease in the scope of revenues and cost of revenues is due to the sale of commercial assets during the years 2019-2021, as part of refocusing the Company's strategy as specified in section 4 above.
Revenues from property management and others	23,706	24,678	25,904	
Property management expenses	(23,644)	(24,855)	(25,899)	
Cost of maintenance of rental properties	(10,228)	(11,606)	(12,296)	
Rental and management revenues, net	49,077	50,105	61,480	
Revenues from sale of apartments	8,301	72,548	70,029	Stage H has been completed and sold in full. As of the date of the report, the stages in construction are for rental.
Cost of sale of apartments	(7,304)	(58,172)	(56,999)	
Income from the sale of apartments	997	14,376	13,030	
Other income	-	500	-	
Equity in earnings (losses) of companies accounted at equity	(2,083)	262	(107)	
Gain from realization of investment in a company accounted at equity	-	2,011	-	
General and administrative expenses	(11,547)	(13,325)	(16,138)	
General and administrative expenses attributed to inventory of buildings under construction and inventory of real estate	(1,453)	(1,772)	(1,986)	

selling and marketing expenses	(49)	(68)	(375)	
Increase in value of investment property, net	111,603	83,221	13,338	The profit derives mainly from revaluation of residential income generating real estate.
Operating profit	146,545	135,310	69,242	
Financing expenses excluding the effect of exchange rate differences, CPI, and currency hedging transactions, net	(10,635)	(15,037)	(19,090)	Decrease derives from decline in the Company's leverage
Effect of exchange rate differences, CPI, and currency hedging transactions, net	(10,023)	3,728	(8,976)	Loss derives mainly from change in the EUR/NIS exchange rate and from the fact that the Company's debentures are linked to Israel CPI which increased over the period.
Change in fair value of financial instruments, loans and others (including early repayment costs of loans)	(28,949)	1,286	(11,291)	Loss mainly derives from decrease in fair value of financial asset (see section 14.1 of Chapter C)
Income before taxes on income	96,938	125,287	29,885	
Taxes on income	(24,362)	(27,594)	(12,258)	
Net comprehensive income for the period	72,576	97,693	17,627	
Net and comprehensive income (loss) attributed to:				
Company shareholders	72,676	92,695	18,318	
Non-controlling interests	(100)	4,998	(691)	

9. Financing sources, liquidity and Cash flows:

	Year ended December 31			Explanation for the change
	2021	2020	2019	
	EUR in thousands			
Cash flows provided by operating activities	20,032	51,826	37,508	See statement of cash flows
Cash flows provided by (used in) investing activities	(18,042)	94,377	89,948	The decrease is largely due to a decrease in sales of commercial properties, as well as from continued investment in projects under construction.

Cash flows provided by (used in) financing activities	(11,943)	(155,798)	(110,185)	The decrease is largely due to a decrease in the level of repayment of bank loans, due to the decrease in leverage in the Company.

9.1 Examination of warning signs

In view of the Group's financial structure and on the basis of the financial data specified in the Company's consolidated as reviewed by the Company's management, the considerable decline in the Company's leverage level in the last year and taking into account the fact that if the Company had a cash flow need, the Company could have withdrawn management fees or dividends from its subsidiaries, the Board of Directors has determined that the fact that the Company's solo statements indicate ongoing negative cash flow from operating activities and the fact that the Company's consolidated financial statements as well as the Company's solo reports have working capital deficiency¹² does not indicate a liquidity problem therefore as of the date of this report, no warning signs are present.

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

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

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

9.2 Access to financing sources:

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

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

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

¹² The working capital deficiency in the Company's consolidated financial statements is due to loans to be repaid in the coming year and the Company acts and estimates that it will complete the refinancing of these loans. It is clarified that the Company's estimates constitute forward-looking information, as defined in the Securities Law, based on the Company's estimates. The Company's estimates may not materialize or materialize differently than expected, inter alia, in view of decisions of third parties unrelated to the Company, changes in the capital market including due to the corona crisis, and the realization of some of the risk factors listed in Chapter A of this report.

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

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

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

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

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

9.3 FFO (Funds from Operations):

The FFO index is calculated as the net profit (loss) attributed to the Company's shareholders **from the income generating activity only - excluding the income from the sale of apartments in the Grafental project** (for further details on this project, see section 1.8 of Chapter A of this report), with certain adjustments for non-operating items, affected by the revaluation of the fair value of assets and liabilities. The main adjustments include the fair value of investment properties, miscellaneous capital profits and losses, miscellaneous amortizations, adjustment of management and marketing expenses in connection with the establishment of the residential project in Grafental (as the revenues in respects to this project are not taken into account in the FFO), changes in fair value recognized for financial instruments, deferred taxes, and non-controlling interests for the above items.

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

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

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

	Three months ending December 31, 2021	Three months ending December 31, 2020	Year ending December 31, 2021	Year ending December 31, 2020
Net profit attributed to the Company's shareholders	(13)	16,102	72,676	92,695
Adjustments for net profit (loss)				
a. Adjustments for revaluations				
Increase in value of investment property and adjustments of liability value relating to investment property	(22,508)	(14,617)	(111,144)	(82,153)
Equity in losses (earnings) of companies accounted at equity	84	-	2,083	(262)
Change in fair value of financial assets and interest swap transactions at fair value	16,517	(1,310)	28,948	(1,117)
b. Adjustments for non-cash items				
Effects of indexing, and non-cash exchange rate differences and hedging transactions	4,496	1,647	10,800	(1,032)
Deferred tax expenses and taxes for prior years	6,310	4,594	21,214	27,751
c. one-off items / new activities / discontinued activities / other				
Professional services, one-off adjustments and others	955	114	(363)	548
Expenses relating to project management and marketing, in connection with the establishment of the residential project in Düsseldorf, and adjustments in respect of current leasing activity in the project	281	270	1,353	1,072
Adjustments for sale of apartments	-	(718)	(897)	(12,217)
Total of adjustments to net profit	6,135	(10,020)	(48,006)	(67,410)
F.F.O	6,122	6,082	24,670	25,285

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

The estimates above, set forth by the Company in regards to the FFO's representative annual level, are forward-looking information as defined in the Securities Law, which is uncertain and may not materialize as it is effected by a variety of factors beyond the Company's full control including the state of the commercial real estate market and the residential real estate market in Germany.

9.4 EPRA NAV index– Net Asset Value (EUR in millions):

The EPRA NAV index is an index purported to show the net asset value of a real estate company according to the status paper of EPRA - European Public Real Estate Association, which was published in 2019 and implemented for the first time in 2020. The EPRA NAV Index has been replaced by three different new indices: EPRA Net Reinstatement Value (NRV), EPRA Net Tangible Asset (NTA) and EPRA Net Disposal Value (NDV). The new indices replace the EPRA NAV index that the Company presented in the past. In addition, the Company continues to present the EPRA NAV index according to the previous guidelines and in addition the Company presents the new EPRA indices:

- The EPRA Net Reinstatement Value Index (NRV) - the purpose of the index is to reflect the net asset value of the company deriving from long-term real estate holdings. For the purpose of the calculating the index the Company neutralizes the effect of deferred taxes on investment property, revaluation of derivative financial instruments, transaction costs (as reflected in appraisal reports) and also revalues the assets presented as inventory at their fair value.
- The EPRA Net Tangible Assets (NTA) Index - the purpose of the index is to reflect the establishment costs of the company, including involved costs (transaction costs, etc.).
- EPRA Net Disposal Value (NDV) - the purpose of the index is to present the value of the company to shareholders under the scenario of immediate realization ("liquidation sale") of all assets. Therefore, this index takes into account all the effects of deferred taxes and transaction costs that are expected to materialize in this scenario.

The Company clarifies that the EPRA NRV, EPRA NTA and EPRA NDV data does not represent a valuation, nor does it represent a substitute for the data contained in the financial statements. It is further clarified that this data is not audited by the Company's auditors.

The following is the calculation of the Company's EPRA indices as of December 31, 2021:

	EPRA NAV	EPRA NRV	EPRA NTA	EPRA NDV
Equity attributed to the Company's shareholders	876.3	876.3	876.3	876.3
Plus deferred taxes for EPRA adjustments (net of non-controlling interests)	140.4	140.4	140.4	-
Net of the fair value of derivative financial instruments, net	0.3	0.3	0.3	-
Revaluation of inventories	98.6	98.6	98.6	98.6
Plus Real Estate Transfer tax (RETT) and other transaction costs	-	109.7	74.4	-
Early repayment costs ¹³	-	-	-	(8.7)
total	1,115.6	1,225.3	1,190.0	966.2

¹³ EPRA NDV deducts the value of the difference between current interest on the Company's loans and the market interest according to the loans' duration.

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

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

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

10.1 Issuance of bonds

During March 2022, the Company completed a private placement of NIS 528,440,367 par value of bonds (Series B) of the Company by way of an expansion of registered series to refinance the Company's short term liabilities and financing the operating activities of the Company. The additional bonds were allocated to offerees by private placement by series expansion at a uniform price of 109 Agorot for every 1 NIS par value (Series B) of the Company, which reflects an effective interest rate in respect of the additional bonds of approximately 1%. The total gross proceeds of the private placement of approximately NIS 576 million were received in the reported period. In order to meet the conditions prescribed in the trust deed for B Series, including with respect to the collateral ratio, the Company charged an additional 75,000 shares (beyond the charged shares as of the report date) of Brack German Properties B.V. used as collateral for such bond series. For further details, see the Company's immediate report from February 28, 2022 and March 3, 2022 (as amended on March 9, 2022) (Reference No.: 2022-01-024238, 2022-01-026257 and 2022-01-028054), which are hereby included by way of reference. It should be noted that on May 16, 2022, the Company pledged an additional 50,000 shares of Brack German Properties B.V. used as collateral for such bond series.

10.2 Spread of Corona virus

For details regarding the spread of the Corona virus and its impact on the Company's operations, see Note 1C to the Company's financial statements for 2021. During the reported period, the Company is not aware of material changes that occurred following the Corona pandemic which had a material impact on its operations.

10.3 The war in Ukraine

For details regarding the war in Ukraine, see section 1.5.5.1 of Chapter A of the Periodic Report for 2021. It should be noted that as of the approval date of the report, said event has no material effect on the Company's operations. However, in view of the existing uncertainty regarding the continued fighting and the expansion of the crisis, the Company is unable to assess at this stage the possible impact, if any, on its future operations.

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

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

Further to what is specified in the above section in connection with the acquisition of the shares by LEG, following

an examination conducted by the Company and despite the fact that the Company is in no way a party to the transaction, the Company estimates that as a result of the acquisition of the shares tax liability may result to the Company's subsidiaries which as of this date is estimated at EUR 20.4 million, in light of the tax laws applicable in Germany. Despite the fact that the amount to be paid may be lower the Company resolved to provide for the entire amount in the first quarter of 2022. For further details regarding the agreement to receive a credit facility into which the Company has entered into agreement in connection with the tax liability described above, see section 11.7 below.

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

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

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

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

For further details regarding the Company's assessments regarding the date of receipt of the required approvals in connection with the Zoning Plan for the Gerresheim project (Zoning Plan), see the Company's immediate report dated May 26, 2022 (reference number: 2022-01-052479), which is hereby included by reference

10.6 Credit facility from a banking corporation

On May 13, 2022, the Company entered into an agreement with an international banking corporation, with which it has not previously entered into an agreement, to receive a credit facility in the amount of approximately EUR 30 million. The credit facility will be provided to the Company by the middle of the first quarter of 2023 (with an extension option by about two months), and will be repaid in one payment at the end of the credit period. It should be noted that the withdrawal of funds from the credit facility by the Company is subject to a number of conditions precedent, including the presentation of a tax assessment to the Company by the German tax authorities. For further details, see the Company's immediate report dated May 15, 2022 (reference number: 2022-01-057913), which is included herein by way of reference.

10.7 Approval of the Company's remuneration policy

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

10.8 Credit facility agreement with the controlling shareholder

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

The credit facility will be provided to the Company for the purpose of refinancing the Company's financial liabilities which are due to be repaid during 2022, payment of the Company's tax liability and financing expenses in connection therewith, and those only. It is indicated that as of the report date, the Company received EUR 100 million from the credit facility. For further details, see the Company's immediate reports dated May 19, 2022 and May 23, 2022 (References No.: 2022-01-061300 and 2022-01-050802, respectively).

In addition, on August 13, 2022, the Company entered into credit facility modification agreement with ADLER, the controlling shareholder, according to which the repayment date of the credit facility will be extended until the end of December, 2023, as well as a certain update to the terms of repayment of the credit facility. For further details, see the Company's immediate report dated August 14, 2022 (reference number: 2022-01-102571), which is included herein by way of reference.

10.9 Completion of a transaction for selling a commercial property in Neckarsulm

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

10.10 Inflation and interest increase in the second quarter of 2022; construction costs

During the second quarter of 2022, the negative trend of accelerating the inflation rate and increasing the fear of a recession in the markets in Israel and the world continued, where in Israel the increase in the consumer price index in June 2022 reflected an annual increase of about 4.4% and in Germany, in June 2022 an increase in the consumer price index was recorded which reflects an annual increase of about 7.5%. In addition to the above, an increase in the prices of construction and energy costs was also recorded during the reporting period (including at the backdrop of the war in Ukraine). In an attempt to slow down inflation rate, the central banks in the world and in Israel increased interest rates, where in Germany interest rate climbed to a rate of 0.5% and in Israel to a rate of 1.25%. Also, the government in Germany has passed a series of laws aimed at easing the burden on the public resulting from, among other things, the increase in energy prices. Changes in inflation and interest rates in Israel and around the world have a significant impact on the business activity of the economy, which is reflected, among other things, in operating costs, raw material costs, labour costs, financing costs structure, etc.

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

Part B - Corporate Governance Aspects

11. General

The applicable law as a Dutch company

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

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

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

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

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

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

In addition to the aforesaid, on January 29, 2017, the deeds of trust were amended between the Company, on one hand and Reznik Paz Nevo Trusts Ltd. on the other hand as the trustee for the bondholders (Series A – C) such that the deeds of trust contained the obligations of the Company/officers in connection with imposing monetary sanctions and/or administrative enforcement measures on the Company and/or its officers¹⁴ as well as the obligations of the Company and its officers not to

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

raise any allegations against the right of the bondholders to file a derivative claim (**the obligations of the Company and officers**).

Statement regarding the Dutch Corporate Governance Code

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

The Company's management and board of directors

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

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

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

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

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

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

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

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

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

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

12. Exposure to market risks and management methods

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

12.1 Fair value of the Company's main financial instruments

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

12.2 Sensitivity tests

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

12.3 Linkage basis report

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

13. Directors with accounting and financial expertise and independent directors

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

14. Independent directors

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

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

15. Details regarding the Corporation's internal auditor

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

The audit plan	<p>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.</p> <p>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.</p>
Professional standards	The internal auditor, by her notice, prepares the audit according to International Audit Standards of the International Institute of Auditors (IIA)
Scope, nature and continuity of the activity and work plan of the internal auditor	The board of directors believes that the nature and continuity of the activity and work plan of the internal auditor are reasonable in the circumstances and they are serving the purpose of fulfilling the internal audit objectives in the company.
Free access for the internal auditor	The internal auditor shall have free access as aforesaid in the above section 9 of the internal audit law, including continuous and direct access to the company's information systems including financial data.
The internal auditor report	The internal auditor shall submit her reports in writing to the audit committee and the Company's management. The findings of the audit for 2021 were delivered to the Company's management and the audit committee on various dates during 2021. On such dates discussions were held in the audit committee and the internal auditor shared the findings of the audit.
Remuneration	Professional fees for internal audit services were determined to the amount equivalent to NIS 250 per hour on average amounting to NIS 180 thousand in total. In the Company's estimation, such remuneration does not affect the professional discretion of the internal auditor.

16. Information on the external auditors in the Netherlands and in Israel

About the Israeli auditors

Name: PKF Amit, Halfon

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

Professional fees of the auditor (PKF):

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

Professional fees of the auditor (KPMG)¹⁵:

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

Professional fees of the Netherlands' statutory auditor IUS Statutory Audits Cooperatie U.A.:

Year	For audit services	
	Amount (EUR in thousands)	Hours
2020	33	350
2021	40	400

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

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

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

The valuation of a very material investment property (Leipzig Residential Portfolio) is attached to this periodic report as a very material valuation. The valuations of "material" investment property¹⁶ are not attached to the quarterly report as they are "material"¹⁷ but not "very material"¹⁸. Below is the summary of the data regarding these valuations.

¹⁶ as defined in the reports' regulations.

¹⁷ as defined in the reports' regulations.

¹⁸ as defined in the reports' regulations.

identification of the valuation subject	Valuation timing (validation date)	The value of the valuation subject before the valuation date (assuming the accepted accounting principles, including depreciation and amortizations would not have required the change of its value according to the valuation) (EUR in thousands)	Value of the valuation subject as determined according to its value (Euro in thousands)	Identification of the appraiser and its characteristics including education, experience in performing valuations for accounting purposes in reporting corporations in scopes similar to the reported valuation or exceeding these scopes and the dependency upon the party who ordered the valuation including reference to indemnification agreements with the appraiser	The valuation model used by the appraiser	The assumptions under which the appraiser performed the valuation according to the valuation model				
						Capitalization rate – Exit Cap rate	long term inflation rate	Terminal rate	Prices used as a basis for comparison	Number of comparison bases.
Leipzig Residential portfolio	Signing– February 2022 ,18 Effective date – December 31, 2021	292,280	295,420	CBRE Michael Schlatterer MRICS, RICS Registered) (valuer Independent appraisers with experience in appraising assets of similar scale. No indemnification agreement, except indemnification with respect to liabilities arising from incorrect or inaccurate information provided by the Company.	DCF	2.94%	1.50%-2.00%	375,474	Comparative transactions, which include a price per square meter, for properties with similar characteristics	CBRE database regarding signed lease agreements for approximately 1,011 apartments in Leipzig
Bremen Residential portfolio	Signing – February 18, 2022 Effective date – December 31, 2021	84,950	85,260	CBRE Michael Schlatterer MRICS, RICS Registered) (valuer Independent appraisers with experience in appraising assets of similar scale. No indemnification agreement, except indemnification with respect to liabilities arising from incorrect or inaccurate	DCF	3.92%	1.50%-2.00%	109,055	Comparative transactions, which include a price per square meter, for properties with similar characteristics	CBRE database regarding signed lease agreements for approximately 94 apartments in Bremen

				information provided by the Company.						
Kiel Residential portfolio	Signing – February 18, 2022 Effective date – December 31, 2021	89,220	91,750	CBRE Michael Schlatterer MRICS, RICS Registered) (valuer Independent appraisers with experience in appraising assets of similar scale. No indemnification agreement, except indemnification with respect to liabilities arising from incorrect or inaccurate information provided by the Company.	DCF	3.43%	-1.50% 2.00%	119,972	Comparative transactions, which include a price per square meter, for properties with similar characteristics	CBRE database regarding signed lease agreements for approximately 20 apartments in Kiel

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

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

Part D – Specific Disclosure for Bond Holders

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

	Bonds (Series B)	Bonds (Series C)
Is the series material as this term is defined in Regulation 10(B)(13)(a) of the Reports' Regulations?	Yes	Yes
Date of issue	May 21, 2013	July 22, 2014
Date of expanding series	February 4, 2014	April 4, 2016
Par value on the date of issue (thousands NIS)	175,000	102,165
Par value on the date of expanding series (thousands NIS)	240,000	160,180
Par value as at 31.12.2021 (thousands NIS)	108,000	140,566
Linked par value as at 31.12.2021 (thousands NIS)	111,896	143,648
Sum of cumulative interest plus linkage differentials (thousands NIS) as at 31.12.2021	-	2,113
Value in financial statements as at 31.12.2021 including interest payable (thousands NIS)	111,538	145,234

Value at the stock exchange as at 31.12.2021 (thousands NIS)	121,532	168,187
Type and rate of interest	3.29% (annual, linked, fixed rate), subject to adjustments in case of changes in the rating of the bonds (Series B) and/or non-compliance with the financial covenants as specified in Sections 2.8.4.12 and 2.8.4.13 of the shelf prospectus ¹⁹	3.30% (annual, linked, fixed rate), subject to adjustments in case of changes in the rating of the bonds (Series C) and/or non-compliance with the financial covenants as specified in Sections 2.8.4.12 and 2.8.4.13 of the shelf prospectus
Dates of paying principal	Payable in 12 unequal annual instalments on December 31 of each year 2013 to 2024 (inclusive), as such that each of the first seven instalments will constitute 4% of the principal of the total par value of the bonds (Series B), and each of the last five instalments will constitute 14.4% of the principal of the total par value of bonds (Series B); the first principal payment on December 31, 2013.	Payable in 12 unequal annual instalments on July 20 of each year 2015 to 2026 (inclusive), as such that each of the first nine instalments will constitute 2% of the principal of the total par value of the bonds (Series C), the tenth payment will constitute 17% of the principal of the total par value of bonds (Series C), and each of the final two instalments will constitute 32.5% of the principal

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

		of the total par value of bonds (Series C); the first principal payment on July 20, 2015.
Dates of paying interest	Payable on December 31 and June 30 of each year 2013 to 2024 (inclusive), effective from December 31, 2013. The last interest instalment will be paid on December 31, 2024.	Payable on January 20 and July 20 of each year 2015 to 2026 (inclusive), effective from January 20, 2015. The last interest instalment will be paid on July 20, 2026.
Linkage base (principal and interest)	Linked (principal and interest) to the consumers' price index published on February 15, 2013 in respect of April 2013	Linked (principal and interest) to the consumers' price index published on May 15, 2014 in respect of June 2014.
Are they convertible?	No	No
Company's right to perform early redemption or forced conversion	The Company may (but is not obligated to), at any time and at its sole discretion, make an early redemption of some or all of the bonds (Series B), as it chooses, until the date of the final repayment of the bonds (Series B), according to the decisions of the Company's Board of Directors. For further details, please see Section 2.8.15 of the shelf prospectus.	The Company may (but is not obligated to), at any time and at its sole discretion, make an early redemption of some or all of the bonds (Series C), as it chooses, until the date of the final repayment of the bonds (Series C), according to the decisions of the Company's Board of Directors. For further details, please see Section 2.8.15 of the shelf prospectus.
Was a guarantee provided for the payment of the Company's liabilities under the deed of trust?	No	No

18. Details on the trustee

Bonds (Series B)

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

Bonds (Series C)

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

19. Rating:

On March 25, 2021, Maalot S&P announced the ratification of the rating (ilAA- / stable). For the updated rating report see the Company's immediate report dated March 25, 2021 (reference no: 046446- 01- 2021) which is included herein by way of reference. It should be indicated that on October 14, 2021, Maalot S&P announced the inclusion of the Company's ratings on credit watch with negative consequences following the weakening of the Group's credit quality and the inclusion of the parent company and controlling shareholder's ratings on credit watch with negative consequences. For further details, see immediate report dated October 14, 2021 (Reference No.: 2021-15-088183) which is included by way of reference. Further to this report, on December 9, 2021, Maalot S&P announced the ratification of the Company's ratings and its removal from credit watch list negative consequences. For further details, see immediate report dated December 9, 2021 (Reference No.: 2021-01-178371), which is hereby included by way of reference. On February 15, 2022, Maalot S&P announced the inclusion of the Company's ratings in credit watch with negative consequences following the weakening of the Adler Group's credit quality. For further details, see immediate report dated February 15, 2022 (Reference No.: 2022-15-018541), which is hereby included by way of reference. Subsequently, on March 3, 2022, Maalot S&P announced the issuance of ilAA/Watch Neg rating for the issuance of bonds amounting to up to NIS 576 million par value. For further details, see immediate report dated March 3, 2022 (Reference No.: 2022 -01-026074), which is hereby included by reference.

Bond series	B	
Name of rating company	Maalot	
	Bonds' rating	Issuer's rating
Rating of the issuer and bonds on the date of initial issue (May 2013)	ilA+	ilA+ stable
Rating of the issuer and bonds on the date of expanding the series – February 2014	ilA+	ilA+ stable
Rating of the issuer and bonds – June 2014	ilA+	ilA+ stable
July 2015	ilA+	ilA+, stable
March 2016	ilAA-	ilAA-, stable
March 2017	ilAA-	ilAA-, stable
March 2018	ilAA-	ilAA-, stable
March 2019	ilAA-	ilAA-, stable
March 2020	ilAA-	ilAA-, stable
March 2021	ilAA-	ilAA, stable
February 2022	ilAA	ilAA- negative outlook
March 2022	ilAA	ilAA- negative outlook
April 2022	ilAA	ilAA- negative outlook
May 2022	ilA	ilA- negative outlook
Rating of the issuer and bonds as of the date of the report	ilA	ilA- negative outlook

Bond series	C	
Name of rating company	Maalot	
	Bonds' rating	Issuer's rating
Rating of the issuer and bonds on the date of initial issue (July 2014)	ilA+	ilA+ stable

July 2015	ilA+	ilA+, stable
March 2016	ilAA-	ilAA-, stable
March 2017	ilAA-	ilAA-, stable
March 2018	ilAA-	ilAA-, stable
March 2019	ilAA-	ilAA-, stable
March 2020	ilAA-	ilAA-, stable
March 2021	ilAA	ilAA-, stable
February 2022	ilAA	ilAA- negative outlook
March 2022	ilAA	ilAA- negative outlook
April 2022	ilAA	ilAA- negative outlook
May 2022	ilA	ilA- negative outlook
Rating of the issuer and bonds as of the date of the report	ilA	ilA- negative outlook

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

To the Company's best knowledge, as of the report date and over the reported year, the Company has complied with all terms and liabilities according to the deeds of trust²⁰, including at the end of the Report Period, when the Company complied with all the financial covenants prescribed in the deed of trust of February 24, 2011 (as amended on October 30, 2012 and January 29, 2017) between the Company and Reznik Paz Nevo Trust Ltd, the trustee for the bond holders (series A) that were fully repaid as specified in section 11.4 above and in the deed of trust dated May 9, 2013 (as amended on January 29, 2017, July 3, 2017 and May 27, 2018) between the Company and Reznik Paz Nevo Trust Ltd, the trustee for the bond holders (series B), and in the deed of trust for bond holders dated July 14, 2014 (as amended on January 29, 2017, July 3, 2017 and May 27, 2018) between the Company and Reznik Paz Nevo Trust Ltd, the trustee for the bond holders (Series C), (below and respectively: the trustee and the deeds of trust) including the following financial covenants:

A. At the end of each quarter the ratio of the Company's equity to its financial debt, net, according to solo reports for that date, will not be under 187.5%²¹:

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

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

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

B. The ratio of the charged share value to net debt will not be less than the basic ratio (as defined hereunder).

With respect to the bond holders (Series B):

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

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

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

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

The number of charged shares of BGP as of December 31, 2021: 640,027.

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

The rate of charged shares out of the issued capital share of BGP as of December 31, 2021: 32.4%.

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

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

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

Net debt: NIS 111,896 thousand.

Accordingly, the ratio between the charged shares' value to net debt, as of the end of the Report Period, is approximately 958%, therefore the Company meets this ratio as well.

With respect to the bond holders (Series C):

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

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

The number of charged shares of BGP as of December 31, 2021: 394,430.

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

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

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

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

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

Net debt: NIS 145,761 thousand.

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

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

a. **Minimum equity:** Pursuant to the Series B and C deeds of trust - the equity attributed to the majority shareholders shall not fall below EUR 150 million and EUR 190 million, respectively. As of the report date, the equity attributed to the majority shareholders is EUR 876.3 million.

b. **Restrictions on dividend distribution:** Under Series B and C deeds of trust -not to distribute dividends and/or distribute equity to its shareholders, and/or repurchase its treasury shares or its convertible securities if it will result in equity attributed to the majority shareholders that is lower than EUR 160 million and EUR 200 million, respectively, and/or the debt ratio to CAP (as defined below) that will exceed 70%.

As of the report date, the equity attributed to the majority shareholders is EUR 876.3 million and the debt ratio to CAP is 41.33% (as detailed below).

c. **Maximum CAP ratio:** The ratio between the net financial liabilities and its equity in addition to non-controlling interests and other financial liabilities (CAP) shall not exceed 75% pursuant to the Series B and C deeds of trust and is calculated in the following manner: (it is indicated that the value of items B - deferred loans - and C - negative equity - defining CAP as specified in the bond deed is zero):

d.

	EUR in Thousands
Financial liabilities according to solo reports	72,349
Other liabilities according to solo reports	-
Financial liabilities of the subsidiaries	600,654
Net of cash, cash equivalents and deposits	30,922
Net of debt for inventory of apartments under construction	-
Net financial debt – consolidated	642,081
CAP ²²	
Equity including non-controlling interests	911,435
Net financial debt, consolidated	642,081
Deferred loans of the Company	-
CAP	1,553,516

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

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

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

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

22. Attaching the financial statements of BGP:

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

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

²² Total equity and debt (CAP) – "the net consolidated financial debt" in addition to all the items below: a) the Company's equity (including minority interests) as stated in the audited or reviewed consolidated statements of the Company; b) the Company's deferred loan balance (as defined below); and c) impairments recorded in the consolidated financial statements (as far as recorded) in respect to the charged assets to secure the loans in the amount of the difference between the recourse and the loan carrying value in the Company's consolidated financial statements. "Deferred loans" – any loan the Company received from any party, which under its terms is subordinate in the repayment level to bonds (Series A), bonds (Series B), bonds of Series C - F, or convertible bonds Series G – K to be issued, as far as they will issue, according to the shelf prospectus and which cannot be repaid (principal and/or interest) throughout the term of the aforementioned bonds.

The following is data as of December 31, 2021, with respect to the assets and liabilities of the Group which are not included in the consolidated statements of the pledged investee company, compared to the assets and liabilities of the pledged investee and the total consolidated balance sheet:

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

* Mainly cash and liquid balances held by the Company (solo);

** Mainly current maturity of principal of bonds (Series B – C) issued by the Company and interest payable for said bonds;

*** Mainly balance of bonds principal (Series B – C) issued by the Company.

Amsterdam, 14 August 2022

Names of signatories	Position	Signature
Patrick Burke	Chairman of the Board of Directors	_____
Thierry Beaudemoulin	CEO	_____

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

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

14 August 2022

Date of approval of the financial statements	Patrick Burke Chairman of the Board of Directors	Thierry Beaudemoulin CEO	Eran Edelman CFO
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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OT LOSS

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

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

(*) See Note 18c(1)

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY							Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Other capital reserves	Statutory capital reserve (**)	Retained earnings	Total		
	Euros in thousands								
<u>Balance as of January 1, 2021</u>	77	144,237	(746)	584	438,591	221,986	804,729	40,701	845,430
Total net income and comprehensive income (loss)	-	-	-	-	-	72,676	72,676	(100)	72,576
Classification in accordance with Dutch law	-	-	-	-	91,794	(91,794)	-	-	-
Purchase of rights from non-controlling interests (*)	-	-	-	(1,115)	-	-	(1,115)	(5,456)	(6,571)
<u>Balance as of December 31, 2021</u>	<u>77</u>	<u>144,237</u>	<u>(746)</u>	<u>(531)</u>	<u>530,385</u>	<u>202,868</u>	<u>876,290</u>	<u>35,145</u>	<u>911,435</u>

(*) Regarding the purchase of rights from non-controlling interests see Note 18(5) below.

(**) see Note 19d.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2021	2020	2019
	Euros in thousands		
<u>Cash flows from operating activities:</u>			
Net income	72,576	97,693	17,627
Adjustments to reconcile net income to net cash provided by operating activities:			
Adjustments to profit and loss:			
Depreciation	112	103	100
Finance expenses, net	22,193	12,120	38,062
Decrease (increase) in fair value of financial instruments	28,926	(2,019)	(832)
Appreciation of investment property, net	(111,603)	(83,221)	(13,338)
Deferred taxes, net	12,142	13,923	7,685
Gain from sale of investment in a company accounted at equity	-	(2,011)	-
Equity in losses (earnings) of companies accounted at equity	2,083	(262)	107
	<u>(46,147)</u>	<u>(61,357)</u>	<u>31,784</u>
Cash flows from operating activities before changes in asset and liability items	26,429	36,326	49,411
Changes in operating asset and liability items:			
Increase in tenants and trade receivables, restricted deposits and other receivables	(4,620)	(1,930)	(1,055)
Increase (decrease) in accounts payable	2,084	(469)	(2,673)
	<u>(2,536)</u>	<u>(2,399)</u>	<u>(3,728)</u>
Net cash provided by operating activities before activity in real estate assets and liabilities	23,893	33,927	45,683
Change in advances from apartment purchasers, income receivable and other receivables in respect of sale of apartments	2,819	2,949	(2,688)
Decrease (increase) in inventory of buildings under construction and real estate inventory	(6,680)	14,950	(5,487)
Net cash provided by operating activities	<u>20,032</u>	<u>51,826</u>	<u>37,508</u>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2021	2020	2019
	Euros in thousands		
<u>Cash flows from investing activities:</u>			
Investment in investment property – income generating assets	(17,180)	(16,504)	(15,931)
Investment in investment property – real estate rights and investment property under construction	(29,901)	(3,237)	(2,184)
Return on investment (investment) in companies measured at equity	(6,559)	4,836	(109)
Proceeds from sale of investment property, net	27,728	55,501	89,714
Proceeds from sale of subsidiaries, net (a)	9,261	-	64,094
Cash and cash equivalents of a newly consolidated subsidiary (b)	1,114	-	-
Withdrawal (placement) of restricted deposits, net	(2,505)	50,650	(46,576)
Sale of derivatives	-	3,131	940
Net cash provided by (used in) investing activities	(18,042)	94,377	89,948
<u>Cash flows from financing activities:</u>			
Interest paid	(9,488)	(13,717)	(17,069)
Distribution and payment to non-controlling interests	-	(5,700)	-
Loan granted to others (*)	(11,429)	-	-
Purchase of rights from non-controlling interests	(6,571)	-	(64,650)
Receipt of long-term bank loans	60,059	18,959	339,279
Receipt (repayment) of long-term loans from controlling shareholder, net	-	(44,200)	44,200
Repayment of debentures	(11,298)	(25,706)	(18,679)
Repayment of long-term bank loans	(33,216)	(85,434)	(393,266)
Net cash used in financing activities	(11,943)	(155,798)	(110,185)
Change in cash and cash equivalents	(9,953)	(9,595)	17,271
Balance of cash and cash equivalents at the beginning of the year	34,814	44,409	27,138
Balance of cash and cash equivalents at the end of the year	24,861	34,814	44,409

(*) See Note 18(5) below.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2021	2020	2019
	Euros in thousands		
(a) <u>Proceeds from sale of subsidiaries, net</u>			
Assets and liabilities of consolidated subsidiaries as of date of sale (date of loss of control):			
Investment property	12,369	-	180,603
Leasing liabilities	(3,126)	-	-
Inventory of real estate	-	143,004	-
Working capital, net	14	284	663
Loans from banks, net	-	(127,512)	(97,754)
Deferred taxes, net	4	2,037	(12,924)
Assets, net	9,261	17,813	70,588
Less investment balance in companies presented as financial asset	-	-	(6,494)
Less investment balance in a company accounted at equity	-	(17,813)	-
	9,261	-	64,094
<u>Cash and cash equivalents of a newly consolidated subsidiary</u>			
(b) <u>Assets and liabilities of the consolidated subsidiary as of date of purchase (date of consolidation):</u>			
Inventory of real estate	(164,638)	-	-
Restricted cash	(3,317)	-	-
Deferred tax asset	(2,037)	-	-
Loans from banks, net	145,185	-	-
Interest payable	595	-	-
Assets, net	(24,212)	-	-
Less investment balance in a company accounted at equity	25,326	-	-
	1,114	-	-
(b) Additional information			
Taxes paid	5,526	10,197	9,010
(c) Noncash significant activities			
Classification of real estate inventory to investment property	-	29,638	-

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

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

In April 2018, the control in the Company was purchased by ADLER Real Estate AG (ADLER). In December, 2021, LEG Grundstücksverwaltung GmbH ("LEG") acquired from ADLER 6.7% of shares and voting rights in the company. In addition, ADLER undertook to participate in any tender offer which may be initiated by LEG for the balance of the ordinary shares of the Company held by Adler, provided that such tender offer is made by September 30, 2022 at a minimum price per share determined in the agreement between the parties as above amounting to EUR 157 per share. In addition, after the date of the statement of financial position, LEG acquired an additional 27.77% of the Company's shares which were held by the non-controlling interests in the Company, so that as of the date of signing the report, LEG holds approximately 34.47% of the Company's shares.

As of December 31, 2021, the Company has a working capital deficiency of approximately EUR 203,438 thousand, mainly due to loans in respect of the Gerreheim project (see Note 6b(1) (below) as well as loans in respect of other income-generating assets of the Company that are due in the coming year. The Company estimates, based on the state of the real estate market in Germany, the leverage ratio of these assets, as well as following discussions the Company conducts with the financing banks, which showed willingness to extend these loans, the Company believes that it will be able to refinance the loans in the coming year. It should be indicated that after the date of the statement of financial position, the Company completed a private placement by way of expanding bond series (Series B) and raised NIS 576 million. For further details, see Note 25(2) below.

b. Definitions

In these financial statements -

The Company	-	Brack Capital Properties NV.
The Group	-	Brack Capital Properties NV and its subsidiaries
Subsidiaries	-	Companies controlled by the Company (as defined in the IFRS 10) and the accounts of which are consolidated with those of the Company.
Jointly controlled entities	-	Companies owned by various entities that have a contractual arrangement for joint control and the Company's investment therein is included in the consolidated statements of the Company using the equity method. (see Note 2d)
Investees	-	Subsidiaries, jointly controlled entities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: - GENERAL (Cont.)

Interested parties and controlling shareholder	-	As defined in the Israeli Securities Regulations (Annual Financial Statements), 2010.
Related parties	-	As defined in IAS 24 regarding related parties

c. The Corona pandemic and its impact on the group

Following the outbreak of the Corona Virus (COVID-19) in China in December 2019, and spreading to many other countries in early 2020, there has been a decline in economic activity in many regions of the world and in Israel and Germany as well. The spread of the virus, among other things, has disrupted the supply chain, a decrease in the volume of global transport, traffic and employment restrictions imposed by the Israeli and German government and many governments worldwide, as well as declines in the value of financial assets and commodities in markets in Israel and around the world. In addition, in accordance with the directives of the governments of Germany, the Netherlands and Israel, the activity of businesses was banned or restricted, presence of manpower in workplaces was significantly restricted, education systems were shut down and restrictions were imposed on leaving homes. In 2021, new variants of the Corona pandemic broke out (including Delta and Omicron) which as of the date of this report, it seems that their spread around the world has been contained, among others, in view of the vaccinations against the virus. Nevertheless, at this stage it is impossible to estimate the continued spread of the virus, among others, the efficiency of the vaccinations against variants against the virus which spread throughout the world and Israel and whether the crisis nears its end in the upcoming quarters or that it may take longer. The spread of the Corona virus is an event that by its nature, its volume and its effects are estimates and change frequently and are not under the Company's control and accordingly the estimates and information specified in this note are based on the information available as of the report publication date and may change. In view of the foregoing, at this stage it is impossible to estimate all possible effects on the Company's operations and results (in the short or long term) and there is no assurance regarding its volume or length.

The Company's risks and exposures

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

It should be indicated that the Corona crisis and the related economic crisis may create an exposure for the Company mainly in the income producing real estate sector, both in view of the impact of the Corona crisis on daily business activity in Germany and the ability of businesses to continue their operations and pay rental fees for commercial assets and (to a lesser extent) for residential assets in view of harm to income of private tenants, including their ability to meet their obligations to the Company and pay rental and/or the Company's ability to find tenants for vacant spaces.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: - GENERAL (Cont.)

In addition, the Company has an exposure also in the real estate development sector since the impact of the economic crisis on global economy and on Germany in particular, may have an effect on the demand for apartments and cause a decrease in the value of the apartments for sale and/or decrease in the sales rate of apartments (although as of the report date, the Company is not aware of indications of changes in selling prices of apartments and/or change in construction costs).

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

The Company's revenues were not significantly harmed, among other things, in view of recent actions taken by the Company that focused its activities on residential properties, which reduced the Company's exposure to commercial tenants as well as the German government's assistance to commercial tenants.

- During 2020, the financial situation of various tenants in the commercial real estate sector was harmed, which led to difficulties in paying rent and management fees, delaying in lease agreements renewal and finding tenants for vacant spaces. As of December 31, 2021, the Company has trade receivables' balance which constitutes approximately 7% of the Company's revenues in the commercial real estate sector which has not yet been received due to deferral of payments and/or cancellation due to the Corona crisis. It should be noted that due to the reduction in the Company's exposure in the income generating commercial real estate sector, this decrease in the collection rate did not have a material effect on the Company's cash flow.
- In accordance with valuations as of December 31, 2021, made by external appraisers and sales agreements signed after the reporting period, the Company recorded a decrease in value of approximately EUR 6.9 million due to a decrease in the value of real estate in the commercial real estate sector.
- The crisis did not have a negative effect on the Company's income generating residential assets. In the occupancy rate of income generating residential real estate assets as of December 31, 2021 and as of the approval date of the financial statements, there was no significant change in relation to the average occupancy rates in 2020 and 2019 and the change in the cancellation and delays rate in collection is negligible. During 2020, there was a decrease in discount rates used to measure the fair value of some of the Company's investment properties in the residential real estate sector and this trend continued in the reporting period. In the reporting period discount rates have decreased by 0.35% due to changes in market conditions during the period, based on valuations as of December 31, 2021 conducted by external appraisers. As a result, there was an increase in the fair value of residential assets and a gain from a change in the fair value of approximately EUR 124.1million was recognized.
- With regard to the development sector, as of December 31, 2021 and as of the approval date of the financial statements, the Company is not aware of any indications of a material change in selling prices of apartments and/or a material change in construction costs for projects under construction.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: - GENERAL (Cont.)

- In accordance with the above, until the approval date of the financial statements, the impact of the crisis on the Company's cash flow was insignificant, in part due to the reduced exposure to commercial real estate and proceeds received from property realization and considering changes in tenants' collection rates.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTSa1. Basis of measurement

The Company's financial statements have been compiled based on cost, with the exception of:

- Investment property measured at fair value
- Financial instruments and derivatives and others - measured at fair value through profit or loss.
- Noncurrent assets and disposal groups held for sale.
- Deferred tax assets and liabilities.
- Provisions
- Investments in associates and joint ventures

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

2. Declaration on compliance with International Financial Reporting Standards

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

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

The consolidated financial statements were approved for publication by the Company's board of directors on **14 August 2022**.

3. Consistent accounting policies

The accounting policies applied in the financial statements are consistent with those of all periods presented, unless otherwise indicated. (See also section AE)

b. Significant principles of using estimates and judgments in the preparation of the financial statements:

In preparing the financial statements in accordance with IFRS, the Company's management is required to use judgment, assessments, estimates and assumptions that affect the implementation of the accounting policy and the amounts of assets and liabilities, income and expenses. It is clarified that the actual results may differ from these estimates. Upon the formation of accounting estimates used to prepare the Group's financial statements Company's management is required to make assumptions regarding circumstances and events that involve significant uncertainty. In its judgement to determine the estimates, management is based on past experience, various facts, external factors and reasonable assumptions according to the circumstances of each estimate. The estimates and underlying assumptions are reviewed regularly. Changes in recognized accounting estimates are recognized in the period in which the estimates were revised and in any future affected period. Information regarding assumptions made by the Group concerning the future and other causes for uncertainty in the estimates where a material risk exists that their result will be a material adjustment to the book values of assets and liabilities during the next fiscal year is included in the following notes:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Cont.)b. Significant principles of using estimates and judgments in the preparation of the financial statements (Cont.)

1. Business combinations and goodwill:

Business combinations are accounted for by applying the acquisition method. The cost of the acquisition is measured at the fair value of the consideration transferred on the acquisition date with the addition of non-controlling interests in the acquiree. In each business combination, the Company chooses whether to measure the non-controlling interests in the acquiree based on their fair value on the acquisition date or at their proportionate share in the fair value of the acquiree's net identifiable assets.

Direct acquisition costs are carried to the statement of profit or loss as incurred. In a business combination achieved in stages, equity interests in the acquiree that had been held by the acquirer prior to obtaining control are measured at the acquisition date fair value while recognizing a gain or loss resulting from the revaluation of the prior investment on the date of achieving control.

Contingent consideration is recognized at fair value on the acquisition date and classified as a financial asset or liability in accordance with IFRS 9. Subsequent changes in the fair value of the contingent consideration are recognized in profit or loss. If the contingent consideration is classified as an equity instrument, it is measured at fair value on the acquisition date without subsequent remeasurement.

2. The timing of fulfilling performance obligations

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

3. Investment property:

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

The fair value measurement of investment property requires valuation experts and the Company's management to use certain assumptions regarding rates of return on the Group's assets, future lease prices, occupancy rates, contract renewal terms, the probability of leasing vacant areas, asset operating expenses, the tenants' financial stability and the implications of any investments made for future development purposes in order to assess the future expected cash flows from the assets. Any change in the assumptions used to measure the investment property is liable to affect fair value. See also Note 8c.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

4. Inventories of real estate and apartments under construction:

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

5. Deferred tax assets:

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

6. Investment at equity method

In 2020, upon the entry into force of the sale agreement and the cooperation agreement in the Gerresheim project (see Note 7(3) the Company examined the issue of loss of control in the sub-subsiary and its deconsolidation also in view of the existence of a cancellation right of the agreement by the Company prior to completion of payments 2 and 3 in the agreement. The Company determined that under the special circumstances of the agreement this right is not real (according to implementation appendix of IFRS 10) since the Company considers this right as protective right used as collateral for the fulfillment of the agreement and said payments where the partner can advance them at any given moment resulting in the cancellation of the Company's cancellation right and particularly cancelling the transaction could harm the Company and the plan realization in economic and other aspects. In addition, the Company determined that under the accounting treatment on loss of control of the sub-subsiary and the transition to application of the equity method, there is no need to revalue the investment balance in that company (25%) at fair value, given the terms of the transaction and the fact that it is a non-business asset company. In 2020, due to the transaction cancellation as explained in Note 6b1, the control was regained in Gerresheim and the Company reconsolidated Gerresheim accordingly. The accounting for gain of control not as part of business combinations was carried out according to the book value of the assets and liabilities.

7. Purchase of asset company

When purchasing an asset company, the Group exercises discretion in examining whether it is a purchase of a business or an asset, for the purpose of determining the accounting treatment of the transaction. In examining whether the asset company is a business, the Group examines, among other things, whether the process or the existing processes in the asset company, including the scope and nature of management services, security services, cleaning and maintenance provided to tenants. Transactions in which the acquired company is a business, the transaction is treated as a business combination as detailed above. In contrast, transactions in which the acquired company is not a business are treated as an acquisition of group assets and liabilities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

In such transactions, the purchase cost, which includes transaction costs, is allocated proportionately to the identified assets and liabilities acquired, based on their relative fair value at the date of acquisition. In the last case, goodwill and deferred taxes due to temporary differences that exist at the time of purchase are not recognized.

c. Consolidated financial statements:

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

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

Non-controlling interests, which are instruments that confer a right of ownership in the present and grant their holder share in net assets upon liquidation (for example: ordinary shares) are measured at the date of the business combination at fair value or according to their relative share in the identified assets and liabilities of the acquiree, on the basis of each transaction separately. Selection of this accounting policy is not permitted for other instruments that meet the definition of non-controlling interests (for example: Options for ordinary shares). These instruments will be measured at fair value or according to provisions of other relevant IFRSs.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as a change in equity by adjusting the remaining non-controlling interests against the equity attributable to equity holders of the Company less/with the addition of any consideration paid or received.

Upon the disposal of a subsidiary resulting in loss of control, the Company:

- derecognizes the subsidiary's assets (including goodwill) and liabilities.
- derecognizes the carrying amount of non-controlling interests.
- derecognizes the adjustments arising from translating financial statements carried to equity.
- recognizes the fair value of the consideration received.
- recognizes the fair value of any remaining investment.
- reclassifies the components previously recognized in other comprehensive income (loss) on the same basis as would be required if the subsidiary had directly disposed of the related assets or liabilities.
- recognizes any resulting difference (surplus or deficit) as gain or loss.

Upon initial recognition, the remaining investment is treated according to its classification as a financial instrument or as an investment treated according to the equity method.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

d. Investment in joint arrangements:

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

e. Joint ventures:

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

f. Investments accounted for using the equity method:

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

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

Gains and losses arising from transactions between the Group and the associate or the joint venture are eliminated in accordance with the holding rate. Losses recognized under the equity method beyond the Group's investment in ordinary shares are attributed to the rest of the Group's rights in reverse order to their seniority. Once the rights have been reduced to zero the Group does not recognize additional losses of the investee company unless the Group has a commitment to support the investee company or has paid amounts for it. If, subsequently, the investee company reports profits, the Group begins to recognize its share in those profits only after its share in the profits equals the share in unrecognized losses. The Group ceases to apply the equity method as of the date on which it lost the material effect in the associate or the joint control of the joint venture and accounts for the remaining investment as a financial asset or subsidiary, as the case may be.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

g. Functional currency and presentation currency:

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

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

2. Transactions, assets and liabilities in foreign currency:

Transactions denominated in currency that is not the functional currency (foreign currency) are recorded upon initial recognition at the exchange rate at the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at each reporting date into the functional currency at the exchange rate at that date. Exchange rate differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currency and measured at cost are translated at the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are translated into the functional currency using the exchange rate prevailing at the date when the fair value was determined.

3. Index-linked monetary items:

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

h. Cash equivalents:

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

i. Short-term deposits:

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

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

Cost of inventories of apartments under construction and inventories of real estate comprises identifiable direct costs of land such as taxes, fees and duties and construction costs.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

- k. The operating cycle:

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

1. Financial assets

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

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

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

- 1a. 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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

Other financial assets held for trade such as derivatives will be measured at fair value through profit or loss unless they are designated as instruments for effective hedging.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

2. Impairment of financial assets

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

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

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

The company has financial assets with short credit periods such as customers, for which it applies the benefit provided in the model, i.e. the company measures the provision for a loss in the amount equal to the expected credit losses throughout the life of the instrument.

The impairment of debt instruments measured at reduced cost will be carried in profit or loss against the provision.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Cont.)3. Derecognition of financial instruments:

The Company derecognized financial asset only when:

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

4. Financial liabilities

4a) Financial liabilities measured at amortized cost:

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

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

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

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

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

5. Derecognition of financial liabilities and change in the terms of liabilities

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

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

In the event of a change in the terms of an existing financial liability, the Company examines whether the terms of the liability are materially different from the existing conditions and takes into account qualitative and quantitative considerations.

When an existing financial liability is exchanged with another liability from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is accounted for as an extinguishment of the original liability and the recognition of a new liability. The difference between the carrying amounts of the above two liabilities is recognized in profit or loss.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

If the modification in the terms of an existing liability is not substantial or if a liability is exchanged with another liability whose terms are not substantially different between the Company and the same lender, the Company recalculates the carrying amount of the liability by discounting the revised cash flows at the original effective interest rate and any resulting difference is recognized in profit or loss.

6. Offsetting financial instruments:

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

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

m. Derivative financial instruments

The Group enters into contracts for derivative financial instruments such as forward currency contracts (Forward) in respect of foreign currency and interest rate swaps (SWAP) and CAP transactions to hedge risks associated with foreign exchange rates and interest rate fluctuations (accordingly these transactions are not recognized as accounting hedge).

Any gains or losses arising from changes in the fair values of derivatives that do not qualify for hedge accounting are recorded immediately in the item of exchange rate differences, index and hedging transactions net in profit or loss.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

n. Leases:

The accounting policies applied as of January 1, 2019 in respect of leases are as follows:

The Company treats a contract as a lease when, under the terms of the contract, the right to control an identified asset is transferred for a period of time for consideration.

The Group as lessee:

For transactions in which the Company is a lessee, it recognizes on the lease commencement date the right of use asset against a lease liability other than lease transactions for a period of up to 12 months and leases for which the underlying asset is with a low value, in which the Company recognizes the lease payments as expense in the profit or loss using the straight line method over the lease term. Upon initial recognition, lease liability includes all unpaid lease payments discounted at the interest rate grossed up in the lease when it is easily determinable or at the Company's additional interest rate. After initial recognition, the Company measures the lease liability using the effective interest method.

The right-of-use asset in the commencement date is recognized at the lease liability amount plus lease payments paid on or before the commencement date plus incurred transaction costs.

The right of use asset other than an asset classified as investment property (see p) is measured using the cost model and amortized over its useful life, or the lease term, whichever is shorter. When indicators of impairment are present, the Company tests impairment of right of use asset in accordance with IAS 36. The non-cancellable lease period also includes periods covered by the option to extend the lease when it is reasonably certain that the extension option will be exercised and also periods covered by the option to cancel the lease when it is probable that the option to cancel will not be exercised.

The Group as lessor:

1. Finance lease

Lease of land under investment property presented at fair value is accounted for as finance where the leased asset at the commencement of the lease term is measured at the lower of the fair value of the leased asset or at the present value of the minimum lease payments. Upon initial recognition, the leased asset is accounted for according to the accounting policy applicable for this type of asset.

2. Operating lease

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

o. Investment property:

An investment property is property (land or a building or both) held by the Group (including right of use assets – see section o) to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services, for administrative purposes or for sale in the ordinary course of business.

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

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

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

Investment property in development designated for future use as investment property is also measured at fair value provided that fair value can be measured reliably. When fair value cannot be measured reliably due to the nature and scope of the project's risks, it is measured at cost net of impairment losses, if any, until fair value can be measured reliably or construction completion, whichever is earlier. Cost base of investment property in development includes the cost of land plus borrowing costs used to finance construction, direct planning and development costs and brokerage fees in respect of agreements for its rental.

p. Property, plant and equipment:

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

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

q. Borrowing costs in respect of qualifying assets:

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

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

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

The capitalization of borrowing costs commences when expenditures for the asset are being incurred, borrowing costs are being incurred and the activities to prepare the asset are in progress and ceases when substantially all the activities to prepare the qualifying asset for its intended use or sale are complete. Borrowing costs are capitalized to assets for which transfer of control to the customer is carried out over time until the date the asset is qualified for sale. The amount of borrowing costs capitalized in the reporting period includes specific borrowing costs and general borrowing costs based on a weighted capitalization rate.

r. Asset or group of assets and liabilities held for sale

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

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

s. Taxes on income:

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

1. Current taxes:

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

2. Deferred taxes:

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

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

Deferred taxes are measured at the tax rates that are expected to apply when the asset is disposed or the liability is extinguished, based on tax laws that have been enacted or substantively enacted by the end of the reporting period.

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

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

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

t. Revenue recognition:

Revenue from contracts with customers is recognized when the control over the goods or services is transferred to the customer. The transaction price is the amount of the consideration that is expected to be received based on the contract terms, excluding amounts collected on behalf of third parties (such as taxes).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Revenues from sale of residential apartments

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

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

1. Measurement unit – the Company determined that the measurement unit will be a residential apartment the object of the sale contract with the customer.
2. Determining the transaction price - the company is required to determine the transaction price separately for each contract with a customer. Upon exercising such judgment, the Company estimates the impact of any variable consideration in the contract, taking into account discounts, fines, changes, claims, and the existence of a significant financing component of the contract as well as non-cash consideration.
3. Measurement of performance progress - for the purpose of measuring performance progress, the company implements the input method (Input Method), irrespective of the costs that do not reflect the progress of such performance, such as land surcharges and credit costs. Usually, delivery of a specific residential apartment cannot be made before the construction of the entire building is completed. Therefore, the Company will determine the performance progress rate under which revenue for each specific sale contract is recognized according to the progress rate of the entire building.

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

Warranty – as part of the Company's contracts with its customers, it provides its customers with warranty services, in accordance with the provisions of the law and in accordance with the accepted practice in the sector. Warranty services are provided to ensure the quality of the work performed and not as additional service provided to the customer. Accordingly, the Company recognizes in its financial statements a provision for warranty in accordance with the provisions of IAS 37.

5. Onerous contracts - A provision for onerous contracts is recognized when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received by the Group from the contract. The provision is measured at the lower of the present value of the anticipated cost for cancelling the contract and the present value of the net anticipated cost of fulfilling it. The Company will review frequently the need for making a provision for onerous contract according to the requirements of IAS 37 which are relevant to all contracts in which revenue is recognized according to IFRS 15.

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

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

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

- v. Finance income and expenses:

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

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

Gains and losses on exchange rate differences, indexing and currency hedging transactions are reported on a net basis separately.

- x. Operating segments:

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

1. is engaged in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to intragroup transactions;

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

2. whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
 3. for which separate financial information is available.
- y. Earnings (loss) per share:

Earnings per share are calculated by dividing the net income attributable to equity holders of the Company by the weighted number of Ordinary shares outstanding during the period. Basic earnings per share only include shares that were actually outstanding during the period (treasury shares are not included).

- z. Provisions

A provision in accordance with IAS 37 is recognized when the group has present legal or constructive obligation as a result of a past event, it is expected that the use of economic resources will be required to settle this obligation and a reliable estimate can be made of the amount of the obligation.

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

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

- aa. Marketing expenses:

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

- bb. Treasury shares:

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

cc. Impairment of non-financial assets

The Company evaluates the need to record an impairment of the carrying amount of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable. If the carrying amount of non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount is the higher of fair value less costs of sale and value in use. In measuring value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

An impairment loss of an asset is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Reversal of an impairment loss, as above is limited to the lower of the impairment loss previously recognized (net of depreciation or amortization) or its recoverable amount. The reversal of impairment loss of an asset presented at cost is recognized in profit or loss.

In investment in associate or joint venture, after application of the equity method, the Company determines whether it is necessary to recognize any additional impairment loss with respect to the investment in associates or joint ventures. The Company determines at each reporting date whether there is objective evidence that the carrying amount of the investment in the associate or the joint venture is impaired. The test of impairment is carried out with reference to the entire investment, including the goodwill attributed to the associate or the joint venture.

dd. Fair value measurement:

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

- | | |
|---------|---|
| Level 1 | - quoted prices (unadjusted) in active markets for identical assets or liabilities. |
| Level 2 | - inputs other than quoted prices included within Level 1 that are observable directly or indirectly. |
| Level 3 | - inputs that are not based on observable market data (valuation techniques which use inputs that are not based on observable market data). |

ee. Disclosure of new IFRS in the period prior to adoption:

Amendment to IAS 8 accounting policies, changes in accounting estimates and errors

In February 2021, the IASB issued an amendment to International Accounting Standard 8: Accounting policies, changes in accounting estimates and errors (the amendment). The purpose of the amendment is to introduce a new definition of the term "accounting estimates".

Accounting estimates are defined as "financial amounts in the financial statements that are subject to measurement uncertainty."

The amendment clarifies what changes in accounting estimates are and how they differ from changes in accounting policies and corrections of errors.

The amendment will be applied prospectively to annual periods beginning on January 1, 2023 and will apply to changes in accounting policies and accounting estimates that occur at the beginning or after that period. Early adoption is permitted.

ff. Initial adoption of new financial reporting standards and amendments to existing accounting standards

Amendments to IFRS 9, IFRS 7, IFRS 16, IFRS 4 and IAS 39 regarding the reform of IBOR interest rates

In August 2020, the IASB issued amendments to International Financial Reporting Standard 9 Financial Instruments, International Financial Reporting Standard 7 Financial Instruments: Disclosures, International Accounting Standard 39 Financial Instruments: Recognition and Measurement, International Financial Reporting Standard 4 Insurance Contracts and International Financial Reporting Standard 16 Leases (the "Amendments").

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The amendments provide practical relief that addresses the effects of the accounting treatment of the financial statements when the benchmark interest rates (IBORs - Interbank Offered Rates) are replaced by risk-free alternative interest rates (RFRs). Depending on one of the practical reliefs, the Company will deal with contractual amendments or amendments to the cash flows required directly as a result of the implementation of the reform similar to the accounting treatment for changes in variable interest rates. Namely, a company is required to recognize the changes in interest rates by adjusting the effective interest rate without changing the book value of the financial instrument. The use of this practical relief depends on the fact that the transition from IBOR to RFR takes place on the basis of equal economic conditions.

The amendments added disclosure requirements regarding the effect of the expected reform on the Company's financial statements, including reference to how the Company manages the implementation of the interest rate reform, the risks to which it is exposed as a result of the expected reform and quantitative disclosures regarding IBOR interest rate financial instruments which may change.

The above amendments had no material effect on the Group's financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3: - CASH AND CASH EQUIVALENTS

	December 31,	
	2021	2020
	Euros in thousands	
Cash on hand (1) (2)	24,640	34,814
Short-term deposits (2)	221	-
	<u>24,861</u>	<u>34,814</u>

- (1) As of December 31, 2021, the Company's balance is approximately € 821 thousand denominated in NIS (2020- approximately € 769 thousand denominated in NIS).
- (2) As of December 31, 2021, short-term deposits do not bear annual interest.

NOTE 4: - RESTRICTED DEPOSITS FINANCIAL ASSETS AND OTHER RECEIVABLES

	December 31,	
	2021	2020
	Euros in thousands	
Deposits and restricted bank accounts (1)	18,514	12,891
Prepaid expenses	1,173	144
Government authorities	1,038	998
Receivables in respect of sale of investment property	300	245
Receivables in respect of interest on a granted loan (2)	3,255	
Other receivables and debit balances	1,700	1,681
	<u>25,980</u>	<u>15,959</u>

- (1) As of December 31, 2021, balances do not bear interest.
- (2) Receivables in respect of interest on a loan granted to the purchaser of the Gerresheim project. For additional details see Note 6b (1).

NOTE 5: - TENANTS AND TRADE RECEIVABLES, NET

	December 31,	
	2021	2020
	Euros in thousands	
Open debts and accrued income	8,573	9,105
Less - allowance for credit losses	(6,932)	(7,706)
	<u>1,641</u>	<u>1,399</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The following is the movement in allowance for credit losses:

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
	<u>Euros in thousands</u>	
Balance as of January 1	7,706	8,562
<u>Changes during the year</u>		
Allowance during the year	686	1,217
Recognition of bad debts that were written off	<u>(1,460)</u>	<u>(2,073)</u>
Balance as of December 31	<u>6,932</u>	<u>7,706</u>

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

As of December 31, 2021, inventory of buildings under construction and inventory of real estate refers mainly to Gerresheim project in Düsseldorf, Germany.

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

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
	<u>Euros in thousands</u>	
Cost of real estate	-	14,119
Cost of local business tax	-	-
Cost of construction	-	29,801
Cost of sale in respect of income recognized	<u>-</u>	<u>(41,443)</u>
	<u>-</u>	<u>2,477</u>

The balance as of December 31, 2021 derives from stage H of the Grafental project in Dusseldorf, a project for constructing residential neighborhood, the development of which is carried out in several stages. As of December 31, 2021, the inventory of apartments in Stage H was realized so as of the date of the statement of financial position, Company has no balance of buildings under construction which is presented as current asset.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
	<u>Euros in thousands</u>	
Cost of real estate	180,462	39,472
Construction cost	11,714	-
Cost of local business tax	4,582	4,682
Cost capitalized to real estate	<u>18,769</u>	<u>8,396</u>
	<u>215,527</u>	<u>52,550</u>

As of December 31, 2021 inventories of buildings under construction and inventories of real estate are presented as part of the non-current assets relating mainly to the Gerresheim project in the city of Düsseldorf, Germany.

1) Gerresheim project

On September 22, 2019, the Company entered into an agreement with a third-party buyer, who is an investor focusing on real estate projects in Germany ("the buyer" or "the buyer in the transaction"), for selling 75% of its holdings in the sub- partnership, which owns the Gerresheim project (a land of 193 thousand square meters in Düsseldorf, Germany) in a consideration reflecting an asset value of EUR 375 million (for this purpose – the transaction).

On December 26, 2019, an amendment to the agreement was signed, according to which the mechanism for paying the consideration was adjusted, as follows: at the time of signing the agreement, the sub- partnership received a sum of EUR 132 million, originating from a new bank taken by the sub-subsidiary (it is indicated that the Company guaranteed this loan) of which EUR 90 million was used to repay the existing bank loan taken in connection with the development of the project and the balance of the consideration (less transaction costs) in the amount of EUR 36 million was paid to the Company in cash as a first payment for the sale as defined in the above amended agreement and was held in a restricted account until obtaining an approval from the competition authorities in Germany. The loan, which was taken at the time of the amendment to the agreement, bore interest at a rate of 4% per annum over the Euribor interest for a period of 3 months and was due on June 27, 2020. This loan was refinanced during June 2020 with two loans totaling approximately EUR 147.5 million.

The new loans bear a weighted average interest rate of 4.54% during the first year of the loans and a weighted average interest rate of 5.15% during the second year of the loans. Such loans are due to be repaid on June 1, 2022. The transaction costs incurred by the property company in respect of the two new loans amount to approximately EUR 4.5 million. On February 28, 2020, said transaction received the approval of the German Antitrust Authority, and accordingly, on March 31, 2020, the transfer of the first part of the consideration in the amount of approximately EUR 36 million (originating, as stated above, in a loan taken by the asset company) was completed.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The balance of the consideration in the amount of between EUR 120 million and EUR 175 million was to be paid to the Company in three installments in accordance with the fulfillment of the terms of the transaction, mainly publishing a zoning plan and obtaining building permits as specified in the agreement.

In light of the fulfillment of the first condition in the above agreement - obtaining approval from the competition authorities in Germany, 75% of the Company's shares were transferred to the purchaser and an agreement came into force for joint control of the parties and therefore the Company ceased to consolidate the asset company's financial statements. The balance of the investment in the asset company was presented in the section of investments and loans in companies treated at the equity method as of December 31, 2020 amounted to approximately EUR 18,797 thousand. Payment of the balance of the consideration to the Company was conditional on the occurrence of events that are not under the full control of the Company (such as obtaining building permits, etc.) and therefore the Company did not recognize a profit in respect of the sale transaction.

In 2021, the Company learned that the delay of the zoning plan approvals in connection with the project is due to objections of the Deutsche Bahn AG. In the view of the Company, such objections are relatively common in the process of building a project in the size and scope of Gerresheim .

The Company has been holding ongoing discussions with the Düsseldorf Municipality which is continuing to be supportive of the project and has expressed its interest in advancing the receipt of the required zoning approvals. Nevertheless, on August 25, 2021, the Company's Board learned that despite the progress in contacts between the Company and the Düsseldorf municipality, due to the prolongation of the negotiation between the Düsseldorf municipality and the German railway company, a further delay would occur in connection with the zoning plan.

To the Board's estimation, and based on the information provided to it by the competent authorities in Germany, the approval is expected to be received during the second half of 2022. In order to prevent further delays due to the DB objections, the Company commenced to conduct discussions with the Düsseldorf municipality on a possibility of dividing the zoning plan.

Following the foregoing regarding the delays in obtaining the zoning plan approvals (and the delay caused by it in the payment of the second installment of the Gerresheim Transaction and its effect on the profitability of the transaction from the Company's point of view), the Company has decided to prepare for the cancellation of the Transaction.

The Company's intention to prepare for the cancellation of the Transaction, derived ,among others, from the Company's estimations that the delays in the approvals) that grants the Buyer to right to rescind the Transaction) and as a result the beginning of the construction on a later date than planned, shall make it harder for the Buyer to finance the transaction. In this context, it should be mentioned that during June ,2021 the Company granted the project a bridge loan in an amount of approx. EUR 3.8 million, in the place of the Buyer. In addition, the Company's decision derived from the improvement in its financial profile) low leverage rate), and the focus of its business in the field of residential real estate, including development real estate.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The Company informed the Buyer that it desires to prepare for the cancellation of the Transaction and the Buyer clarified that in light of the delays in the zoning plan approvals from the authorities and the project in general, it does not intend to object.

In accordance with and following the foregoing, the Company entered into an MOU with the Buyer according to which the transaction will be canceled ("MOU" and "the cancellation transaction", respectively), subject to the conditions set forth in the MOU, including obtaining the required consents under the financing agreements, obtaining binding tax ruling in connection with the tax aspects of the cancellation transaction.

During November 2021, the binding ruling was received from the tax authorities and the cancellation transaction came into effect where on January 2, 2022, the Company entered into a binding agreement for the reversal and cancellation of the transaction (the "Cancellation Agreement"). The cancellation agreement stipulates the cancellation of the transaction in a binding manner (subject to the conditions precedent set forth below), in such a way that upon cancellation of the transaction the company will hold full ownership (100%) (indirectly) in the Gerresheim project holding company and the cancellation agreement prescribes the specific mechanism for reversal and cancellation of the transaction based on the conditions set forth in the MOU and that no agreed compensation will be imposed on any of the parties. The conditions precedent to the cancellation agreement include customary conditions precedent, the significant of which is the receipt of all agreements required by virtue of the financing agreements of the Gerresheim project ("Terms of Agreement"), where: (1) the Company has the right to waive the terms of the agreement at any time and as a result, the transaction cancellation will enter into effect immediately upon completion of the cancellation agreement; (2) to the extent that the terms of the agreement (a) have not been completed or waived by June 30, 2022; Or (b) became unnecessary, then the Company has the right to withdraw from the cancellation agreement; And (3) to the extent that the terms of the agreement have not been completed or waived by July 30, 2022, then the buyer in the transaction may withdraw from the cancellation agreement. It is indicated that the Company is entitled to receive from the buyer the cumulative interest amount for the loan granted to the buyer on the date of sale, and accordingly the Company recognized a receivable interest asset in the amount of EUR 3.3 million, which is presented as current assets (see Note 4 above).

In view of the foregoing, the Company commenced to consolidate the financial statements of the project company starting September 1, 2021. Regarding the assets and liabilities included as a result of the consolidation - see Appendix B to the statements of cash flows.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Information on jointly controlled company measured at equityAs of December 31, 2021

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

As of December 31, 2020

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

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

(2) As to the cancellation of the sale transaction and returning to consolidation of the financial statements of the project company effective September 1, 2021 see Note 6b (1) above.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

a. Composition and movement

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
	<u>Euros in thousands</u>	
Balance as of January 1	1,286,346	1,185,568
<u>changes during the year</u> (see also section f)		
Purchases and additions during the year	58,846	19,741
Realization of investment property	-	(15,000)
Classification of real estate inventory to investment property	-	29,638
Realization of investment property from deconsolidation of subsidiaries	(12,369)	-
Classification of asset as held for sale	(30,100)	(17,338)
Fair value adjustment	113,607	83,737
Balance as of December 31	<u>1,416,330</u>	<u>1,286,346</u>

Investment property consists of commercial and residential real estate projects leased to third parties. Residential development designated to rental 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,	
	2021	2020
	Euros in thousands	
Investment property - real estate rights and investment property under construction	99,100	60,900
Investment property - income generating assets	<u>1,317,230</u>	<u>1,225,446</u>
Balance as of December 31	<u><u>1,416,330</u></u>	<u><u>1,286,346</u></u>

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

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:

	December 31,	
	2021	2020
<u>Lands for betterment, Düsseldorf, Germany *</u>		
Expected sale price per sq.m (in Euro)	9,351	10,592
Expected construction costs per sq.m (in Euro)	5,037	4,456
<u>Income-generating residential real estate</u>		
Discount rate (%) **	4.72	5.03
Cap rate (%) **	3.27	3.62
Long-term vacancy rate (%)	1.82	2.01
Representative monthly rental fees per sq. m. (in Euros)	7.51	7.41
<u>Income-generating commercial real estate</u>		
	December 31,	
	2021	2020
Discount rate (%) **	7.14	6.90
Cap rate (%)**	6.21	5.98

*) Represents the valuation data of the land, on which the Company plans to build luxury apartments. Land value as of December 31, 2021 amounted to € 46.3 million.

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

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 other than specific assets for which a binding sale agreement is in place which are classified in the fair value hierarchy in level 1. See Note 15.

Sensitivity analysis

Based on NOI of €48.5 million (standardized NOI) any change of 25 points at the capitalization rate (Cap rate) over fair value adjustment is € 89.9 million.

- e. Regarding charges see Note 18a.
- f. Sales of investment property during the year
1. On June 30, 2021, the sale of the remaining asset, which was presented as of December 31, 2020 as part of the assets held for sale, was completed from a transaction for the sale of assets from the commercial real estate portfolio signed during 2019.
 2. On January 29, 2021, the sale of an additional asset from the Company's income generating commercial portfolio was completed, which was presented as of December 31, 2020 as part of the assets held for sale totaling approximately € 11 million.
 3. On August 31, 2021, the sale of an additional asset from the Company's income generating commercial portfolio was completed for approximately € 6.4 million.
 4. On February 26, 2021, the sale of a subsidiary that holds an asset of the income generating commercial portfolio for € 9 million was completed. The entire consideration from the sale was used to repay shareholders loan granted to the subsidiary.
 5. On August 5, 2021, the Company entered into agreement for selling an additional asset from the Company's income generating commercial real estate portfolio for approximately €16.5 million. In addition, the Company may be entitled to an additional consideration of up to €1.5 million in the event that buyer will be successful in improving the development plan in a way that will allow him to utilize more space in the asset. The sale of the asset is expected to be completed in the first half of 2022. Accordingly, the assets and liabilities of the holding company were classified in the statement of financial position as of December 31, 2021 as assets and liabilities of disposal group held for sale. The total assets held for sale, attributed to this property, include investment property in the amount of approximately €16.5 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

6. On November 3, 2021, the Company entered into agreement for selling an additional asset from the Company's income generating commercial real estate portfolio for approximately €13.6 million. The sale of the asset is expected to be completed in the first half of 2022. Accordingly, the assets and liabilities of the holding company were classified in the statement of financial position as of December 31, 2021 as assets and liabilities of disposal group held for sale. The total assets held for sale, attributed to this property, include investment property in the amount of approximately €13.6 million.

The Company owns an income generating residential real estate where most of its lease agreements are for an indefinite period. As of December 31, 2021, the Company has residential lease agreements which generated an annual rental income of € 56.1 million. In addition, the Company has an income generating commercial real estate consisting of assets leased to third parties generating € 5.0 million during the year and rental payments expected in 2022 are expected to amount to € 1.9 million.

NOTE 9: - OTHER ACCOUNTS RECEIVABLE AND OTHER FINANCIAL ASSETS

	December 31	
	2021	2020
	Euros in thousands	
Long term loan granted (*)	11,449	-
Others	177	259
	<u>11,626</u>	<u>259</u>

(*) see Note 18(5).

NOTE 10: - OTHER ACCOUNTS PAYABLE AND OTHER FINANCIAL LIABILITIES

	December 31,	
	2021	2020
	Euros in thousands	
Expenses payable	855	1,500
Interest payable	1,611	621
Trade payables	603	770
Deposits from tenants	8,590	7,780
Government authorities	-	95
Tax provision, net	14,674	7,189
Expenses payable for completed projects	744	811
Payables in respect of purchase of real estate	2,150	1,223
Prepaid income	1,066	665
Other payables and other financial liabilities	249	318
	<u>30,542</u>	<u>20,972</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11: - LOANS FROM BANKS AND DEBENTURES

a. Composition

	interest rate as of December 31, 2020	December 31,	
		2021	2020
		Euros in thousands	
	%		
Loans at variable interest from banks presented at amortized cost	(*)	42,693	43,624
Loans at fixed interest from banks presented at amortized cost	(**)	557,961	383,400
Debentures linked to CPI (sections d and (f) – amortized cost	(***)	72,349	72,980
		673,003	500,004
Less - current maturities for bank loans		(244,468)	(130,739)
Less- current maturities for bonds		(11,508)	(10,013)
Less – loans from banks for financing inventory of buildings under construction		-	-
		<u>417,027</u>	<u>359,252</u>

(*) interest rate for the loans at variable interest: Euribor+1.54%.

(**) interest rate for loans at fixed interest: 1.16% - 1.88%. it should be indicated that the average interest of the loan for financing the Gerresheim project is 4.84%.

(***) interest rate on bonds: 3.29%-3.30%. Principal and interest are linked to Israeli CPI. Debentures are traded on TASE.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

b. Movement:

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
	<u>Euros in thousands</u>	
Balance as of January 1	500,004	579,345
Receipt of loan, net (see section c below)	60,059	18,958
Repayment of debentures	(11,298)	(25,706)
Repayment of loans	(33,216)	(70,545)
New consolidation (*)	145,185	-
Cost of receiving loans amortizations and others	3,892	(837)
Exchange differences	8,377	(1,211)
Balance as of December 31	<u>673,003</u>	<u>500,004</u>

(*) For details regarding the new consolidation of the loan financing the construction project in Gerresheim see Note 6b (1) above.

- c. In 2021, the Company took loans totaling EUR 37.5 million that were used in the Company's development activity in Dusseldorf and Aachen.

During January 2021, the Company, via its sub-subsidiaries, signed a refinancing agreement with a German banking corporation for a loan of approximately EUR 100.5 million. The loan bears an average annual interest rate of approximately 1.41% with a repayment date in June, 2023. The refinancing was treated as an insignificant change in the terms of the debt. The change had no material effect on the statement of profit or loss

During May 2021, the Company took a loan from a German banking corporation through a sub-subsidiary in the amount of approximately EUR 22.6 million. The loan was taken on or about the completion date of the loan repayment from the same banking corporation. The loan bears an average annual interest rate of 1.25% payable quarterly. The loan principal will be repaid in 19 equal quarterly installments in the amount of EUR 56 thousand and the balance of the principal will be repaid in May 2026.

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

On March 31, 2020, the Company's Board of Directors decided on early and full redemption of the Company's bonds (Series A). On April 20, 2020, early and full redemption of the Company's bonds (Series A) was carried out and a consideration of NIS 61,776 thousand including accrued interest (EUR 15,882 thousand) was paid to the Company's bondholders (Series A). The final redemption amount reflected compensation for early redemption in a total amount of approximately NIS 387 thousand (EUR 100 million) which was included in finance expenses for the period.

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

- e. On May 21, 2013, the Company issued to the public in Israel new series (series B) of debentures in a total amount of NIS 175 million par value by way of uniform offer according to a shelf prospectus report dated May 19, 2013. The debentures bear annual interest of 3.29% (payable in semiannual payments in June and December effective December 2013) and are linked to the CPI as of April 2013. The debentures (series B) will be payable (principal) in unequal annual 12 installments on December 31 in each of the years 2013 through 2024 (inclusive) such that each payment of the first 7 payments will constitute 4% of the principal of the total par value of the debentures (series B) and each payment of the last 5 payments will constitute 14.4% of the principal of the total par value of the debentures (series B). In addition, on January 27, 2014, the Company's Board of Directors approved a private placement of 72 million debentures (Series B) of NIS 1 par value, listed for trade, to 10 institutional investors (the offerees) by expanding the existing debenture series of the Company (Series B) listed for trade ("the offered securities" and "the private placement"). As of December 31, 2021 the par value balance of the debentures (Series B) is NIS 108,000 thousand. The Company has undertaken that so long as the debentures (Series B) are still outstanding:
1. Equity attributable to Company shareholders shall not fall below €150 million.
 2. No distribution of dividends, distribution of capital or share buy-back shall take place if as a result the equity attributed to Company shareholders falls below €160 million and/or debt ratio to CAP will exceed 70%.
 3. The ratio between the Company's total net financial liabilities that are:
 - a. Company obligations for the repayment of loans with recourse.
 - b. The Company's obligations for the repayment of debentures (Series A and B) and other debentures, if any.
 - c. The Company's obligations to repay other loans the repayment date of which falls during the period of the debentures (Series B).
 - d. Any debt of the Company's subsidiaries towards a third party is pledged by a lien, but no more than the value of the pledged asset.

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.

Reductions in value listed pursuant to the Consolidated Financial Statements (if any) for the assets pledged to guarantee loans of sums exceeding the borrower's recourse right.

- c. Shall not exceed 75%
4. The ratio between the value of the shares of subsidiary BGP as defined in the deed of trust pledged to guarantee the repayment of debentures (Series B) calculated on the basis of the subsidiary's equity (attributed to Company shareholders) and the Company's debts to the holders of the debentures (Series B) defined as the balance of the debentures' (Series B) principal plus interest and linkage accumulated and not yet paid, shall not fall below 175%.

As of December 31, 2021, the Company is in compliance with said financial covenants.

- f. In July 2014, the Company completed the issuance to the public in Israel new series (series C) of debentures par value NIS 102,165,000 under the shelf prospectus report dated July 20, 2014. The annual interest rate determined in the tender, which was held on July 21, 2014, is 3.3%.

The interest on the debentures (series C) will be paid in two semiannual installments on January 20 and July 20 of each of the years 2015 – 2026 (inclusive) effective January 20, 2015. In addition, on April 4, 2016, the Company completed an issuance to the public in Israel of 60,058,000 debentures (series C) of NIS 1 listed for trade by expanding existing series of debentures (series C). The debentures (series C) will be linked to the CPI and payable (principal) in unequal annual 12 installments on July 20 in each of the years 2015 through 2026 (inclusive) such that each payment of the first 9 payments will constitute 2% of the principal of the total par value of the debentures (series C), the tenth payment will constitute 17% of the principal of the total par value of the debentures (series C) and each payment of the last 2 payments will constitute 32.5% of the principal of the total par value of the debentures (series C). As of December 31, 2021, the par value balance of the debentures (Series C) is NIS 140,566 thousand. The Company has undertaken that so long as the debentures (Series C) are still outstanding:

1. Equity attributable to Company shareholders shall not fall below €190 million.
2. No distribution of dividends, distribution of capital or share buy-back shall take place if as a result the equity attributed to Company shareholders falls below €200 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

3. The ratio between the Company's total net financial liabilities that are:
 - a. Company obligations for the repayment of loans with recourse.
 - b. The Company's obligations for the repayment of debentures (Series A, B and C) and other debentures, if any.
 - c. The Company's obligations to repay other loans the repayment date of which falls during the period of the debentures (Series C).
 - d. Any debt of the Company's subsidiaries towards a third party is pledged by a lien, but no more than the value of the pledged asset.

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

- a. The Company's total net financial liabilities (as defined above).
 - b. Any loan received by the Company from any party that according to its conditions is subordinate in its repayment levels to the debentures (Series C) and which cannot be repaid (principal and/or interest) over the course of the debentures' (Series C) period.

Reductions in value listed pursuant to the Consolidated Financial Statements (if any) for the assets pledged to guarantee loans of sums exceeding the borrower's recourse right.
 - c. Shall not exceed 75%.
4. The ratio between the value of the shares of subsidiary BGP, pledged to guarantee the repayment of debentures (Series C) calculated on the basis of the subsidiary's equity (attributed to the Company's shareholders) and the Company's debts to the holders of the debentures (Series C) defined as the balance of the debentures' (Series C) principal plus interest and linkage accumulated and not yet paid, shall not fall below 175%.

As of December 31, 2021, the Company is in compliance with said financial covenants.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

g. Financial covenants

In the context of credit framework agreements with banking corporations, subsidiaries undertook to comply with a number of financial covenants, including a loan to value (LTV) ratio between 65% and 80% and debt service coverage ratio (DSCR) (must be higher than the range between 120% to 270%). All loans are non-recourse and therefore failure to comply with the terms of one of the frameworks does not constitute violation of the other frameworks.

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

As of December 31, 2021, the Company complies with all of the financial covenants as set forth.

NOTE 12: - LOANS FROM CONTROLLING SHAREHOLDER

On May 9, 2019, the Audit Committee and the Company's Board of Directors approved the receipt of a credit facility in the amount of EUR 100 million from ADLER, the controlling shareholder of the Company. From which facility as of December 31, 2019, EUR 44.2 million were drawn down. The facility was granted for two years at an interest of 2.58% per year and the Company has the right of early repayment of the funds that were drawn down without breaking costs. No financial covenants were determined for the loan and no collaterals were provided by the Company. During January and March 2020, the Company repaid the entire debt to the controlling shareholder, so that as of the date of the report, there is no debt balance to the controlling shareholder. On May 9, 2021 the Company's credit facility was ended under this loan.

NOTE 13: - LEASE LIABILITIES

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
	<u>Euros in thousands</u>	
Lease liability (1)	-	3,021
Less - current maturities	-	(31)
	<u>-</u>	<u>2,990</u>

(1) In the reporting period, the Company sold rights to a leased asset as part of selling the subsidiary which held rights to this asset. For further details regarding the sale see Note 8(f)4.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14: - OTHER FINANCIAL ASSETS

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
	<u>Euros in thousands</u>	
Presented in noncurrent assets:		
Marketable financial asset measured at fair value through profit or loss (1)	6,819	36,094
Non marketable financial assets measured at fair value through profit or loss (2)	6,525	6,494
	<u>13,344</u>	<u>42,588</u>
	<u>13,344</u>	<u>42,588</u>

- (1) On July 23, 2018, the Company acquired shares in a public company incorporated in Germany, whose shares are traded on the unofficial supervised Frankfurt Stock Exchange and in the German residential real estate development market, which is unrelated to the Company or its controlling shareholder ("the Target Company"). The purchased shares represented 4.1% of the issued and outstanding share capital of the target company, for a total consideration of € 35 million. Following the acquisition date of the Target Company's shares by the Company, control of the Target Company was acquired by a shareholder in ADLER, whose shares are traded on the unofficial supervised stock exchange of Frankfurt. It should be noted that during the reporting period, the shareholder held (indirectly) control of ADLER. As of the date of signing the report, said shareholder no longer holds control of ADLER. In the fourth quarter of 2021, there was a material decline in the value of the investment in the Target Company, which as of the report date, the Company holds 3.02% of the Target Company's shares. This investment is classified as a financial instrument presented at fair value through profit or loss valued at € 6.8 million as of December 31, 2021 grossing up a loss for the Company of € 28.2 million
- (2) On March 22, 2019, the Company entered into agreement with a third party unrelated to the Company or its controlling shareholder, which to the best of the Company's knowledge is a leading global investment fund to sell 89.9% of its holdings in three companies (held indirectly by certain subsidiaries of the Company) which own commercial properties in the cities of Rostock, Celle, and Castrop. The consideration in the transaction represents a gross asset value of approximately EUR 175 million, with certain adjustments as defined in the sale agreement. On May 31, 2019, the Company completed the sale transaction. As a result of the aforesaid agreement, the Company recognized a loss of approximately EUR 2.3 million in 2019 as a result of the difference between the sale consideration, less transaction costs (transaction costs amounted to approximately EUR 6.4 million), the value of the net assets and liabilities presented in the Company's reports; The loss was recognized in the Company's financial statements in 2019 as part of changes in the fair value of investment property, net. In addition, the Company recognized a loss of EUR 7.2 million as part of finance expenses as a result of bank loan early repayment costs that were repaid upon completion of the transaction. The investment balance of approximately EUR 6.5 million (10.1% of the companies' capital), is presented as part of an investment in financial assets measured at fair value through profit or loss.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15: -FAIR VALUE MEASUREMENT

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

Quantitative disclosures of the fair value measurement hierarchy of the Group's assets and liabilities as of December 31, 2021:

	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
	Euros in thousands			
Assets measured at fair value: Investment property (Note 8):				
Income generating commercial real estate	30,100	-	24,640	<u>54,740</u>
Income generating residential real estate	-	-	1,292,590	<u>1,292,590</u>
Land for betterment and real estate right (Note 8)			99,100	<u>99,100</u>
Other financial assets: (Note 14a)				<u></u>
Marketable financial asset measured at fair value through profit or loss	6,819	-	-	<u>6,819</u>
Financial assets measured at fair value through profit or loss	-	-	6,525	<u>6,525</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15: - 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				
Interest swap contracts	-	(249)	-	<u>(249)</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 material data	Range (weighted average)	Sensitivity of fair value to change in data
Interest swap transactions	DCF	Payment curve	Euribor curve for transaction period	2% increase/decrease in Euribor curve will result in increase/decrease in fair value up to € 0.4 million

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15: - FAIR VALUE MEASUREMENT (Cont.)

Derivatives and hedging

	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Asset</u>	<u>Liability</u>	<u>Asset</u>	<u>Liability</u>
	<u>Euros in thousands</u>			
Fair value of swap agreements	-	(249)	-	(597)

Cash flow hedges:

As of December 31, 2021, the Group has interest rate swap agreements (SWAP) in the sum of € 42.7 million according to which the Group pays a fixed interest rate of 0.235% and receives variable interest at a rate equal to Euribor for three months.

NOTE 16: - FINANCIAL INSTRUMENTS

a. Classification of financial assets and financial liabilities

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
	<u>Euros in thousands</u>	
<u>Cash and receivables at amortized cost</u>		
Cash and cash equivalents	24,861	34,814
Restricted deposits financial assets and receivables (1)	24,806	15,815
Tenants and trade receivables, net	575	1,399
Other non-current receivables and restricted deposits	67	106
	<u>50,309</u>	<u>52,134</u>
<u>Financial instruments (fair value)</u>		
Investments in financial assets measured at fair value through profit or loss	13,344	42,588
Financial liabilities for hedging purposes	(249)	(597)
	<u>13,095</u>	<u>41,991</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16: - FINANCIAL INSTRUMENTS (Cont.)

	December 31,	
	2021	2020
	Euros in thousands	
<u>Financial liabilities at amortized cost</u>		
Debentures	(72,349)	(72,980)
Credit from banks	(600,653)	(427,024)
Other accounts payable (2)	(20,943)	(12,527)
Lease liability	-	(2,990)
	<u>(693,945)</u>	<u>(515,521)</u>

- (1) Excluding prepaid expenses.
(2) Excluding deposits from tenants and prepaid income.

b. Market risk1. Foreign currency risk

The Company has debentures denominated in NIS and fully linked to the changes in Israel CPI. Accordingly, it is exposed to exchange rate risk deriving from exposure to this currency. Exchange rate risk derives from recognized liabilities denominated in foreign currency which is other than the functional currency. As to sensitivity tests see section f above.

2. CPI risk

As aforesaid, the Company has debentures that are fully linked to the changes in the CPI in Israel, subject to floor index. For further details, see Note 11 above. As to sensitivity tests see section f above.

3. Interest rate risk

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

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

The interest swap contract conditions are suited to the base loans.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16: - FINANCIAL INSTRUMENTS (Cont.)c. Credit risk

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

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

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

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

The Company estimates that when lease payments from tenants are in arrears of more than 30 days, there is a significant increase in credit risk and the Company recognizes an impairment as follows:

- For payments in arrears of more than 30 days but less than 60 days, the provision for impairment is 20% of the balance.
- For payments that are over 60 days but less than 180 days in arrears, the provision for impairment is 50% of the balance.
- For payments that are more than 180 days in arrears, the Company provides the full balance for impairment.

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

d. Liquidity risk

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16: - FINANCIAL INSTRUMENTS (Cont.)

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

As of December 31, 2021, 39.93% of the Group's debt will be redeemed within under a year (2020 – 29.64%) (See also Note 11). It should be indicated that the Company is in advanced discussions with the lending banks to refinance all loans, which are expected to be repaid over the coming year.

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

December 31, 2021

	<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>
Euros in thousands							
Accounts payable	28,684	-	-	-	-	-	28,684
Loans from banking corporations (1)	254,050	105,922	21,725	9,158	30,165	213,023	634,043
Debentures (1)	13,927	13,548	20,264	16,432	15,971	-	80,142
	<u>296,661</u>	<u>119,470</u>	<u>41,989</u>	<u>25,590</u>	<u>46,136</u>	<u>213,023</u>	<u>742,869</u>

December 31, 2020

	<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>
Euros in thousands							
Accounts payable	20,149	-	-	-	-	-	20,149
Loans from banking corporations (1)	137,031	98,534	9,113	20,879	8,316	191,083	464,956
Debentures (1)	12,479	12,148	11,817	17,679	11,193	17,016	82,332
Lease liability	215	215	215	215	215	4,635	5,710
	<u>169,874</u>	<u>110,897</u>	<u>21,145</u>	<u>38,773</u>	<u>19,724</u>	<u>212,734</u>	<u>573,147</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 16: - FINANCIAL INSTRUMENTS (Cont.)

e. Fair value

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

As of December 31, 2021

<u>Financial liabilities</u>	Carrying amount in the statement of financial position	Fair value
	Euros in thousands	
	_____	_____
Debentures and interest payable on debentures	<u>72,949</u>	<u>82,309</u>

As of December 31, 2020

<u>Financial liabilities</u>	Carrying amount in the statement of financial position	Fair value
	Euros in thousands	
	_____	_____
Debentures and interest payable on debentures	<u>73,515</u>	<u>80,264</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 (level 1).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16: - FINANCIAL INSTRUMENTS (Cont.)

f. Sensitivity tests relating to changes in market factors

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</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	(609)	(715)
Interest decrease of 200 base points *)	(*) -	- (*)
<u>For Swap</u>		
Interest increase of 200 base points	428	1,280
Interest decrease of 200 base points *)	(439)	(1,347)
<u>For debentures</u>		
CPI increase of 3%	(2,196)	(2,216)
CPI decrease of 3%	1,842	354
EURO/NIS exchange rate increase of 5%	3,576	3,611
EURO/NIS exchange rate decrease of 5%	(3,576)	(3,611)

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

Sensitivity tests and principal working assumptions

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

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

The sensitivity tests present the profit or loss and/or the comprehensive income or loss with respect to each financial instrument for the relevant risk variable chosen for that instrument as of each reporting date. The test of risk factors was determined based on the materiality of the exposure of the operating results or financial condition of each risk with reference to the functional currency and assuming that all the other variables are constant. The Group is not exposed to changes in profit/loss due to interest risk with respect to long-term loans at fixed interest.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16 : - FINANCIAL INSTRUMENTS (Cont.)

- g. Changes in liabilities deriving from financing activity (excluding liabilities presented under disposal groups held for sale)

	Loans from banks	Loans from controlling shareholder	Bonds	Lease liability	Total liabilities deriving from financing activity
	EUR in thousands				
Balance as of January 1, 2019	(763,197)	-	(107,416)	(3,041)	(873,654)
Cash flow	151,743	(44,200)	18,679	54	126,276
Classification to liabilities for disposal group held for sale	142,398	-	-	-	142,398
Effect of exchange rate changes	-	-	(11,683)	-	(11,683)
Other changes	(9,870)	(562)	-	(23)	(10,455)
Balance as of December 31, 2019	478,926	(44,762)	(100,420)	(3,010)	(627,118)
Cash flow	51,587	44,762	25,706	54	122,109
Effect of exchange rate changes	-	-	1,734	-	1,734
Other changes	315	-	-	(34)	281
Balance as of December 31, 2020	(427,024)	-	(72,980)	(2,990)	(502,994)
Cash flow	(26,843)	-	11,298	2,990	(12,555)
Effect of exchange rate changes and CPI linkage	-	-	(10,667)	-	(10,667)
New consolidation	(145,185)	-	-	-	(145,185)
Other changes	(1,601)	-	-	-	(1,601)
Balance as of December 31, 2021	(600,653)	-	(72,349)	-	(673,002)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17: - TAXES ON INCOME

a. Tax laws applicable to the Group companies

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

<u>State</u>	%
The Netherlands	25
Germany (*)	15.825 – 31.225
Luxemburg	24.94

*) Earnings from the sale of apartments are subject to a local business tax in Germany. The corporate tax and the local business tax rate amount to 31.225%.

3. Earnings from the sale of the shares of a Dutch company, Luxembourgian company or by a Dutch company are tax-exempt in the Netherlands subject to meeting the terms of exemption from participation set forth in Dutch law. Earnings from the sale of a German company, owning real estate assets of 50% of the Company's total assets by a German company are taxable at a 5% corporate tax rate on the taxable income. As of 2019, as a result of changes in the German law, earnings deriving after January 1, 2019 from the sale of shares of a limited company that holds assets in Germany will be taxed at 5% of the taxable income.

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

b. Tax assessmentsFinal tax assessments

The Company was issued final tax assessments in the Netherlands until and including 2017. Some subsidiaries that are tax assessed were issued final tax assessments until and including 2020 and some were not issued final tax assessment from their establishment date.

Most of the companies that are tax assessed in Germany were issued tax assessments until and including 2020. The assessments that were issued to the Company until and including 2016 are deemed final due to the statute of limitations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17: - TAXES ON INCOME (Cont.)

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

The Group has business losses and capital losses for tax purposes carried forward for tax purposes on the coming years, totaling as of December 31, 2021 approximately € 62,798 thousand. In respect of some of these losses, deferred tax assets have been recognized in the financial statements in the amount of approximately € 15,639 thousand.

d. Deferred taxes

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
	<u>Euros in thousands</u>	
<u>Deferred tax liabilities</u>		
Inventory of buildings under construction, inventory of real estate and investment property	(149,414)	(127,641)
Debentures	(63)	(88)
Others	(223)	(311)
	<u>(149,700)</u>	<u>(128,040)</u>
<u>Deferred tax assets</u>		
Losses carried forward for tax purposes	15,639	4,410
Revaluation of financial derivatives	39	95
	<u>15,678</u>	<u>4,505</u>
Deferred tax liabilities, net	<u>(134,022)</u>	<u>(123,535)</u>
Deferred taxes are presented in the statement of financial position as follows:		
Non-current assets	5,371	187
Non-current liabilities	(139,393)	(123,722)
	<u>(134,022)</u>	<u>(123,535)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17: - TAXES ON INCOME (Cont.)

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

	Year ended December 31,	
	2021	2020
	Euros in thousands	
<u>Deferred tax liabilities</u>		
Inventory of buildings under construction, inventory of real estate and investment property	31,363	12,715
Revaluation of financial derivatives	55	(395)
Others	(83)	(847)
	<u>31,335</u>	<u>11,473</u>
<u>Deferred tax assets</u>		
Losses carried forward for tax purposes	(11,230)	3,466
Debentures	(26)	(280)
	<u>(11,256)</u>	<u>3,186</u>
Deconsolidation and others	<u>-</u>	<u>(736)</u>
Deferred tax expenses (income), net	<u>20,079</u>	<u>13,923</u>

The deferred taxes are computed at an average tax rate of 15.825% based on the tax rates expected to apply on realization. Deferred taxes in respect of inventory of apartments under construction and inventory of real estate are calculated at a tax rate of 31.225%. Deferred taxes in respect of carryforward tax losses in the Netherlands are calculated at a tax rate the Company expects that these losses will be utilized.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17: - TAXES ON INCOME (Cont.)

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

	Statement of profit or loss		
	Year ended December 31,		
	2021	2020	2019
	Euros in thousands		
Deferred taxes, see also d. above	20,079	13,923	(7,565)
Current taxes and taxes in respect of previous years and others	4,283	13,671	19,823
Tax expenses	<u>24,362</u>	<u>27,594</u>	<u>12,258</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 the Netherlands and the amount of taxes on income charged in the statement of profit or loss:

	Year ended December 31,		
	2021	2020	2019
	Euros in thousands		
Income before taxes on income	<u>96,938</u>	<u>125,287</u>	<u>29,885</u>
Statutory tax rate in the Netherlands	<u>25%</u>	<u>25%</u>	<u>25%</u>
Tax calculated using statutory tax rate	24,235	31,322	7,471
Deferred tax assets created in other tax rate and others, net	(1,822)	(5,824)	5,111
Taxes for previous periods	<u>1,949</u>	<u>2,096</u>	<u>(324)</u>
Taxes on income	<u>24,362</u>	<u>27,594</u>	<u>12,258</u>

NOTE 18: - CONTINGENT LIABILITIES, COMMITMENTS, LIENS AND COLLATERALSa. contingent liabilities, liens and collaterals

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

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

2. As part of a loan agreement signed during September 2021 with a banking corporation to receive € 28.0 million to finance Stage I of the Düsseldorf project, the Company paid € 2.6 million which is held in the lending bank as a guarantee in favor of the local authority for securing the liabilities of the project company according to the agreement with the local authority. The annual interest rate on the guarantee is 2.0 % and is calculated only for the amount that was actually granted as a guarantee.
3. Regarding the pledge provided in respect of debentures, see Note 11d - f.
4. The balance of secured liabilities is EUR 674.9 million (2020 - EUR 504.2 million).
5. As part of developing the inventory of buildings under construction for Stage A (see Note 6), the Company entered into agreement with a performing contractor for constructing the project. As of December 31, 2017, the construction work was finalized by the contractor. In the final settlement of accounts, the contractor requested additional payment from the Company in the amount of € 12.5 million. The Company rejected the arguments of the contractor and demanded that the contractor will compensate the Company for an amount (which is still not final) of € 4 million due to various breaches of the contract by the contractor. In June 2019, the Company reached with the contractor an interim agreement and on July 1, 2019 paid the contractor € 2 million. On February 11, 2022, the Company paid the contractor an additional EUR 0.5 million and after this payment the parties agreed to conclude the claim.

b. Claims

Lawsuits have been filed against the Group totaling some € 2,941 thousand. In the estimation of Group management, relying *inter alia* on the opinions of its legal counsel, the provisions contained in the financial statements are sufficient to cover the possible exposure, as a result of these lawsuits.

NOTE 18: - CONTINGENT LIABILITIES, COMMITMENTS, LIENS AND COLLATERALS (Cont.)c. Commitments

1. In January and February 2019, as part of the exercise of the refusal right/offer to acquire the rights of the investors who invested in some of the Company's assets at rates between 23% - 42%, the Company notified the investors of the exercise of the refusal right and consequently the Company and the holders of rights began negotiations for the acquisition of the investors' rights in order to carry out the transaction and to improve the transaction structure, the Company entered into agreement with ADLER such that a subsidiary of ADLER will purchase 10.1% of the rights in the relevant asset companies. Accordingly, on July 1, 2019, the Company completed the above purchase of rights (except for the rights at a rate of 10.1% that were purchased by ADLER) in a total consideration of € 64.7 million.

2. Commitment for regulatory purposes - On December 16, 2020, the Company's Board of Directors approved the sale of 0.1% of the asset companies held by the Company, as part of the Company's preparations for regulatory changes which may take place in Germany in the coming years. On December 18, 2020, and as a precaution, the transaction was classified by the Company's Audit Committee as a non-exceptional transaction in which the controlling shareholder has a personal interest, taking into account the fact that the company entered into similar transactions with several subsidiaries of ADLER, the controlling shareholder of the Company, holding a negligible rate in such companies and in the past the ultimate controlling shareholder of the acquiring company indirectly held shares of ADLER Group SA. It should be clarified that as of the transaction approval date and to the best of the company's knowledge, the shares of ADLER Group SA were no longer held by the ultimate controlling shareholder (and in any case did not hold more than 5% of the shares of ADLER Group SA).

The transaction was made in the ordinary course of the Company's business, on market terms and in immaterial amount to the Company.

NOTE 18: - CONTINGENT LIABILITIES, COMMITMENTS, LIENS AND COLLATERALS (Cont.)

3. On August 12, 2020, the Company announced that following the recommendation and approval of the Company's Remuneration Committee, the Company's Board of Directors decided to approve the Company's new Remuneration Policy, stating that despite the opposition of the general meeting held on July 29, 2020, the approval of the new Remuneration Policy is in the best interest of the Company and in accordance with section 267A (c) of the Companies Law, 5769-1999. The approved remuneration policy also settles remuneration for directors and officers including setting fixed and variable components of remuneration to directors and officers, reimbursement of expenses, retirement conditions and issues of indemnification and insurance. The approved remuneration policy also settles situations in which the officers provide services to both the Company's parent company and the Company and will be valid for a period of three years beginning on July 29, 2020.
4. On February 12 and April 14, 2021, the Audit Committee and the Company's Board of Directors, respectively, approved the Company's separation agreement between the Company and its controlling shareholder and certain officers in the Company who also serve as officers in ADLER ("**Separation agreement**") which confers upon the Company, among others, first right of refusal in relation to business opportunities relevant to the Company in its field and areas of activity.
5. On June 30, 2021, the Company and another company that holds a negligible rate for regulatory purposes in the asset companies of the controlling shareholder of the Company (the "Additional Buyer") signed an agreement to acquire investor rights in a subsidiary holding the various stages of the Grafental project for a total of about 18 EUR million, when the Company acquired 5.8% of the rights for EUR 6.6 million and the additional buyer, who received a loan of about EUR 11.4 million from the Company (at an annual interest of 0.35%) purchased the remaining 10.1% of the rights for EUR 11.4 million which is presented in the statement of financial position as of December 31, 2021 under receivables in non-current assets. The total consideration was paid to the investors on July 1, 2021 and was reflected as transaction with non-controlling interests in the statement of changes in equity.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 19: - EQUITY

a. Composition of share capital

	<u>December 31, 2021 and 2020</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>

(*) excluding treasury shares – see Note 19c below.

b. Capital management in the Company

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

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

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

d. Classifications according to Dutch law - statutory capital reserve

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

In the reported period, the Company classified the distributable earnings out of the statutory capital reserve. Accordingly, the balance of distributable earnings under Dutch law as of December 31, 2021 is EUR 202.9 thousand.

e. The Company's rating

On October 14, 2021, S&P Maalot announced that the Company's ratings are included in the credit watch with negative consequences due to the weakening of the Group's credit quality and including the ratings of the parent company and the controlling shareholder in the credit watch with negative consequences. Further to this reporting, on December 9, 2021, S&P Maalot announced the ratification of Company's ratings and removing it from the watch list with negative consequences. After the report date, on February 15, 2022, Maalot S&P announced the inclusion of the Company's ratings in the credit watch with negative consequences following the weakening of the ADLER Group's credit quality and the inclusion of its ratings in the credit watch with negative consequences.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 20: - SUPPLEMENTARY INFORMATION TO ITEMS OF STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended December 31,		
	2021	2020	2019
	Euros in thousands		
a. <u>Cost of maintenance of rental properties:</u>			
Salaries, electricity, water and gas	1,675	1,646	1,737
Maintenance and repairs	6,382	6,493	6,054
Land taxes	592	569	661
Insurance	27	43	125
Doubtful accounts and bad debts	686	1,217	2,672
Marketing	437	462	685
Others	429	1,176	362
	<u>10,228</u>	<u>11,606</u>	<u>12,296</u>
b. <u>General and administrative expenses</u>			
Property management, salary expenses and others	5,223	5,642	6,091
Expenses for sale transactions of assets not yet realized	426	1,698	3,992
Legal and other professional services	3,424	3,617	3,560
Travel expenses, rent and office maintenance and others	2,474	2,368	2,495
	<u>11,547</u>	<u>13,325</u>	<u>16,138</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 20: - SUPPLEMENTARY INFORMATION TO ITEMS OF STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Cont.)

		<u>Year ended December 31,</u>		
		<u>2021</u>	<u>2020</u>	<u>2019</u>
		<u>Euros in thousands</u>		
<u>Financial expenses excluding the effect of exchange rate differences and currency hedging transactions</u>				
c.				
	(1) <u>Interest, bank charges and others</u>			
	Interest expenses on loans and debentures	(9,442)	(13,201)	(16,859)
	Bank charges, guarantee commission and others	(380)	(164)	(166)
	Leasing finance expenses	(36)	(215)	(215)
		<u>(9,858)</u>	<u>(13,580)</u>	<u>(17,240)</u>
	(2) <u>Amortization of finance costs and others</u>			
	Amortization of financial costs on loans and debentures	(777)	(1,457)	(1,850)
		<u>(10,635)</u>	<u>(15,037)</u>	<u>(19,090)</u>
d.	<u>Effect of exchange rate differences indexing and currency hedging transactions, net</u>			
	Gain (Loss) from exchange rate differences in respect of debentures and cash, net	(8,275)	1,679	(10,821)
	Linkage differences in respect of debentures	(1,748)	553	(574)
	Gain from currency hedging transactions	-	1,496	2,419
		<u>(10,023)</u>	<u>3,728</u>	<u>(8,976)</u>
e.	<u>Change in fair value of financial instruments, loans and others (including early repayment of loans)</u>			
	Gain (loss) from revaluation of interest rate swap, net	325	23	(284)
	Gain (loss) from revaluation of marketable financial asset measured at fair value through profit or loss (*)	(29,274)	438	(1,364)
	Loan early repayment costs	-	-	(9,643)
	Others	-	825	-
		<u>(28,949)</u>	<u>1,286</u>	<u>(11,291)</u>

(*) Regarding a loss from revaluation of marketable financial asset measured at fair value through profit or loss see Note 14(1).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 21: - NET EARNINGS PER SHARE

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

	Year ended December 31,					
	2021		2020		2019	
	Weighted number of shares In thousands	Net income attributable to equity holders of the Company Euros in thousands	Weighted number of shares In thousands	Net income attributable to equity holders of the Company Euros in thousands	Weighted number of shares In thousands	Net income attributable to equity holders of the Company Euros in thousands
For the purpose of calculating basic and diluted net earnings	<u>7,731</u>	<u>72,676</u>	<u>7,731</u>	<u>92,695</u>	<u>7,731</u>	<u>18,318</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 22: - OPERATING SEGMENTS

General

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

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

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

Segment revenues include rental revenues and revenues from property management.

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 22: - OPERATING SEGMENTS (Cont.)

a. Operating segment report

	<u>Income- generating commercial real estate *</u>	<u>Income- generating residential real estate</u>	<u>Land for betterment *</u>	<u>Residential development</u>	<u>Total</u>
	<u>Euros in thousands</u>				
<u>For the year ended</u>					
<u>December 31, 2021</u>					
Revenues from property rental	4,998	54,142	103	-	59,243
Revenues from property management and others	1,570	22,083	53	-	23,706
Property management expenses	(1,217)	(22,171)	(256)	-	(23,644)
Rental property maintenance expenses	(3,387)	(6,555)	(286)	-	(10,228)
Total rental and management revenues (expenses), net	1,964	47,499	(386)	-	49,077
Revenues from sale of apartments	-	-	-	8,301	8,301
Cost of sale of apartments	-	-	-	(7,304)	(7,304)
Gain from sale of apartments	-	-	-	997	997
Group's share in losses of companies accounted at equity	(2,083)	-	-	-	(2,083)
General and administrative expenses					(11,547)
Selling and marketing and general and administrative expenses attributed to inventory of buildings under construction and inventory of real estate	-	-	-	(1,502)	(1,502)
Appreciation (impairment) of investment property, net	(6,879)	124,121	(5,639)	-	111,603
Financial expenses, net					(49,607)
Income before taxes on income					<u>96,938</u>

(*) With respect to assets designated for sale and assets realized in the report period, see note 8f.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 22: - 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, 2020</u>					
Revenues from property rental	9,361	52,355	172	-	61,888
Revenues from property management and others	2,615	21,970	93	-	24,678
Property management expenses	(2,916)	(21,803)	(136)	-	(24,855)
Rental property maintenance expenses	(4,777)	(6,534)	(295)	-	(11,606)
Total rental and management revenues (expenses), net	4,283	45,988	(166)	-	50,105
Revenues from sale of apartments	-	-	-	72,548	72,548
Cost of sale of apartments	-	-	-	(58,172)	(58,172)
Gain from sale of apartments	-	-	-	14,376	14,376
Other income	500	-	-	-	500
Group's share in earnings of companies accounted at equity	262	-	-	-	262
Gain from realization of investment in a company accounted at equity	-	2,011	-	-	2,011
General and administrative expenses					(13,325)
Selling and marketing and general and administrative expenses attributed to inventory of buildings under construction and inventory of real estate	-	-	-	(1,840)	(1,840)
Appreciation (impairment) of investment property, net	(28,224)	115,900	(4,455)	-	83,221
Financial expenses, net					(10,023)
Income before taxes on income					<u>125,287</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 22: - 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, 2019</u>					
Revenues from property rental	23,414	50,083	274	-	73,771
Revenues from property management and others	4,866	20,985	53	-	25,904
Property management expenses	(4,897)	(20,963)	(39)	-	(25,899)
Rental property maintenance expenses	(4,102)	(8,080)	(114)	-	(12,296)
Total rental and management revenues, net	19,281	42,025	174	-	61,480
Revenues from sale of apartments	-	-	-	70,029	70,029
Cost of sale of apartments	-	-	-	(56,999)	(56,999)
Gain from sale of apartments	-	-	-	13,030	13,030
Group's share in losses of companies accounted at equity	(107)	-	-	-	(107)
General and administrative expenses					(16,138)
Selling and marketing and general and administrative expenses attributed to inventory of buildings under construction and inventory of real estate	-	-	-	(2,361)	(2,361)
Appreciation (impairment) of investment property, net	(37,293)	54,810	(4,179)	-	13,338
Financial expenses, net					(39,357)
Income before taxes on income					29,885

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 22: - OPERATING SEGMENTS (Cont.)

b. Additional information

	<u>Income- generating commercial real estate</u>	<u>Income- generating residential real estate</u>	<u>Land for betterment</u>	<u>Residential development</u>	<u>Total</u>
	<u>Euros in thousands</u>				
<u>For the year ended</u>					
<u>December 31, 2021</u>					
Capital investments	1,147	16,033	41,666	-	58,846
<u>For the year ended</u>					
<u>December 31, 2020</u>					
Capital investments	<u>1,725</u>	<u>14,700</u>	<u>3,316</u>	<u>-</u>	<u>19,741</u>
<u>For the year ended</u>					
<u>December 31, 2019</u>					
Capital investments	<u>2,525</u>	<u>13,422</u>	<u>2,164</u>	<u>-</u>	<u>18,111</u>
<u>As of December 31, 2021</u>					
Segment assets (*)	<u>25,313</u>	<u>1,346,155</u>	<u>342,502</u>	<u>-</u>	<u>1,713,970</u>
Unallocated assets					<u>10,360</u>
Segment liabilities (*)	<u>16,463</u>	<u>536,426</u>	<u>217,546</u>	<u>-</u>	<u>770,435</u>
Unallocated liabilities					<u>72,560</u>
<u>As of December 31, 2020</u>					
Segment assets (*)	<u>81,723</u>	<u>1,177,009</u>	<u>66,374</u>	<u>94,442</u>	<u>1,419,548</u>
Unallocated assets					<u>49,997</u>
Segment liabilities (*)	<u>24,407</u>	<u>515,301</u>	<u>13,077</u>	<u>21,268</u>	<u>574,053</u>
Unallocated liabilities					<u>73,922</u>

(*) excluding assets and liabilities presented as a disposal group held for sale
With respect to assets designated for sale and assets realized in the report period, see note 8f.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 23: - TRANSACTIONS WITH INTERESTED AND RELATED PARTIES

a. Transactions with interested and related parties

	<u>Year ended December 31,</u>		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
	<u>Euros in thousands</u>		
Interest expenses for loan to controlling shareholder	-	-	562

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

	<u>Year ended December 31,</u>					
	<u>2021</u>		<u>2020</u>		<u>2019</u>	
	<u>No. of people</u>	<u>Amount - Euros in thousands</u>	<u>No. of people</u>	<u>Amount - Euros in thousands</u>	<u>No. of people</u>	<u>Amount - Euros in thousands</u>
Short-term employee benefits (excluding directors)	2	245	2	305	4	228
					-	-
Total benefits for directors	8	492	9	557	8	482

- c. For information regarding the agreement with the controlling shareholder for the acquisition of non-controlling interests, see Note 18c.
- d. On June 1, 2021, Mr. Eran Edelman was appointed as the Company's CFO.
- e. With respect to distribution to the controller shareholder as a holder of non-controlling interests in the Company's subsidiaries, see Note 18c.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 24: - DISCLOSURE ACCORDING TO IAS 1 FOR AMOUNTS EXPECTED TO BE SETTLED OR EXTINGUISHED 12 MONTHS AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

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

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

	December 31,	
	2021	2020
	EUR in thousands	
Assets that are expected to be settled, at the most, before 12 months after the date of statement of financial position	89,678	85,875
Assets that are expected to be settled, after 12 months after the date of statement of financial position	<u>1,664,982</u>	<u>1,411,491</u>
Total assets	<u>1,754,660</u>	<u>1,497,366</u>
Liabilities that are expected to be extinguished, at the most, before 12 months after the date of statement of financial position	286,805	165,718
Liabilities that are expected to be extinguished, after 12 months after the date of statement of financial position	<u>556,420</u>	<u>486,218</u>
Total liabilities	<u>842,225</u>	<u>651,936</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 25: - MATERIAL EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

1. Following the completion of the acquisition of the Company's shares by LEG on January 6, 2022, and despite the fact that the Company is in no way a party to the transaction, the Company estimates that as a result of the acquisition of the shares tax liability may result to the Company's subsidiaries which as of this date is estimated at EUR 20.4 million, in light of the tax laws applicable in Germany. The Company has provided for the entire amount in the reporting period.
2. During March 2022, the Company completed a private placement of NIS 528,440,367 par value of debentures (Series B) of the Company (approximately EUR 150 million) by way of expansion of the registered series. The additional debentures will be allocated to offerees in the private placement by series expansion at a uniform price of 109 Agorot for each NIS 1 par value (Series B) of the Company, which reflects an effective interest rate in respect of the additional debentures of approximately 1%. Gross proceeds from the private placement of approximately NIS 576 million (approximately EUR 163.5 million) was received during the reporting period.
3. At the end of February 2022, the Russian army's invasion of Ukraine began as part of the Russian government's attempts to occupy Ukraine, due to geopolitical tensions between the countries. The escalation of tensions between the countries has led various Western entities, including the United States and the European Union, to impose various economic sanctions on Russia and personal and economic sanctions on persons of the Russian business and political sector, in particular. Such sanctions, the war between the countries and the developing geopolitical crisis may have far-reaching effects, both on the prices and transportation of common raw materials in the world, including iron and oil, which may affect the availability and cost of materials also in connection with projects constructed by the Company and global economy and, among other things, on high volatility in the capital markets in Israel and around the world and in exchange rates and with respect to demographic changes related to immigration and refugees. In the Company's opinion, as of the report approval date, the aforesaid events do not have a material effect on its activities, and also, the existing uncertainty regarding the continued fighting and its expansion, joining additional parties and/or imposing sanctions, as well as its consequences as stated above, the Company is unable to estimate at this stage the possible impact, if any, on its activity in the future.
4. Regarding the Corona pandemic and its impact on the Company, see Note 1(c) in the Company's financial statements for 2021. During the reporting period, the Company is not aware of any material changes that occurred following the Corona pandemic and which materially affected the Company's operations.
5. During March 2022, the Company completed the construction of the rental residential project in Aachen and began renting it out to tenants at a supervised rent. Since the Company met the full terms of the financing loan (NRW) for supervised rental projects in the city of Düsseldorf, the Company received a benefit in the amount of EUR 2.6 million, which is 25% of the original loan that was taken. The benefit will be recognized in the Company's financial statements over the term of the loan. It should be noted that upon completion of the project, the Company classified the project from "investment property - real estate rights and investment property under construction" to "investment property - income-generating properties".
6. On May 13, 2022, the Company entered into an agreement with an international banking corporation, with which it has not previously entered into an agreement, to receive a credit facility in the amount of approximately EUR 30 million. The credit facility will be provided to the Company by the middle of the first quarter of 2023 (with an extension option by about two months), and will be repaid in one payment at the end of the credit period, namely in the middle of the first quarter of 2023 (with an extension option by about two months). It should be noted that the withdrawal of funds from the credit facility by the Company is subject to the presentation of a tax assessment to the Company by the German tax authorities.
7. On May 19, 2022, the Company entered into an agreement with the controlling shareholder ADLER, under which ADLER will provide a credit facility to the Company in the total amount of EUR 200 million, inter alia, in order to provide the Company with an additional source of financing, as required, so the Company will refinance the loans it has taken.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The credit facility will be provided to the Company for the purpose of refinancing the Company's financial liabilities which are due to be repaid during 2022 and 2023 payment of the Company's tax liability (as specified in Note 5(1) above) and financing expenses in connection therewith, and those only. It is indicated that during the reporting period the Company has drawn down EUR 100 million from the credit facility. It is indicated that on August 13, 2022, further to the approval of the audit committee and board of directors, the Company entered into credit facility modification agreement the principles of which are:

- Updating the purpose of the credit facility: In addition to what was stated in the previous report, the credit facility will also be provided to the Company for the purpose of refinancing a financial liability of the Company which is supposed to be repaid during 2023.
 - Updating the credit facility availability period: the last payment date of the credit facility availability period has been extended to December 29, 2023 (in lieu of March 31, 2023).
 - Early repayment of the loan: as part of the modification agreement, the Company committed that, to the extent that after August 10, 2022, the Company realizes assets that will generate net proceeds in an amount that will exceed (cumulatively) EUR 200 million, such proceeds will be used to repay the principal of the credit, when it is clarified that said payment will be made only and to the extent that the Company can meet all its financial liabilities towards all its creditors until the last payment date.
8. On May 16, 2022, Maalot S&P announced that it had lowered the Company's rating to 'iIA-' due to the weakening of the credit quality of the controlling shareholder ADLER and left it on credit watch with negative consequences. As a result, and in accordance with the terms of the deeds of trust of the Company's bonds, there was a 0.25% increase in the interest rate on the bonds (Series B and Series C).
9. In May 2022, the Company entered into several hedging transactions to hedge its expected NIS cash flow for repaying its future bonds. In the reported period, the Company recognized financing expenses in the amount of EUR 18.1 million following revaluation of the liability to EUR 21.7 million in respect of those hedging transactions.
10. After the date of the report, the Company signed a 3-month extension with the bank that finances one of the Company's loans in the amount of approximately EUR 45.3 million, which was expected to be repaid on August 30, 2022.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Appendix of holdings**Material subsidiaries and partnerships**

<u>Name of entity</u>	<u>Country of incorporation</u>	<u>December 31,</u>	
		<u>2021</u>	<u>2020</u>
		<u>% in equity</u>	
Brack German Properties BV	The Netherlands	100	100
Brack European Ingatlankezelő KFT	Hungary	-	100
Brack Capital (Remscheid) BV	The Netherlands	99.9	99.9
Brack Capital (Neubrandenburg) BV	The Netherlands	99.9	99.9
Brack Capital (Chemnitz) BV (1)	The Netherlands	60	60
Brack Capital (Hamburg) BV	The Netherlands	100	100
Brack Capital (D-Rosssatrasse) BV	The Netherlands	99.9	99.9
Brack Capital (D-Schanzenstrasse) BV	The Netherlands	100	100
Brack Capital (Gelsenkirchen) BV	The Netherlands	99.9	99.9
Brack Capital (Ludwigsfelde) BV	The Netherlands	99.9	99.9
Brack Capital (Bad Kreuznach) BV	The Netherlands	99.9	99.9
Brack Capital Germany (Netherlands) XIX BV	The Netherlands	99.9	99.9
Brack Capital Beta BV	The Netherlands	89.9	84.98
Brack Capital Germany XXVI BV (Netherlands)	The Netherlands	89.9	84.98
Grafental Mitte B.V	The Netherlands	89.9	84.98
Brack Capital Germany XXX BV (Netherlands)	The Netherlands	99.9	99.9
Brack Capital Germany XXI BV (Netherlands)	The Netherlands	99.9	99.9
Brack Capital Germany (Netherlands) XII B.V.	The Netherlands	100	100
Brack Capital Germany (Netherlands) XLIX B.V.	The Netherlands	99.9	99.9
Brack Capital Alfa B.V.	The Netherlands	89.9	89.9
Brack Capital Delta B.V.	The Netherlands	89.9	89.9
Brack Capital Epsilon B.V.	The Netherlands	100	100
Brack Capital Kaufland S.a.r.l.	Luxemburg	89.9	89.9
TPL Augsburg S.a.r.l.	Luxemburg	82.6	82.6
TPL Bad Aibling S.a.r.l.	Luxemburg	82.6	82.6
TPL Borken S.a.r.l.	Luxemburg	82.6	82.6
TPL Erlangen S.a.r.l.	Luxemburg	-	82.6
TPL Geislingen S.a.r.l.	Luxemburg	82.6	82.6
TPL Vilshofen S.a.r.l.	Luxemburg	82.6	82.6
TPL Biberach S.a.r.l.	Luxemburg	82.6	82.6
TPL Ludwigsburg S.a.r.l.	Luxemburg	82.6	82.6
TPL Neckarsulm S.a.r.l.	Luxemburg	82.6	82.6
BCP Leipzig B.V.	The Netherlands	89.8	89.8
BCRE Leipzig Wohnen Nord B.V.	The Netherlands	89.8	89.8
BCRE Leipzig Wohnen Ost B.V.	The Netherlands	89.8	89.8

(1) jointly controlled

Appendix of holdings (Cont.)

	Country of incorporation	December 31,	
		2021	2020
		% in equity	
BCRE Leipzig Wohnen West B.V.	The Netherlands	89.8	89.8
Investpartner Gmbh	Germany	94.8	94.8
BRACK CAPITAL (WUPPERTAL) GMBH	Germany	100	100
BCRE Kassel I B.V (former BCRE UK B.V)	The Netherlands	100	100
Brack Capital Germany (Netherlands) XXII B.V.	The Netherlands	100	100
BCRE Dortmund Wohnen B.V.	The Netherlands	99.9	99.9
BCRE Duisburg Wohnen B.V.	The Netherlands	99.9	99.9
BCRE Essen Wohnen B.V.	The Netherlands	99.9	99.9
Brack Capital Germany (Netherlands) XXXVI B.V.	The Netherlands	99.9	99.9
Brack Capital Germany (Netherlands) XVII B.V.	The Netherlands	100	100
Brack Capital Germany (Netherlands) XVIII B.V.	The Netherlands	100	100
Brack Capital Germany (Netherlands) XXIII B.V.	The Netherlands	100	100
Brack Capital Germany (Netherlands) XXV B.V.	The Netherlands	100	100
Admiralty Holdings Ltd	Gibraltar	10.1	10.1
BCRE Eta B.V.	The Netherlands	100	100
Brack Capital Labda B.V.	The Netherlands	100	100
Hanse Holdings S.á r.l.	Luxemburg	10.1	10.1
Graniak Leipzig Real Estate GmbH & Co. KG	Germany	89.7	89.7
Brack Capital Germany (Netherlands) XXIV B.V	The Netherlands	10.1	10.1
Brack Capital Germany (Netherlands) XXXV BV	The Netherlands	99.9	99.9
Brack Capital Germany (Netherlands) XXXVII BV	The Netherlands	99.9	99.9
Brack Capital Germany (Netherlands) XXXVIII BV	The Netherlands	99.9	99.9
Brack Capital Germany (Netherlands) XL BV	The Netherlands	100	100
Parkblick GmbH & Co. KG	Germany	99.9	99.9
Capital Germany (Netherlands) XXXIX BV	The Netherlands	99.9	99.9
Brack Capital Germany (Netherlands) XLI BV	The Netherlands	99.9	99.9
Brack Capital Germany (Netherlands) XLII BV	The Netherlands	99.9	99.9
Brack Capital Germany (Netherlands) XLV BV	The Netherlands	100	100
Brack Capital Theta B.V.	The Netherlands	100	100
Brack Capital Germany (Netherlands) XLIII BV	The Netherlands	100	100
Brack Capital Germany (Netherlands) XLIV BV	The Netherlands	99.9	99.9
Brack Capital Germany (Netherlands) XXXI BV	The Netherlands	99.9	99.9
Brack Capital Germany (Netherlands) XLVI BV	The Netherlands	100	100
Brack Capital Germany (Netherlands) L B.V.	The Netherlands	100	100
Brack Capital Germany (Netherlands) LI B.V.	The Netherlands	99.9	99.9
Brack Capital Germany (Netherlands) LII B.V.	The Netherlands	100	100
Brack Capital Germany (Netherlands) LIII B.V.	The Netherlands	99.9	99.9
Brack Capital Germany (Netherlands) LIV B.V.	The Netherlands	100	100
Brack Capital Germany (Netherlands) LV B.V.	The Netherlands	100	100
Brack Capital Germany (Netherlands) XLVII B.V.	The Netherlands	99.9	99.9
Brack Capital Germany (Netherlands) XLVIII B.V.	The Netherlands	100	100

Appendix of holdings (Cont.)

SHIB Capital Future Services Ltd.	Israel	100	100
RT Facility Management GmbH & Co. KG	Germany	100	100
Brack Capital Patros GmbH	Germany	100	100
Brack Capital Halle I GmbH	Germany	94.8	94.8
Brack Capital Halle II GmbH	Germany	94.8	94.8
Brack Capital Halle III GmbH	Germany	94.8	94.8
Brack Capital Halle IV GmbH	Germany	94.8	94.8
Brack Capital Halle V GmbH	Germany	94.8	94.8
Brack Capital Leipzig I GmbH	Germany	94.8	94.8
Brack Capital Leipzig II GmbH	Germany	94.8	94.8
Brack Capital Leipzig III GmbH	Germany	94.8	94.8
Brack Capital Leipzig IV GmbH	Germany	94.8	94.8
Brack Capital Leipzig V GmbH	Germany	94.8	94.8
Brack Capital Leipzig VI GmbH	Germany	94.8	94.8
Brack Capital Magdeburg II GmbH	Germany	94.8	94.8
Brack Capital Magdeburg III GmbH	Germany	94.8	94.8
Brack Capital Magdeburg IV GmbH	Germany	94.8	94.8
Brack Capital Magdeburg V GmbH	Germany	94.8	94.8
Brack Capital Magdeburg VI GmbH	Germany	94.8	94.8
Glasmacherviertel GmbH & Co. KG ¹	Germany	100	25
BCP Invest Rostock B.V.	The Netherlands	100	100
BCP Invest Celle B.V.	The Netherlands	100	100
BCP Invest Castrop B.V.	The Netherlands	100	100

(*) Regarding the agreement for regaining a holding of 75% of this entity see Note 6b(1).

COMPANY-ONLY FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2021

IN THOUSANDS OF EUROS

BRACK CAPITAL PROPERTIES NV

COMPANY-ONLY STATEMENT OF FINANCIAL POSITION

	December 31,	
	2021	2020
	Euros in thousands	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (1)	1,060	972
Cash and cash equivalents in trust (1)	5,358	7,284
Restricted deposits, financial assets and other receivables (1)	197	663
	6,615	8,919
NON-CURRENT ASSETS:		
Investment in investee	935,626	833,121
Investment in marketable financial asset measured at fair value through profit or loss	6,819	36,093
	942,445	869,214
	949,060	878,133
<u>Current Liabilities</u>		
Current maturity of debentures	11,508	10,013
Other payables and other financial liabilities	421	424
	11,929	10,437
<u>Non-Current Liabilities</u>		
Debentures	60,841	62,967
Loans from controlling shareholder	-	-
	60,841	62,967
<u>Equity</u>		
Share Capital	77	77
Premium on Shares	144,237	144,237
Treasury Shares	(746)	(746)
Other capital reserves	(531)	584
Statutory capital reserve	530,385	438,591
Retained earnings	202,868	221,986
	876,290	804,729
<u>Total equity</u>	876,290	804,729
	949,060	878,133

(1) As of December 31, 2021, the Company has a balance of € 821 thousand (in 2020 - € 769 thousand) denominated in NIS

14 August 2022

Date of approval of the financial statements	Patrick Burke Chairman of the Board of Directors	Thierry Beaudemoulin CEO	Eran Edelman CFO
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The accompanying additional information is an integral part of the company-only financial statements.

COMPANY-ONLY INCOME STATEMENT

	Year ended December 31,		
	2021	2020	2019
	Euros in thousands		
Administrative and general expenses	(2,434)	(2,361)	(2,399)
Financial expenses, net	(41,744)	(650)	(15,284)
Equity in earnings of investees	<u>116,854</u>	<u>95,706</u>	<u>36,001</u>
Net and comprehensive income	<u>72,676</u>	<u>92,695</u>	<u>18,318</u>

The accompanying additional information is an integral part of the company-only financial statements.

COMPANY-ONLY CASH FLOW STATEMENT

	Year ended December 31,		
	2021	2020	2019
Euros in thousands			
<u>Cash flows from operating activities:</u>			
Net income attributed to the Company's shareholders	72,676	92,695	18,318
Adjustments required to present net cash provided by operating activities:			
Adjustments to the profit or loss items:			
Financial expenses (income), net	41,164	(1,961)	15,122
Equity in earnings of investees	(116,854)	(95,706)	(36,001)
	(75,690)	(97,667)	(20,879)
Changes in assets and liabilities items:			
Decrease (increase) in other receivables and related parties	466	302	(630)
Increase (decrease) in other accounts payable and related parties	67	470	1,927
	533	772	1,297
Net cash used in operating activities	(2,481)	(4,200)	(1,264)
<u>Cash Flows from investing activities</u>			
Change in investment in investees and in cash and cash equivalents in trust, net	16,275	74,060	(25,835)
Investment in financial asset measured at fair value through profit or loss	-	-	-
Decrease (increase) in restricted deposits	-	146	431
Interest received and exercise of derivatives	-	3,131	940
Net cash provided by (used in) investing activities	16,275	77,337	(24,464)

The accompanying additional information is an integral part of the company-only financial statements.

INDEPENDENT AUDITOR'S REPORT

	Year ended December 31,		
	2021	2020	2019
	Euros in thousands		
<u>Cash flows from financing activities</u>			
Interest paid	(2,408)	(3,579)	(4,159)
Receipt (repayment) of long term loans from controlling shareholder	-	(44,200)	44,200
Repayment of debentures	(11,298)	(25,706)	(18,679)
Net cash provided by (used in) financing activities	(13,706)	(73,485)	21,362
Change in cash and cash equivalents	88	(348)	(4,366)
Balance of cash and cash equivalents at the beginning of the year	972	1,320	5,686
Balance of cash and cash equivalents at the end of the year	1,060	972	1,320

The accompanying additional information is an integral part of the company-only financial statements.

NOTES TO THE COMPANY-ONLY FINANCIAL STATEMENTS

a. General

The consolidated financial statements are part of the 2021 financial statements of the company.

With regard to the company-only income statement, the company applies the exemption of article 2:402 BW.

If there is no further explanation provided to the items in the company-only statement of financial positions and the company-only income statement, 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 2021 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 in the reported period

1. On July 23, 2018, the Company acquired shares in a public company incorporated in Germany, whose shares are traded on the unofficial supervised Frankfurt Stock Exchange and in the German residential real estate development market, which is unrelated to the Company or its controlling shareholder ("the Target Company"). The purchased shares represented 4.1% of the issued and outstanding share capital of the target company, for a total consideration of € 35 million. Following the acquisition date of the Target Company's shares by the Company, control of the Target Company was acquired by a shareholder in ADLER, whose shares are traded on the unofficial supervised stock exchange of Frankfurt. It should be noted that during the reporting period, the shareholder held (indirectly) control of ADLER. As of the date of signing the report, said shareholder no longer holds control of ADLER. In the fourth quarter of 2021, there was a material decline in the value of the investment in the Target Company, which as of the report date, the Company holds 3.02% of the Target Company's shares. This investment is classified as a financial instrument presented at fair value through profit or loss valued at € 6.8 million as of December 31, 2021 grossing up a loss for the Company of € 28.2 million

2. On May 31, 2021, Mr. Thomas Stienlet concluded his position as the Company's CFO and on June 1, 2021, Mr. Eran Edelman was appointed as the Company's CFO.

3. On March 3, 2022, the Company's Board of Directors approved a private placement of NIS 528,440,367 of bonds (Series B) of the Company by way of expansion of the registered series. The additional bonds will be allocated to offerees in the private placement by way of series expansion at a uniform price of 109 Agorot for every 1 NIS par value)Series B) of the Company reflecting an effective interest rate in respect of the additional bonds of approximately 1%. The total gross proceeds of the private placement (if and to the extent completed) will be approximately NIS 576 million.

INDEPENDENT AUDITOR'S REPORT**NOTE 26:- 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 493 thousand for directors.

**Total remuneration
of the directors in
2021**

EUR in thousands

Ron Hadassi	69
Noah Schaham	98
Friedrich Munsberg	34
Jeroen Dorenbos	72
Daniel Moser	33
Patrick Burke	66
Claus Jorgensen	47
Machiel Hoek	74
	493

NOTE 27:- 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	40	308	341
	40	308	404
	40	308	404

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.

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 2021 included in the annual report**Our opinion**

We have audited the financial statements 2021 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, 2021, and of its result and its cash flows for 2021 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-only statement of financial position as at December 31, 2021;
2. the following statements for 2021:
the consolidated and company-only income statement, the consolidated and company-only 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.

INDEPENDENT AUDITOR'S REPORT

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.

INDEPENDENT AUDITOR'S REPORT

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, 14 August 2022

IUS Statutory Audits Coöperatie U.A.

Original signed by

L. Jalink

registeraccountant

Ref: IUS-BCP-LJ-WC-JR21-14/8/2022

INDEPENDENT AUDITOR'S REPORT

To shareholders and board of directors of Brack Capital Properties N.V.

A. Report on the audit of the financial statements 2021 included in the annual report

Our opinion

We have audited the financial statements 2021 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, 2021, and of its result and its cash flows for 2021 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, 2021;
2. the following statements for 2021:
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, 14 August 2022

IUS Statutory Audits Coöperatie U.A.

Original signed by:

L. Jalink
registeraccountant

Ref: IUS-BCP-LJ-WC-JR21-14/8/2022

נספח ב' – הצהרות דירקטורים בהתאם לסעיף 224ב לחוק החברות

Date: September 30, 2022

To: Brack Capital Properties N.V.
 (the "**Company**")

Re: Declaration of an Independent Director in a Public Company

In accordance with the provisions of Section 241 of the Companies Law, 1999 (the "**Companies Law**"), I, the undersigned, Patrick Burke, British passport number 520587847, hereby declare that:

1. I qualify to act as an "Independent Director" of the Company in accordance with the standards set out in Sections 224 and 241 of the Companies Law.
2. For the purpose of this Declaration, defined terms shall have the meaning assigned to them below:

- | | |
|-------------------------------------|---|
| "Affiliation" - | - Work relationship, ongoing business or professional relationship or Control, position as an office holder, excluding a position of a director who was appointed as an external director in a company which is about to initiate an initial public offering of shares. |
| "Another Corporation(s)" | - A corporation which, at the relevant date of appointment, or during the two years preceding such date, is or was controlled by the Company or by the Controlling Shareholder(s) of the Company |
| "Company" | - Brack Capital Properties N.V |
| "Control" | - The ability to direct the activities of a company, excluding an ability which is derived solely from performing the position of a director or other office holder in the company, and a person shall be presumed to have control over a company if such person holds 50% or more of either the voting rights in the general meeting of shareholders in the company or the rights to appoint directors or the general manager of the Company |
| "Controlling Shareholder(s)" | - A person who is capable of directing the operations of a corporation, except for an ability deriving solely from fulfilment of the position of a director or other office holder in the corporation, and a person who holds half or more of a certain type of means of control in the corporation, shall be presumed as having control of the corporation. |

“Company Group and Affiliates”

(1) The Company, (2) The Controlling Shareholder of the Company, (3) A Relative of the Controlling Shareholder of the Company at the time of appointment, (4) Another Corporation(s), (5) The Chairman of the Board of Directors of the Company at the time of appointment, (6) The Chief Executive Officer of the Company at the time of appointment, (7) A shareholder of the Company who holds 5% or more of the issued share capital or voting rights in the Company at the time of appointment, or (8) The most senior officer of the Company in the financial area at the time of appointment.

“Relative”

Spouse, brother or sister, parent, parent’s parent, offspring as well as an offspring, brother, sister or parent of the spouse or the spouse of each of the foregoing.

"Related or Competing Shareholder"

A person who fulfils both of the following conditions in a cumulative manner: (a) The shareholder who proposed the appointment or a substantial shareholder in the company (5% or more), (b) The shareholder or its Controlling Shareholder if such

shareholder is a corporation, or a company under its control has business relations with the Company or they are competitors of the Company.

3. I have the ability to devote the appropriate amount of time for serving as a director in the Company, with due attention, inter alia, to the Company's special requirements and to its size. My education, qualifications and professional experience, past and present, provide me the professional qualifications required to perform my duties as director in the Company, inter alia, as set forth hereunder:

- 3.1. Academic education (degree, field and name of institution) including other education and professional certificates:

Degree	Name of academic institution
Bachelor in Economics	Institut Le Rosey, Rolle, Switzerland
Bachelor in Architecture, Planning and Construction and Environmental Sciences	University College, London, UK;
Master in Real Estate, Land appraisal and	Business School, London, UK

- 3.2. Principal occupations during the past five years (including previous positions in the Company and tenure as director in other corporations) - position, workplace name and field of operation and lengths of time in the position:

Position	Name of Work Place
Co-Founder, Managing Director,	Consortium Capital Group since 2009
Director	Delcap Asset Management Ltd
Director	Consortium Capital Ltd., Consortium Maritime Trading Ltd.

Director	HERO Club Ltd., HERO events Ltd. and HERO Partners Ltd.
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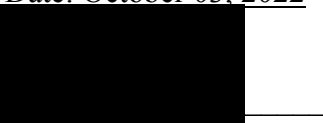
4. A declaration regarding Accounting and Financial Expertise / Professional Qualifications and supporting documents and certificates are attached as **Appendix A** to this Declaration.
5. I have not served as a director of the company for more than 9 consecutive years (for this purpose, a termination of an engagement, which is for a period of less than two years, shall not be considered as a termination of the continuity of service).
6. I am not a Relative of a Controlling Shareholder of the Company.
7. I do not hold any shares and/or convertible securities or securities exercisable into shares, of the Company or of a subsidiary of the Company or of an Affiliate of it or of an interested party.
8. At the time of my appointment to the Board of Directors of the Company, and during the two years preceding my appointment, neither I, nor my Relative(s), partner(s), employer(s), any person or entity to which I am directly or indirectly subordinated, or a corporate body in which I am a Controlling Shareholder, has or had any Affiliation to the Company Group and Affiliates.
9. Without limiting the generality of Section 8 above, at the time of my appointment to the Board of Directors of the Company, and during the two years preceding my appointment neither I, nor my Relative(s), partner(s), employer(s), any person or entity to which I am directly or indirectly subordinated, nor a corporate body in which I am a Controlling Shareholder, has or had any business or professional relationship with the Company Group and Affiliates or with a Related or Competing Shareholder, even if such relationships that are not ordinarily carried on, but excluding negligible relations, and I did not receive any remuneration in contravention of the provisions of Section 244(b) of the Companies Law.
10. My other positions and activities do not and are not likely to create a conflict-of-interests with my position as a director of the Company or to otherwise adversely affect my ability to serve as a director of the Company.
11. I hereby declare that in the past 5 years, I have not been convicted in a court judgment of any of the following offenses:
 - 11.1. Offenses under the Penal law 5737 - 1977 (the "**Penal Law**"):
 - 11.1.1. Sections 290 to 297 of the Penal Law dealing with bribery offenses;
 - 11.1.2. Section 392 of the Penal Law dealing with theft by an officer;
 - 11.1.3. Section 415 of the Penal Law dealing with obtaining anything by deceit;
 - 11.1.4. Sections 418 to 420 of the Penal Law dealing with forgery of documents, the presentation or issuance of a forged document or other use of such document in the knowledge that such document is forged ;
 - 11.1.5. Sections 422 to 428 of the Penal Law dealing with inducement by deceit, registering false records in corporate documents, offenses by an officer or employee of a company, concealment of information and the publication of misleading information by a senior office holder of the company, deceit and breach of trust towards a company, deceptive concealment, blackmail with use of force and or by means of threats.

- 11.2. Offenses under the Securities Law 5728 - 1968 (the "**Securities Law**"):
- 11.2.1. Section 52C of the Securities Law dealing with the use of inside information by an insider;
 - 11.2.2. Section 52D of the Securities Law dealing with the use of inside information which was originated by an insider;
 - 11.2.3. Section 53(a) of the Securities Law dealing with the contravention of provisions regarding the publication of a prospectus containing a misleading detail;
 - 11.2.4. Section 54 of the Securities Law dealing with fraud in connection with securities (fraud includes any action which is intended to wrongly influence trading).
12. In the past 5 years, I have not been convicted:
- 12.1. By a court outside Israel of the offenses of bribery, deceit, offenses by managers of a corporation or offenses involving misuse of inside information;
 - 12.2. Of any other offense, that due to the substance, gravity or circumstances, a court has found me to be unfit to serve as a director in a public company or a debenture company.
13. I do not serve as a director of any other corporation, whose external directors, or any one of them, serve as a director of the Company.
14. I am not an employee of the Israeli Securities Authority or the Tel Aviv Stock Exchange.
15. To the best of my knowledge, there is no other legal restriction in respect of my appointment or service as an external director of the Company.
16. I hereby undertake to immediately notify the Company if any of the aforesaid conditions in this declaration will cease to exist, and I am aware that my service as an external director of the Company shall expire on the date of providing such notice.
17. I acknowledge that the Company relied on the contents of this declaration upon confirmation of my service as external director in the Company, and that this declaration will be placed in the registered office of the Company for review by any person.

Yours faithfully

Name: Patrick Burke

Date: October 03, 2022



Date: September 30, 2022

To: Brack Capital Properties N.V.
(the "**Company**")

Re: Declaration of an Independent Director in a Public Company

In accordance with the provisions of Section 241 of the Companies Law, 1999 (the "**Companies Law**"), I, the undersigned, Elisabeth van der Kuijlen-Dalenoord, Dutch passport number NV4K3J637, hereby declare that:

1. I qualify to act as an "Independent Director" of the Company in accordance with the standards set out in Sections 224Band 241 of the Companies Law.
2. For the purpose of this Declaration, defined terms shall have the meaning assigned to them below:

- | | |
|-------------------------------------|---|
| "Affiliation" - | - Work relationship, ongoing business or professional relationship or Control, position as an office holder, excluding a position of a director who was appointed as an external director in a company which is about to initiate an initial public offering of shares. |
| "Another Corporation(s)" | - A corporation which, at the relevant date of appointment, or during the two years preceding such date, is or was controlled by the Company or by the Controlling Shareholder(s) of the Company |
| "Company" | - Brack Capital Properties N.V |
| "Control" | - The ability to direct the activities of a company, excluding an ability which is derived solely from performing the position of a director or other office holder in the company, and a person shall be presumed to have control over a company if such person holds 50% or more of either the voting rights in the general meeting of shareholders in the company or the rights to appoint directors or the general manager of the Company |
| "Controlling Shareholder(s)" | - A person who is capable of directing the operations of a corporation, except for an ability deriving solely from fulfilment of the position of a director or other office holder in the corporation, and a person who holds half or more of a certain type of means of control in the corporation, shall be presumed as having control of the corporation. |

“Company Group and Affiliates”

(1) The Company, (2) The Controlling Shareholder of the Company, (3) A Relative of the Controlling Shareholder of the Company at the time of appointment, (4) Another Corporation(s), (5) The Chairman of the Board of Directors of the Company at the time of appointment, (6) The Chief Executive Officer of the Company at the time of appointment, (7) A shareholder of the Company who holds 5% or more of the issued share capital or voting rights in the Company at the time of appointment, or (8) The most senior officer of the Company in the financial area at the time of appointment.

“Relative”

Spouse, brother or sister, parent, parent’s parent, offspring as well as an offspring, brother, sister or parent of the spouse or the spouse of each of the foregoing.

“Related or Competing Shareholder”

A person who fulfils both of the following conditions in a cumulative manner: (a) The shareholder who proposed the appointment or a substantial shareholder in the company (5% or more), (b) The shareholder or its Controlling Shareholder if such shareholder is a corporation, or a company under its control has business relations with the Company or they are competitors of the Company.

3. I have the ability to devote the appropriate amount of time for serving as a director in the Company, with due attention, inter alia, to the Company's special requirements and to its size. My education, qualifications and professional experience, past and present, provide me the professional qualifications required to perform my duties as director in the Company, inter alia, as set forth hereunder:

- 3.1. Academic education (degree, field and name of institution) including other education and professional certificates:

Degree	Name of academic institution
L.L.M. Master of Law, Civil Law	University of Amsterdam
MRE, Master in Real Estate	Amsterdam school of Real Estate
Bc. Management Economics and Law	Hanzehogeschool Groningen

- 3.2. Principal occupations during the past five years (including previous positions in the Company and tenure as director in other corporations) - position, workplace name and field of operation and lengths of time in the position:

Position	Name of Work Place
Manager commerce department	Croon Wolter & Dros
Director Benelux	Royal Institute of Chartered Surveyors
Deal & asset manager	Equity Estate

4. A declaration regarding Accounting and Financial Expertise / Professional Qualifications and supporting documents and certificates are attached as **Appendix A** to this Declaration.


5. I have not served as a director of the company for more than 9 consecutive years (for this purpose, a termination of an engagement, which is for a period of less than two years, shall not be considered as a termination of the continuity of service).
6. I am not a Relative of a Controlling Shareholder of the Company.
7. I do not hold any shares and/or convertible securities or securities exercisable into shares, of the Company or of a subsidiary of the Company or of an Affiliate of it or of an interested party.
8. At the time of my appointment to the Board of Directors of the Company, and during the two years preceding my appointment, neither I, nor my Relative(s), partner(s), employer(s), any person or entity to which I am directly or indirectly subordinated, or a corporate body in which I am a Controlling Shareholder, has or had any Affiliation to the Company Group and Affiliates.
9. Without limiting the generality of Section 8 above, at the time of my appointment to the Board of Directors of the Company, and during the two years preceding my appointment neither I, nor my Relative(s), partner(s), employer(s), any person or entity to which I am directly or indirectly subordinated, nor a corporate body in which I am a Controlling Shareholder, has or had any business or professional relationship with the Company Group and Affiliates or with a Related or Competing Shareholder, even if such relationships that are not ordinarily carried on, but excluding negligible relations, and I did not receive any remuneration in contravention of the provisions of Section 244(b) of the Companies Law.
10. My other positions and activities do not and are not likely to create a conflict-of-interests with my position as a director of the Company or to otherwise adversely affect my ability to serve as a director of the Company.
11. I hereby declare that in the past 5 years, I have not been convicted in a court judgment of any of the following offenses:
 - 11.1. Offenses under the Penal law 5737 - 1977 (the "**Penal Law**"):
 - 11.1.1. Sections 290 to 297 of the Penal Law dealing with bribery offenses;
 - 11.1.2. Section 392 of the Penal Law dealing with theft by an officer;
 - 11.1.3. Section 415 of the Penal Law dealing with obtaining anything by deceit;
 - 11.1.4. Sections 418 to 420 of the Penal Law dealing with forgery of documents, the presentation or issuance of a forged document or other use of such document in the knowledge that such document is forged ;
 - 11.1.5. Sections 422 to 428 of the Penal Law dealing with inducement by deceit, registering false records in corporate documents, offenses by an officer or employee of a company, concealment of information and the publication of misleading information by a senior office holder of the company, deceit and breach of trust towards a company, deceptive concealment, blackmail with use of force and or by means of threats.

- 11.2. Offenses under the Securities Law 5728 - 1968 (the "**Securities Law**"):
- 11.2.1. Section 52C of the Securities Law dealing with the use of inside information by an insider;
 - 11.2.2. Section 52D of the Securities Law dealing with the use of inside information which was originated by an insider;
 - 11.2.3. Section 53(a) of the Securities Law dealing with the contravention of provisions regarding the publication of a prospectus containing a misleading detail;
 - 11.2.4. Section 54 of the Securities Law dealing with fraud in connection with securities (fraud includes any action which is intended to wrongly influence trading).
12. In the past 5 years, I have not been convicted:
- 12.1. By a court outside Israel of the offenses of bribery, deceit, offenses by managers of a corporation or offenses involving misuse of inside information;
 - 12.2. Of any other offense, that due to the substance, gravity or circumstances, a court has found me to be unfit to serve as a director in a public company or a debenture company.
13. I do not serve as a director of any other corporation, whose external directors, or any one of them, serve as a director of the Company.
14. I am not an employee of the Israeli Securities Authority or the Tel Aviv Stock Exchange.
15. To the best of my knowledge, there is no other legal restriction in respect of my appointment or service as an external director of the Company.
16. I hereby undertake to immediately notify the Company if any of the aforesaid conditions in this declaration will cease to exist, and I am aware that my service as an external director of the Company shall expire on the date of providing such notice.
17. I acknowledge that the Company relied on the contents of this declaration upon confirmation of my service as external director in the Company, and that this declaration will be placed in the registered office of the Company for review by any person.

Yours faithfully

Name: Elisabeth van der Kuijlen-Dalenoord

Date: September 30, 2022



Date: 2022/09/22

To: Brack Capital Properties N.V.
(the "**Company**")

Re: Declaration of a Director in a Public Company

In accordance with the provisions of Section 241 of the Companies Law, 1999 (the "**Companies Law**"), I, the undersigned, **Thilo Schmid**, ID/passport number **C4V49HHHM**, hereby declare that:

1. I qualify to act as a Director of the Company in accordance with the standards set out in Sections 224B of the Companies.
2. I have the ability to devote the appropriate amount of time for serving as a director in the Company, with due attention, inter alia, to the Company's special requirements and to its size. My education, qualifications and professional experience, past and present, provide me the professional qualifications required to perform my duties as director in the Company, inter alia, as set forth hereunder:
 - 2.1. Academic education (degree, field and name of institution) including other education and professional certificates:

<u>Degree</u>	<u>Name of academic institution</u>

- 2.2. Principal occupations during the past five years (including previous positions in the Company and tenure as director in other corporations) – position, workplace name and field of operation and lengths of time in the position:

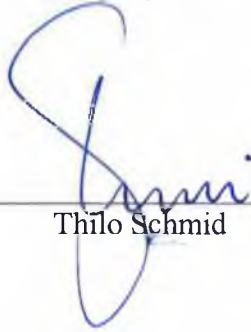
<u>Position</u>	<u>Name of Work Place</u>
Member of the Board since 10/20 (and Audit Committee Chair since 02/22) - ongoing	Adler Group S, Luxembourg
Member of the Supervisory Board since 09/13, Deputy Chairman since 05/18, ongoing	Adler Real Estate AG, Berlin
Member of the Supervisory Board since 08/22, ongoing	Consus Real Estate AG, Berlin
Member of the Advisory Board (formerly Supervisory Board until 12/20) since 08/22, ongoing	Jedox GmbH (formerly Jedox AG), Freiburg im Breisgau
Member of the Board of Directors since 10/15, ongoing	DTH Sarl. (formerly DTH S.A.), Luxembourg

Member of the Board since 04/17	Yeditepe Marina Yatırım Turizm İAŞ, Istanbul
Member of the Board from 05/21 to 06/22	Whitebox Services AG, Wollerau (CH)

3. I hereby declare that in the past 5 years, I have not been convicted in a court judgment of any of the following offenses:
- 3.1. Offenses under the Penal law 5737 – 1977 (the "**Penal Law**"):
- 3.1.1. Sections 290 to 297 of the Penal Law dealing with bribery offenses;
- 3.1.2. Section 392 of the Penal Law dealing with theft by an officer;
- 3.1.3. Section 415 of the Penal Law dealing with obtaining anything by deceit;
- 3.1.4. Sections 418 to 420 of the Penal Law dealing with forgery of documents, the presentation or issuance of a forged document or other use of such document in the knowledge that such document is forged ;
- 3.1.5. Sections 422 to 428 of the Penal Law dealing with inducement by deceit, registering false records in corporate documents, offenses by an officer or employee of a company, concealment of information and the publication of misleading information by a senior office holder of the company, deceit and breach of trust towards a company, deceptive concealment, blackmail with use of force and or by means of threats.
- 3.2. Offenses under the Securities Law 5728 - 1968 (the "**Securities Law**"):
- 3.2.1. Section 52C of the Securities Law dealing with the use of inside information by an insider;
- 3.2.2. Section 52D of the Securities Law dealing with the use of inside information which was originated by an insider;
- 3.2.3. Section 53(a) of the Securities Law dealing with the contravention of provisions regarding the publication of a prospectus containing a misleading detail;
- 3.2.4. Section 54 of the Securities Law dealing with fraud in connection with securities (fraud includes any action which is intended to wrongly influence trading).
4. In the past 5 years, I have not been convicted:
- 4.1. By a court outside Israel of the offenses of bribery, deceit, offenses by managers of a corporation or offenses involving misuse of inside information;
- 4.2. Of any other offense, that due to the substance, gravity or circumstances, a court has found me to be unfit to serve as a director in a public company or a debenture company.
5. To the best of my knowledge, there is no other legal restriction in respect of my appointment or service as an external director of the Company.

6. I hereby undertake to immediately notify the Company if any of the aforesaid conditions in this declaration will cease to exist, and I am aware that my service as an external director of the Company shall expire on the date of providing such notice.
7. I acknowledge that the Company relied on the contents of this declaration upon confirmation of my service as a director in the Company, and that this declaration will be placed in the registered office of the Company for review by any person.

Yours faithfully,



Thilo Schmid

Date: 03/10/2022

To: Brack Capital Properties N.V.
(the "Company")

Re: Declaration of a Director with Accounting and Financial Expertise and / or Professional Qualifications

In accordance with the Companies Regulations (Conditions and Tests for a Director with Accounting and Financial Expertise and a Director with Professional Qualification), 5766-2005 ("**Expertise and Qualifications Regulations**"), the Company's Board of Directors is required to assess whether you are a director with "Accounting and Financial Expertise" and/or "Professional Qualifications".

In accordance with the provisions of the Expertise and Qualifications Regulations, a director shall be deemed to have "Accounting and Financial Expertise" if, due to his education, experience and qualifications, he has a high level of proficiency and understanding of business-accounting issues and financial statements that enables him to understand in depth the financial statements of the Company and to stimulate discussion of the presentation of the financial data.

Among the considerations for assessing the accounting and financial skills, the director's education, experience and knowledge will be presented, inter alia, in the following matters:

1. Accounting issues and accounting control issues that are characteristic of the sector in which the Company operates and of companies of the size and complexity of the Company;
2. The functions of the auditor and the duties imposed on him;
3. Preparation and approval of financial statements under the Companies Law, 5759-1999 and the Securities Law, 5728-1968.

The Expertise and Qualifications Regulations also prescribe that a director shall be deemed to have "Professional Qualifications", insofar as one of the following applies:

1. He has an academic degree in one of the following subjects: Economics, Business Administration, Accounting, Law, Public Administration;
2. He has a different academic degree or has completed other higher education studies, all in the main field of the Company or in a relevant field for the position;
3. He has at least five years' experience in one of these, or has accumulated experience of five years in two or more of the following:
 - a. In a senior position in the field of business management of a corporation with a significant scope of business;
 - b. In a senior public office or in a senior position in the public service;

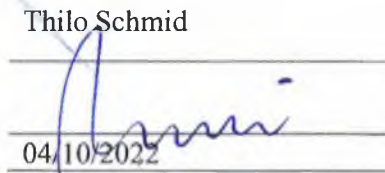
c. In a senior position in the Company's main field of operations.

In view of the above, please specify below your education, experience and skills in the relevant subjects, and attach documents and certificates supporting your statement.

I, the undersigned, Thilo Schmid, holder of ID L4V4RKFLP, hereby declare that:

1. I have an academic degree in the following subjects: as specified in the declaration to which this Appendix is attached.
2. I have completed other higher education studies in the field: as specified in the declaration to which this Appendix is attached.

Attached are documents and certificates supporting the above declaration.

Name: Thilo Schmid
Signature: 
Date: 04/10/2022

Date: 20.09.2022

To: Brack Capital Properties N.V.
(the "**Company**")

Re: Declaration of a Director in a Public Company

In accordance with the provisions of Section 241 of the Companies Law, 1999 (the "**Companies Law**"), I, the undersigned, Thomas Josef Echelmeyer, ID/passport number L731638KV, hereby declare that:

1. I qualify to act as a Director of the Company in accordance with the standards set out in Sections 224B of the Companies.
2. I have the ability to devote the appropriate amount of time for serving as a director in the Company, with due attention, inter alia, to the Company's special requirements and to its size. My education, qualifications and professional experience, past and present, provide me the professional qualifications required to perform my duties as director in the Company, inter alia, as set forth hereunder:

- 2.1. Academic education (degree, field and name of institution) including other education and professional certificates:

Degree	Name of academic institution
Diplom-Kaufmann	Westfälische Wilhelms Universität
Wirtschaftsprüfer (need to resign when full employment at Adler starts)	
Steuerberater	

- 2.2. Principal occupations during the past five years (including previous positions in the Company and tenure as director in other corporations) – position, workplace name and field of operation and lengths of time in the position:

Position	Name of Work Place
CFO	Adler Group S.A. (since 09/2022)
CFO-Interim	ADLER Group S.A. (06/2022-08/2022)
Interim Manager and Consultant	Independent (09/2021-05/2022)
Senior Strategy Finance Adviser	FTI Touristik GmbH (02/2021-08/2021)
Interim Manager and Consultant	Independent (07/2020-01/2021)
CFO	a&o Holding GmbH & Co KG (10/2017-09/2019)
CFO	GWH Immobilien Holding GmbH (09/2007-08/2017)
Partner, German CPA, German Tax Consultant	Arthur Andersen/Ernst & Young (09/1986-06/2007)

3. I hereby declare that in the past 5 years, I have not been convicted in a court judgment of any of the following offenses:
 - 3.1. Offenses under the Penal law 5737 – 1977 (the "**Penal Law**"):
 - 3.1.1. Sections 290 to 297 of the Penal Law dealing with bribery offenses;
 - 3.1.2. Section 392 of the Penal Law dealing with theft by an officer;
 - 3.1.3. Section 415 of the Penal Law dealing with obtaining anything by deceit;
 - 3.1.4. Sections 418 to 420 of the Penal Law dealing with forgery of documents, the presentation or issuance of a forged document or other use of such document in the knowledge that such document is forged ;
 - 3.1.5. Sections 422 to 428 of the Penal Law dealing with inducement by deceit, registering false records in corporate documents, offenses by an officer or employee of a company, concealment of information and the publication of misleading information by a senior office holder of the company, deceit and breach of trust towards a company, deceptive concealment, blackmail with use of force and or by means of threats.
 - 3.2. Offenses under the Securities Law 5728 - 1968 (the "**Securities Law**"):
 - 3.2.1. Section 52C of the Securities Law dealing with the use of inside information by an insider;
 - 3.2.2. Section 52D of the Securities Law dealing with the use of inside information which was originated by an insider;
 - 3.2.3. Section 53(a) of the Securities Law dealing with the contravention of provisions regarding the publication of a prospectus containing a misleading detail;
 - 3.2.4. Section 54 of the Securities Law dealing with fraud in connection with securities (fraud includes any action which is intended to wrongly influence trading).
4. In the past 5 years, I have not been convicted:
 - 4.1. By a court outside Israel of the offenses of bribery, deceit, offenses by managers of a corporation or offenses involving misuse of inside information;
 - 4.2. Of any other offense, that due to the substance, gravity or circumstances, a court has found me to be unfit to serve as a director in a public company or a debenture company.
5. To the best of my knowledge, there is no other legal restriction in respect of my appointment or service as an external director of the Company.
6. I hereby undertake to immediately notify the Company if any of the aforesaid conditions in this declaration will cease to exist, and I am aware that my service as an external director of the Company shall expire on the date of providing such notice.



7. I acknowledge that the Company relied on the contents of this declaration upon confirmation of my service as a director in the Company, and that this declaration will be placed in the registered office of the Company for review by any person.

Yours faithfully,


Thomas Echelmeyer

Date: 03/10/2022

To: Brack Capital Properties N.V.
(the "**Company**")

Re: Declaration of a Director with Accounting and Financial Expertise and / or Professional Qualifications

In accordance with the Companies Regulations (Conditions and Tests for a Director with Accounting and Financial Expertise and a Director with Professional Qualification), 5766-2005 ("**Expertise and Qualifications Regulations**"), the Company's Board of Directors is required to assess whether you are a director with "Accounting and Financial Expertise" and/or "Professional Qualifications".

In accordance with the provisions of the Expertise and Qualifications Regulations, a director shall be deemed to have "Accounting and Financial Expertise" if, due to his education, experience and qualifications, he has a high level of proficiency and understanding of business-accounting issues and financial statements that enables him to understand in depth the financial statements of the Company and to stimulate discussion of the presentation of the financial data.

Among the considerations for assessing the accounting and financial skills, the director's education, experience and knowledge will be presented, inter alia, in the following matters:

1. Accounting issues and accounting control issues that are characteristic of the sector in which the Company operates and of companies of the size and complexity of the Company;
2. The functions of the auditor and the duties imposed on him;
3. Preparation and approval of financial statements under the Companies Law, 5759-1999 and the Securities Law, 5728-1968.

The Expertise and Qualifications Regulations also prescribe that a director shall be deemed to have "Professional Qualifications", insofar as one of the following applies:

1. He has an academic degree in one of the following subjects: Economics, Business Administration, Accounting, Law, Public Administration;
2. He has a different academic degree or has completed other higher education studies, all in the main field of the Company or in a relevant field for the position;
3. He has at least five years' experience in one of these, or has accumulated experience of five years in two or more of the following:
 - a. In a senior position in the field of business management of a corporation with a significant scope of business;
 - b. In a senior public office or in a senior position in the public service;

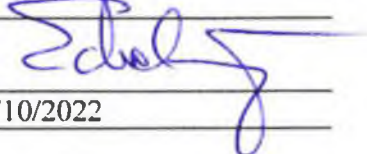
c. In a senior position in the Company's main field of operations.

In view of the above, please specify below your education, experience and skills in the relevant subjects, and attach documents and certificates supporting your statement.

I, the undersigned, Thomas Echelmeyer, holder of ID L731638KV, hereby declare that:

1. I have an academic degree in the following subjects: as specified in the declaration to which this Appendix is attached.
2. I have completed other higher education studies in the field: as specified in the declaration to which this Appendix is attached.

Attached are documents and certificates supporting the above declaration.

Name: Thomas Echelmeyer
Signature: 
Date: 03/10/2022

Date: 19/09/22

To: Brack Capital Properties N.V.
(the "Company")

Re: Declaration of a Director in a Public Company

In accordance with the provisions of Section 241 of the Companies Law, 1999 (the "Companies Law"), I, the undersigned, Thomas Brunsch, ID/passport number L37X70YCW, hereby declare that:

1. I qualify to act as a Director of the Company in accordance with the standards set out in Sections 224B of the Companies.
2. I have the ability to devote the appropriate amount of time for serving as a director in the Company, with due attention, inter alia, to the Company's special requirements and to its size. My education, qualifications and professional experience, past and present, provide me the professional qualifications required to perform my duties as director in the Company, inter alia, as set forth hereunder:
 - 2.1. Academic education (degree, field and name of institution) including other education and professional certificates:

<u>Degree</u>	<u>Name of academic institution</u>
<u>Diplom-Haufmann</u>	<u>University of Cologne</u>

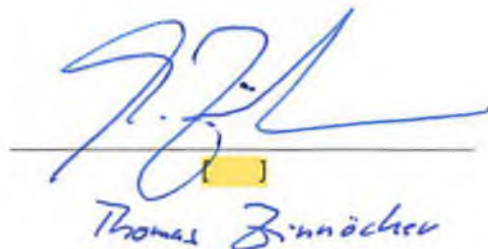
- 2.2. Principal occupations during the past five years (including previous positions in the Company and tenure as director in other corporations) – position, workplace name and field of operation and lengths of time in the position:

<u>Position</u>	<u>Name of Work Place</u>	<u>d. in month</u>
<u>Chairman of the Supervisory Board</u>	<u>CONSUS REAL ESTATE AG</u>	<u>2022</u>
<u>Independent Board Member</u>	<u>ADLER GROUP S.A.</u>	<u>2020</u>
<u>Member of the Supervisory Board</u>	<u>ADLER REAL ESTATE AG</u>	<u>2022</u>
<u>Chairman of the Board of Trustees CEO</u>	<u>BECKER & WRIES FAMILIENSTIFTUNG ISTA INTERNATIONAL</u>	<u>2013 2016/2021</u>

3. I hereby declare that in the past 5 years, I have not been convicted in a court judgment of any of the following offenses:
 - 3.1. Offenses under the Penal law 5737 – 1977 (the "Penal Law"):
 - 3.1.1. Sections 290 to 297 of the Penal Law dealing with bribery offenses;
 - 3.1.2. Section 392 of the Penal Law dealing with theft by an officer;
 - 3.1.3. Section 415 of the Penal Law dealing with obtaining anything by deceit;

- 3.1.4. Sections 418 to 420 of the Penal Law dealing with forgery of documents, the presentation or issuance of a forged document or other use of such document in the knowledge that such document is forged ;
 - 3.1.5. Sections 422 to 428 of the Penal Law dealing with inducement by deceit, registering false records in corporate documents, offenses by an officer or employee of a company, concealment of information and the publication of misleading information by a senior office holder of the company, deceit and breach of trust towards a company, deceptive concealment, blackmail with use of force and or by means of threats.
- 3.2. Offenses under the Securities Law 5728 - 1968 (the "**Securities Law**"):
- 3.2.1. Section 52C of the Securities Law dealing with the use of inside information by an insider;
 - 3.2.2. Section 52D of the Securities Law dealing with the use of inside information which was originated by an insider;
 - 3.2.3. Section 53(a) of the Securities Law dealing with the contravention of provisions regarding the publication of a prospectus containing a misleading detail;
 - 3.2.4. Section 54 of the Securities Law dealing with fraud in connection with securities (fraud includes any action which is intended to wrongly influence trading).
4. In the past 5 years, I have not been convicted:
- 4.1. By a court outside Israel of the offenses of bribery, deceit, offenses by managers of a corporation or offenses involving misuse of inside information;
 - 4.2. Of any other offense, that due to the substance, gravity or circumstances, a court has found me to be unfit to serve as a director in a public company or a debenture company.
5. To the best of my knowledge, there is no other legal restriction in respect of my appointment or service as an external director of the Company.
6. I hereby undertake to immediately notify the Company if any of the aforesaid conditions in this declaration will cease to exist, and I am aware that my service as an external director of the Company shall expire on the date of providing such notice.
7. I acknowledge that the Company relied on the contents of this declaration upon confirmation of my service as a director in the Company, and that this declaration will be placed in the registered office of the Company for review by any person.

Yours faithfully,



Thomas Zinnöcker

Date: 03/10/2022

To: Brack Capital Properties N.V.
(the "**Company**")

Re: Declaration of a Director with Accounting and Financial Expertise and / or Professional Qualifications

In accordance with the Companies Regulations (Conditions and Tests for a Director with Accounting and Financial Expertise and a Director with Professional Qualification), 5766-2005 ("**Expertise and Qualifications Regulations**"), the Company's Board of Directors is required to assess whether you are a director with "Accounting and Financial Expertise" and/or "Professional Qualifications".

In accordance with the provisions of the Expertise and Qualifications Regulations, a director shall be deemed to have "Accounting and Financial Expertise" if, due to his education, experience and qualifications, he has a high level of proficiency and understanding of business-accounting issues and financial statements that enables him to understand in depth the financial statements of the Company and to stimulate discussion of the presentation of the financial data.

Among the considerations for assessing the accounting and financial skills, the director's education, experience and knowledge will be presented, inter alia, in the following matters:

1. Accounting issues and accounting control issues that are characteristic of the sector in which the Company operates and of companies of the size and complexity of the Company;
2. The functions of the auditor and the duties imposed on him;
3. Preparation and approval of financial statements under the Companies Law, 5759-1999 and the Securities Law, 5728-1968.

The Expertise and Qualifications Regulations also prescribe that a director shall be deemed to have "Professional Qualifications", insofar as one of the following applies:

1. He has an academic degree in one of the following subjects: Economics, Business Administration, Accounting, Law, Public Administration;
2. He has a different academic degree or has completed other higher education studies, all in the main field of the Company or in a relevant field for the position;
3. He has at least five years' experience in one of these, or has accumulated experience of five years in two or more of the following:
 - a. In a senior position in the field of business management of a corporation with a significant scope of business;
 - b. In a senior public office or in a senior position in the public service;


- c. In a senior position in the Company's main field of operations.

In view of the above, please specify below your education, experience and skills in the relevant subjects, and attach documents and certificates supporting your statement.

I, the undersigned, Thomas Zinnöcker, holder of ID L3MX70YCW, hereby declare that:

1. I have an academic degree in the following subjects: as specified in the declaration to which this Appendix is attached.
2. I have completed other higher education studies in the field: as specified in the declaration to which this Appendix is attached.

Attached are documents and certificates supporting the above declaration.

Name: Thomas Zinnöcker
Signature 
Date: 03/10/2022

נספח ג' – מדיניות התגמול המעודכנת



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 55 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 contract³ employees employed at the Company (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 [4.114.11](#) below.
- 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.

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.

- 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. Remuneration terms for Officers

4.1 Aspects of the Remuneration Policy

4.1.2 The compensation of the Officers could consist of several components:

- **Base salary component:** Base salary⁵/ management fees.

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.

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.

- **Fringe benefits, bonuses, and social benefits:** Fringe benefits and reimbursement of expenses, as provided in Section [4.7.24.7.2](#) 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 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% [\(which will be linked to the index or relevant currency\)](#) above the rates or ranges specified in this

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.

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 ~~4.74.7-4.114.11~~ 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 ~~4.134.13~~ 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 ~~3.23.2~~ above, and in view of the salary survey as provided in Section ~~3.43.4~~ 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 ~~4.24.2~~ above, the base salary to be paid to such Officer may exceed the highest amount set out in the table under 4.7.2.3 (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 ~~4.7.1.34.7.1.3~~ 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
CEO	EUR 29,167	EUR 350,000
Executive Director	EUR 14,583	EUR 175,000
CFO	EUR 20,83325,000	EUR 250 300,000
CXO	EUR 14,583	EUR 175,000

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

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.

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, cumulatively, for all Officers and 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, and shall not be material for the Company. 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 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 The Company may grant the Officers an exemption from liability for breach of the duty of care towards the Company. Exemption from liability shall not apply to distributions and any decision or transaction in which the controlling shareholder or any Officer of the Company (including any other Officer for whom the exemption is granted) has a personal interest.

4.7.3.4 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 at annual general meetings of shareholders in the Netherlands⁸ and that the exemption and discharge under this section shall be subject to the provisions of Section 4.7.4.3 above such that in no event shall the Directors be entitled to exemption where such exemption is inconsistent with the provisions of the Companies Law.

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%.

4.8 **Variable component**

4.8.1 **Annual Bonus**

In addition to the base salary, and subject to the provisions of Section [4.24.2](#) 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

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.

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, which includes discretionary annual bonus as well as performance and the attainment of the Officer's objectives, ,~~ 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 [4.8.1.44.8.1.4](#) 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 [Objective-Based](#) 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. [To the extent practicable, the objectives will be determined within three months from the beginning of each year.](#) 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, [finance objectives \(e.g. Loan-To-Value-ratio, credit rating\) or liquidity 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 which result in an

improvement of the Company's financial or strategic position, 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~~;~~ or on a more often basis should the Remuneration Committee and the Board see specific circumstance that justify it. 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~~;~~ (or on the latest financial statements, should the Remuneration Committee and the Board see specific circumstances that justify it).

4.8.1.6 Method of calculating the Objective-Based 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.

4.8.1.10 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). Discretionary Bonuses for Officers will be subject to the Maximum Annual Bonus amounts, as determined in this Remuneration Policy and to the provisions of Section 4.24.2 above.

4.8.2 Retention Annual Bonuses

In addition to the base salary, and subject to the provisions of Section 4.24.2 above, in special circumstances, where there is a specific need to retain an Officer in the Company, the Remuneration Committee and the Board shall be allowed to grant a Retention Bonus to an Officer of the Company, that will be conditioned upon continuity of their term in the Company for a period set in advance by the Remuneration Committee and the Board. The total amount of the Retention Bonus shall not exceed twelve (12) monthly salaries (for the avoidance of doubt, in addition, to the Annual Bonus which may be paid to an officer in accordance with Section 4.8.14.8.1 above and any other bonus which may be paid in accordance with this Section 4.8), and may be payable in one or more payments, as the Remuneration Committee and the Board see fit. It shall be clarified that the Retention Bonus shall not be subject to the limits set under Section 4.8.1.14.8.1.1 above.

4.8.24.8.3 One-time ~~bonus~~ 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~~ One-Time Bonus that will not exceed ~~three (3)~~ twenty four (24) monthly salaries (in total) and that may paid in relative parts upon the occurrence of milestones, 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 ~~(such as the sale of 60% (or more) of the Company's portfolio to certain date, a significant refinancing of the outstanding loans leading to long-term stability and significantly lower interest expenses, or a significant improvement of the credit rating of the Company)~~ (for this purpose "**Unique Events**"). The Unique Events in connection with which a One-Time Bonus shall be granted, with respect to Officers other than CEO and executive directors, shall be determined by the Remuneration Committee and Board of Directors following a recommendation of the CEO of the Company; and with respect to the CEO and executive directors, shall be determined by the Remuneration Committee and the Board of the Company and shall be subject to the approval of the General Meeting to the extent required by applicable law. For the avoidance of doubt, the One-Time Bonus shall not be subject to the limitations on the Maximum Annual Bonus set out in Section 4.8.1.14.8.1.1 above.

4.8.4 Change of Control Payment

In case of a Change of Control in the meaning of par 4.8.4.1 below ("**CoC Event**"), the Officer may be entitled to a Change of Control (CoC) Payment.

4.8.4.1 A Change of Control in the meaning of this provision occurs,

- (a) if a Third Person or more Third Persons acting together shall hold together, directly or indirectly, at least 50% of the shares of the Company (whereas "indirect" within the meaning of this par means e.g. the acquisition of a respective percentage of shares ADLER Real Estate AG. or ADLER Group S.A ("**ADLER**"));
- (b) The Company becomes a dependent company by way of (i) integration pursuant to Sec. 319 seq. German Stock Corporation Act (Aktiengesetz/AktG) or (ii) the general meeting of the Company deciding to interpose a company between the shareholders of the Company and the Company in such a way that the interposed company becomes the sole shareholder of the Company and the

shareholders of the Company become the shareholders of the interposed company;

(c) In case ADLER shall not be considered as the sole Controlling Shareholder of the Company, within the meaning of the term "Control" under the Israeli Securities Law 5578-1968.

Third Person within the meaning of this Section 4.8.44.8.4 is any person except ADLER.

4.8.4.2 In case of Change of Control in the meaning of this Section 4.8.44.8.4, the Officer may be entitled to CoC Payment that will not exceed thirty-two (32) monthly salaries that shall be paid in one or more installments, conditioned upon continuity of their term in the Company for a period that follows the CoC Event and set in advance, all as shall be decided by the Remuneration Committee and the Board of the Company.

4.8.4.3 For the avoidance of doubt, the Change of Control Payment shall not be subject to the limitations on the Maximum Annual Bonus set out in Section 4.8.1.14.8.1.1 above. Furthermore, the Change of Control Payment may be paid to the Officer in addition to the Annual Bonus which may be paid to an officer in accordance with Section 4.8.14.8.1 above and to any other bonus which may be paid in accordance with this Section 4.8.

4.8.34.8.5 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~~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~~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~~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).

4.9.4 Despite anything in this Section 4.9 to the contrary, in no event shall the total amount paid to an office holder under this Section 4.9 (i.e., the cumulative amount of Retirement Bonus; Prior Notice; and Adjustment Period payment), exceed (12) months of the fixed component of an office holder:

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 ~~6.674~~ times that amount, and ~~8.657.79~~ 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 ~~4.24.2~~ 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% (667 % and~~ without taking one-time bonuses into account~~)~~ (i.e., excluding Change of Control Payment and One Time Bonus) shall not exceed 200%.

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 ~~33~~ above, and in view of the most current salary survey performed by the Company, as provided in Section ~~33~~ above.

4.13 **Remuneration of non-executive directors**

4.13.1 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).

4.13.2 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 [4.7.34.7.3](#) above, and all in accordance with the provisions of the Articles of Association and the Remuneration Policy.

4.13.3 Every member of the Board of Directors will be entitled to Officers' liability insurance and, exemption and indemnification arrangements, as provided in the Articles of Association and as customary at the Company and in accordance with section [4.7.34.7.3](#).

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 התגמול המעודכנת, 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 ליעץ 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 במישור 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. מטרת 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 הקבלן המועסקים בחברה (ככל שמועסקים),³ 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% (יוצמדו בהתאם למדד או למטבע הרלוונטיים) 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 4.7-4.114.7 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 בהחלטת 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:

תקרת שכר שנתית	תקרת שכר חודשית	דרג
350,000 אירו	29,167 אירו	מנכ"ל
175,000 אירו	14,583 אירו	Executive Director
250,300,000 אירו	20,833,25,000 אירו	סמנכ"ל כספים
175,000 אירו	14,583 אירו	מנהל אחר הכפוף למנכ"ל או נושאי משרה אחרים

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, . סכומי ההשתתפות העצמית שיקבעו במסגרת הפוליסות לא יחרגו מהמקובל בשוק הביטוח לפוליסות מסוג והיקף זה נכון למועד עריכת הביטוח וחידושו מדי תקופה, וכן לא יהיו מהותיים עבור החברה. 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.

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 של החברה, כמקובל ובהתאם להוראות הדין החל והתקנון. גובה השיפוי הכולל לכלל נושאי המשרה, לא יעלה על 25% מהונה העצמי של החברה.

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.

4.7.3.3. החברה תהיה רשאית לפטור נושא משרה מאחריות בשל הפרת חובת הזהירות כלפיה. פטור מאחריות לא יחול על חלוקות ועל כל החלטה או עסקה שבה לבעל השליטה בחברה או לכל נושא משרה בה (לרבות כל נושא משרה אחר שלו הוענק הפטור) יש עניין אישי.

4.7.3.4. 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 והפטור תחת סעיף זה הינו בכפוף להוראות סעיף 4.7.3.3 לעיל כך שבשום מקרה לא יהיו הדירקטורים זכאים לפטור מקום שפטור כאמור אינו עולה בקנה אחד עם הוראות חוק החברות.

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"). המענק השנתי אמור לשקף:

- תרומתו של נושא המשרה לתפקוד הכלכלי של החברה,
- השגת יעדיו האישיים,
- הביצועים הכלכליים הכלליים של החברה.

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 תפקידיהם 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.

אם נושא המשרה זכאי למענק שנתי בהתאם לתנאי העסקתו, יש לאשר את המענק השנתי בהתאם לסעיפים הבאים:

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, הכולל מענק בשיקול דעת וכן מענק מבוסס ביצועים ויעדים של נושא המשרה, תוגדר במונחי מכפלת שכר הבסיס (ברוטו) כדלקמן:

תפקיד	תקרת המענק השנתי
מנכ"ל	עד 12 משכורות
Executive Director	עד 12 משכורות
סמנכ"ל כספים	עד 12 משכורות
סמנכ"ל תפעול	עד 12 משכורות

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 השנתי מבוסס היעדים 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. ככל שניתן, היעדים יקבעו תוך שלושה חודשים מתחילת השנה. 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, יעדי EBITDA, יעדים פיננסיים (לדוגמה, יחס הלוואה לשווי נכס, דירוג אשראי) או יעדים הקשורים בניזילות החברה 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 המובילות לשיפור במצבה הפיננסי או האסטרטגי של החברה, 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-, או לעיתים קרובות יותר, ככל שוועדת התגמול והדירקטוריון יראו נסיבות ספציפיות המצדיקות זאת. 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- (או בדוחות הכספיים האחרונים, אם ועדת התגמול והדירקטוריון יראו נסיבות ספציפיות המצדיקות זאת).

4.8.1.6. אופן חישוב המענק השנתי מבוסס היעדים

- 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.

4.8.1.10. 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. מענק בשיקול דעת לנושאי משרה כפוף לתקרת המענק, כפי שנקבעה על ידי ועדת התגמול ובכפוף לסעיף 4.2 לעיל.~~

4.8.2. מענק שימור שנתי

בנוסף לשכר הבסיס, ובכפוף להוראות סעיף 4.2 לעיל, בנסיבות מיוחדות, כאשר קיים צורך ספציפי לשמר את כהונתו של נושא משרה בחברה, ועדת התגמול והדירקטוריון יהיו רשאים להעניק מענק שימור שנתי לנושא משרה בחברה, שיותנה בהמשך כהונתו בחברה לתקופה שנקבעה מראש על ידי ועדת התגמול והדירקטוריון. הסכום הכולל של מענק השימור השנתי לא יעלה על שתיים עשרה (12) משכורות חודשיות (למען הסר ספק, מענק זה יכול להינתן בנוסף למענק השנתי המתואר בסעיף 4.8.1 לעיל וכן בנוסף לכל מענק אחר אשר עשוי להיות משולם בהתאם לסעיף 4.8), וייתכן שישולם בתשלום אחד או יותר, כפי שיראו לנכון ועדת התגמול והדירקטוריון. יובהר כי מענק השימור לא יהיה כפוף למגבלות שנקבעו במסגרת סעיף 4.8.1.1 לעיל.

4.8.2.4.8.3. מענק חד פעמי

ועדת התגמול והדירקטוריון יהיו רשאים להעניק, כפוף לקבלת האישורים הנדרשים על פי דין, מענק חד פעמי שלא יעלה על שלוש (3) עשרים וארבע (24) משכורות חודשיות (בסך הכל), שעשוי להיות משולם בחלקים בהתאם להתקיימותן של אבני דרך, 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- (כגון מכירת 60% (או יותר) מפורטפוליו החברה עד למועד מסוים, מימון מחדש משמעותי של ההלוואות הקיימות אשר יוביל ליציבות ארוכת טווח והוצאות ריבית נמוכות משמעותית, או שיפור משמעותי בדירוג האשראי של החברה) (לעניין זה: "אירועים ייחודיים"). האירועים הייחודיים אשר בקשר אליהם יינתן מענק חד פעמי לנושאי משרה, שאינם המנכ"ל ו- executive directors, ייקבעו על ידי ועדת התגמול והדירקטוריון לאחר המלצת מנכ"ל החברה; ביחס למנכ"ל ול- executive directors, האירועים הייחודיים ייקבעו על ידי ועדת התגמול ודירקטוריון החברה והיו כפופים לאישור האסיפה

הכללית, ככל שנדרש על פי הדין. למען הסר ספק, מענק חד פעמי לא יהיה כפוף למגבלות על מענק שנתי מרבי המפורטות בסעיף 4.8.1.1 לעיל.

4.8.4. מענק שינוי שליטה

במקרה של שינוי שליטה, כמשמעותו בסעיף 4.8.4.1 להלן ("אירוע שינוי שליטה"), נושא משרה עשוי להיות זכאי למענק שינוי שליטה ("מענק שינוי שליטה").

4.8.4.1. אירוע שינוי שליטה לעניין סעיף זה, יתרחש –

(א) אם צד שלישי או צדדים שלישיים הפועלים במשותף, יחזיקו יחדיו, במישרין או בעקיפין, לפחות 50% ממניות החברה ("עקיפין" במשמעות סעיף זה, הינה, למשל, רכישת אחוז בהתאמה ממניות ADLER Real Estate AG או ADLER Group S.A ("ADLER").

(ב) החברה הופכת לחברה תלויה בדרך של: (1) מיזוג (*integration*) לפי סעיף 319 ל- German Stock Corporation Act (Aktiengesetz/AktG) או (2) האסיפה הכללית של החברה מחליטה "ליצור חברה" (*interpose a company*) בין בעלי המניות של החברה לבין החברה, כך שהחברה המוקמת הופכת לבעלת המניות היחידה של החברה ובעלי המניות של החברה יהפכו לבעלי המניות של החברה המוקמת.

(ג) במקרה בו ADLER אינה בעלת השליטה היחידה בחברה, כמשמעות המונח "שליטה" בחוק ניירות ערך תשכ"ח-1968.

צד שלישי לצורך סעיף 4.8.4.1 זה הינו כל צד מלבד ADLER.

4.8.4.2. במקרה של אירוע שינוי שליטה כמשמעותו בסעיף 4.8.4 זה, נושא משרה עשוי להיות זכאי למענק שינוי שליטה שלא יעלה על שלושים ושתיים (32) משכורות חודשיות, שישולם בתשלום אחת או יותר, המותנה בהמשך כהונתו של נושא המשרה בחברה לתקופה שלאחר אירוע שינוי השליטה אשר תקבע מראש, והכל כפי שיוחלט על ידי ועדת התגמול ודירקטוריון החברה.

4.8.4.3. למען הסר ספק, מענק שינוי שליטה לא יהא כפוף לתקרת המענק השנתי, כאמור בסעיף 4.8.1.1 לעיל. כמו כן, מענק זה יכול להינתן בנוסף למענק השנתי המתואר בסעיף 4.8.1 למדיניות התגמול וכן, בכפוף להחלטת וועדת התגמול והדירקטוריון, בנוסף לכל מענק אחר אשר עשוי להיות משולם בהתאם לסעיף 4.8 למדיניות התגמול.

4.8.3-4.8.5. 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).

4.9.4. על אף כל דבר האמור בסעיף 4.9 זה העלול לסתור את האמור, בשום מקרה הסכום הכולל שישולם לנושא משרה בהתאם לסעיף 4.9 (קרי, הסכום המצטבר של תשלום מענק הפרישה; הודעה מוקדמת; ותקופת הסתגלות), לא יעלה על (12) חודשים מרכיב השכר הבסיס לנושא משרה.

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 6.674, ומול השכר החציוני הינו פי 8.657.79. 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 667% ובנטרול מענקים חד פעמיים- (קרי, מענק שינוי שליטה ומענק חד פעמי) לא יעלה על 200%.

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

בראק קפיטל פרופרטיז אן.וי. ("החברה")

כתב הצבעה לפי תקנות החברות (הצבעה בכתב והודעות עמדה), תשס"ו-2005 ("התקנות")

חלק ראשון

דוח זימון האסיפה הכללית שכתב הצבעה זה מהווה נספח לו ייקרא להלן "הדוח המייד" או "דוח הזימון"

1. שם החברה :

בראק קפיטל פרופרטיז אן.וי ("החברה").

2. סוג האסיפה, המועד והמקום לכינוסה :

אסיפה כללית מיוחדת של בעלי מניות החברה ("האסיפה"). האסיפה תתכנס ביום 8 בנובמבר, 2022, בשעה CET 14:00, באמצעות שיחת ועידה טלפונית. פרטי ההתקשרות יימסרו על ידי נציגי החברה לעניין דוח הזימון (כמפורט בסעיף **Error! Reference source not found.** לדוח הזימון) וזאת כנגד הצגת אישור בעלות ויפוי כוח להשתתפות באסיפה (ככל הרלוונטי).

3. פירוט הנושא שעל סדר היום, אשר לגביו ניתן להצביע באמצעות כתב הצבעה :

3.1. דיון ואישור הדוח השנתי והדוחות הכספיים של החברה לשנת 2021 (נערך בהתאם לדין ההולנדי)

מוצע לאשר את הדוח הכספי השנתי הסטטוטורי לפי הדין ההולנדי לשנת 2021, כפי שהוא נערך בהתאם לתקני IFRS, המצורף **כנספח א'** לדוח הזימון.

3.2. מינוי מחדש של רואי חשבון מבקרים בישראל

מוצע למנות מחדש את משרד סומך חייקין (KPMG) כמשרד רואה החשבון המבקר של החברה עד לתום האסיפה הכללית השנתית הבאה, ולהסמיך את הדירקטוריון לקבוע את שכרם.

3.3. מינוי מחדש של רואי חשבון מבקרים בהולנד

מוצע למנות מחדש את משרד IUS Statutory Audits Cooperatie U.A כמשרד רואה החשבון המבקר האחראי לביקורת הדוחות השנתיים של החברה לשנת 2022, לצורך ביקורת הדוח השנתי הסטטוטורי של החברה לשנת 2022, בהתאם לדין ההולנדי, ולהסמיך את הדירקטוריון לקבוע את שכרם.

3.4. פטור מאחריות לחברי דירקטוריון

מוצע לפטור את חברי הדירקטוריון (כפי שהיו במועדים הרלוונטיים) מאחריותם לגבי פעולותיהם במהלך שנת הכספים 2021, בהתאם לדין ההולנדי, ככל שהפעילות כאמור באה לידי ביטוי בדוח הכספי השנתי של החברה לשנת 2021.

3.5. מינוי מחדש של מר Patrick Burke כדירקטור בלתי תלוי לדירקטוריון החברה

מוצע למנות את מר Patrick Burke לדירקטוריון החברה, לתקופת כהונה שתחל החל ממועד אישור מינויה על ידי האסיפה המזומנת בזאת, ועד לתום האסיפה הכללית השנתית הבאה של בעלי מניות החברה.

3.6. מינוי מחדש של גב' Elisabeth van der Kuijlen-Dalenoord כדירקטורית בלתי תלויה לדירקטוריון

החברה

מוצע למנות את גב' Elisabeth van der Kuijlen-Dalenoord לדירקטוריון החברה, לתקופת כהונה שתחל החל ממועד אישור מינויה על ידי האסיפה המזומנת בזאת, ועד לתום האסיפה הכללית השנתית הבאה של בעלי מניות החברה.

3.7. מינוי של מר Thomas Werner Ferdinand Zinnöcker כדירקטור (שאינו דירקטור חיצוני)

לדירקטוריון החברה

מוצע למנות את מר Thomas Werner Ferdinand Zinnöcker לדירקטוריון החברה, לתקופת כהונה שתחל החל מיום 1 בדצמבר, 2022, ועד לתום האסיפה הכללית השנתית הבאה של בעלי מניות החברה.

3.8. מינוי של מר Thomas Josef Echelmeyer כדירקטור (שאינו דירקטור חיצוני) לדירקטוריון החברה

מוצע למנות את מר Thomas Josef Echelmeyer לדירקטוריון החברה, לתקופת כהונה שתחל החל מיום 1 בדצמבר, 2022, ועד לתום האסיפה הכללית השנתית הבאה של בעלי מניות החברה.

3.9. מינוי של מר Thilo Ger Schmid כדירקטור (שאינו דירקטור חיצוני) לדירקטוריון החברה

מוצע למנות את מר Thilo Ger Schmid לדירקטוריון החברה, לתקופת כהונה שתחל החל מיום 1 בדצמבר, 2022, ועד לתום האסיפה הכללית השנתית הבאה של בעלי מניות החברה.

3.10. תיקון ואישור מדיניות התגמול של החברה

מוצע לאשר את תיקון מדיניות התגמול של החברה, כמפורט בסעיף 1.8 לדוח הזימון.

4. המקום והשעות שניתן לעיין בהם בנוסח המלא של ההחלטות המוצעות:

ניתן לעיין בדוח זה ובמסמכים הנזכרים בו, במשרד הרצוג פוקס נאמן ושות' – עורכי דין, שכתובתו רחוב יצחק שדה 6, מגדל הרצוג, 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, תשנ"ט-1999 ("חוק החברות"), ככל שתינתנה באתר ההפצה של רשות ניירות ערך בכתובת: www.magna.isa.gov.il ובאתר הבורסה לניירות ערך בתל-אביב בע"מ בכתובת: www.tase.co.il.

5. הרוב הדרוש לקבלת ההחלטה באסיפה הכללית

5.1. הרוב הנדרש לקבלת ההחלטה המפורטת בסעיפים 3.13.9.- Error! Reference source not found. לעיל הינו רוב קולות בעלי המניות הנוכחים באסיפה הכללית, הרשאים להצביע והצביעו בה, בעצמם או על ידי שלוחם, מבלי להביא בחשבון את קולות הנמנעים.

5.2. הרוב הנדרש לקבלת ההחלטה המפורטת בסעיף 3.10 לעיל, בהתאם לאמור בסעיף 267א(ב) לחוק החברות, קרי, רוב רגיל מכלל קולות בעלי המניות המשתתפים והמצביעים באסיפה, ובלבד שיתקיים אחד מאלה: (1) במניין קולות הרוב באסיפה הכללית ייכללו רוב מכלל קולות בעלי המניות שאינם בעלי השליטה בחברה או בעלי עניין אישי באישור מדיניות התגמול, המשתתפים בהצבעה; במניין כלל הקולות של בעלי המניות האמורים לא יובאו בחשבון קולות הנמנעים; על מי שיש לו עניין אישי יחולו הוראות סעיף 276, בשינויים המחויבים; (2) סך קולות המתנגדים

מקרב בעלי המניות האמורים בפסקה (1) לא עלה על שיעור של שני אחוזים מכלל זכויות ההצבעה בחברה.

6. ציון זיקה של בעל מניות

בעל מניה המשתתף בהצבעה בהחלטה 3.10 שעל סדר היום, יסמן בחלק השני של כתב ההצבעה, במקום המיועד לכך, האם הינו בעל עניין, נושא משרה בכירה או משקיע מוסדי, וכן האם הוא בעל שליטה בחברה או בעל עניין אישי בהחלטה ויתאר את מהות העניין האישי, ככל שקיים.

יובהר כי מי שלא סימן כאמור או לא תיאר את מהות העניין האישי או מאפיין אחר כאמור לא תבוא הצבעתו במניין.

7. תוקף כתב ההצבעה

7.1. לכתב ההצבעה יהיה תוקף לגבי בעל מניות שלזכותו רשומות מניות אצל חבר בורסה ואותן מניות נכללות בין המניות הרשומות במרשם בעלי המניות על שם החברה לרישומים ("בעל מניות לא רשום"), רק אם צורף לו אישור בעלות או אם נשלח לחברה אישור בעלות באמצעות מערכת ההצבעה האלקטרונית, כהגדרתה בתקנות החברות (הצבעה בכתב והודעות עמדה), התשס"ו-2005 ("מערכת ההצבעה האלקטרונית").

7.2. לכתב ההצבעה יהיה תוקף לגבי מי שרשום כבעל מניות במרשם בעלי המניות של החברה ("בעל מניות רשום"), רק אם צורף לו צילום תעודת זהות, דרכון או תעודת התאגדות.

7.3. על בעל מניות המעוניין להצביע באמצעות כתב הצבעה זה, להמציא את כתב ההצבעה והמסמכים הרלוונטיים כאמור למשרדי הרצוג, פוקס, נאמן עורכי דין במען המפורט להלן, לא יאוחר מארבע (4) שעות לפני מועד כינוס האסיפה הכללית, ככל שמדובר בבעל מניות לא רשום, ולא יאוחר משש (6) שעות לפני מועד כינוס האסיפה הכללית, ככל שמדובר בבעל מניות רשום. לעניין זה "מועד ההמצאה" הינו המועד שבו הגיעו כתב ההצבעה והמסמכים המצורפים למשרדי החברה.

7.4. כתב הצבעה שלא יומצא בהתאם לאמור יהא חסר תוקף.

8. הצבעה באמצעות מערכת ההצבעה האלקטרונית

8.1. בעל מניות לא רשום רשאי להצביע באמצעות מערכת ההצבעה האלקטרונית, 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, קרי עד יום ג' 8 בנובמבר, 2022, בשעה 08:00 CET ("מועד נעילת המערכת").

8.2. ההצבעה באמצעות מערכת ההצבעה האלקטרונית תהיה ניתנת לשינוי או לביטול עד למועד 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. החברה אינה מאפשרת הצבעה באמצעות האינטרנט שלא באמצעות מערכת ההצבעה האלקטרונית.

9. מען למסירת כתבי הצבעה והודעות עמדה

משרד הרצוג, פוקס, נאמן עורכי דין, שכתובתו רחוב יצחק שדה 6, מגדל הרצוג, תל אביב, ישראל.

10. המועד האחרון להמצאת הודעות עמדה לחברה והמועד האחרון להמצאת תגובת הדירקטוריון להודעות העמדה

המועד האחרון להמצאת הודעות עמדה לחברה יהיה עד עשרה (10) ימים לפני מועד כינוס האסיפה הכללית, קרי עד יום 29 באוקטובר, 2022. דירקטוריון החברה רשאי להמציא תגובתו להודעות עמדה לא יאוחר מיום 3 בנובמבר, 2022.

11. כתובת אתר ההפצה של אתר רשות ניירות ערך ואתר האינטרנט של הבורסה לניירות ערך בתל אביב בע"מ, שמצויים בהם כתבי הצבעה והודעות העמדה

כתובות האתרים של רשות ניירות ערך והבורסה, שבהם ניתן למצוא את נוסח כתב הצבעה והודעות עמדה הינם כדלקמן: אתר ההפצה של רשות ניירות ערך: www.magana.isa.gov.il ואתר הבורסה: www.maya.tase.co.il

12. קבלת אישורי הבעלות, כתבי הצבעה והודעות עמדה

12.1. בעל מניות לא רשום זכאי לקבל את אישור הבעלות בסניף של חבר הבורסה או במשלוח בדואר, אם ביקש זאת. בקשה לעניין זה תינתן מראש לחשבון ניירות ערך מסוים.

12.2. בעל מניות לא רשום רשאי להורות שאישור הבעלות שלו יועבר לחברה באמצעות מערכת ההצבעה האלקטרונית.

12.3. בעל מניות לא רשום זכאי לקבל בדואר אלקטרוני, בלא תמורה, קישורית לנוסח כתב הצבעה והודעות העמדה באתר ההפצה, מאת חבר הבורסה שבאמצעותו הוא מחזיק במניותיו, אלא אם כן הודיע לחבר הבורסה כי אין הוא מעוניין לקבל קישורית כאמור או שהוא מעוניין לקבל כתבי הצבעה בדואר תמורת תשלום; הודעתו לעניין כתבי הצבעה תחול גם לעניין קבלת הודעות עמדה.

12.4. בעל מניות אחד או יותר, אשר במועד הקובע, מחזיק מניות בשיעור המהווה חמישה אחוזים (5%) או יותר מסך כל זכויות ההצבעה, וכן מי שמחזיק בשיעור כאמור מתוך סך כל זכויות ההצבעה שאינן מוחזקות בידי בעל השליטה בחברה, כהגדרתו בסעיף 268 לחוק החברות, זכאי בעצמו או באמצעות שלוח מטעמו, לאחר כינוס האסיפה הכללית, לעיין בכתבי הצבעה וברישומי ההצבעה באמצעות מערכת ההצבעה האלקטרונית שהגיעו לחברה, במשרדה הרשום של החברה, בשעות העבודה המקובלות.

12.5. כמות המניות המהוות חמישה אחוזים (5%) מסך כל זכויות ההצבעה בחברה (שלא בדילול מלא) הינה 388,128 מניות רגילות של החברה. כמות המניות המהוות חמישה אחוזים (5%) מסך כל זכויות ההצבעה בחברה (שלא בדילול מלא) שאינן מוחזקות בידי בעל השליטה בחברה הינה 144,479 מניות רגילות של החברה.

13. שינויים בסדר היום, ופרסום הודעות עמדה

ייתכן כי לאחר פרסום כתב ההצבעה יהיו שינויים בסדר היום של האסיפה הכללית, לרבות הוספת נושא לסדר היום, וכן עשויות להתפרסם הודעות עמדה. ניתן יהיה לעיין בסדר היום העדכני ובהודעות עמדה שהתפרסמו בדיווחי החברה שבאתר ההפצה.

14. המועד האחרון שבו תפרסם החברה כתב הצבעה מתוקן

ככל שתתבקש הוספת נושא לסדר היום של האסיפה הכללית, המועד האחרון שבו תפרסם החברה כתב הצבעה מתוקן יהיה ביום 18 באוקטובר, 2022, בכפוף לדין ההולנדי החל.

15. ביטול כתב ההצבעה

בעל מניות רשאי, עד עשרים וארבע (24) שעות לפני מועד כינוס האסיפה הכללית, לפנות למשרדה הרשום של החברה, ולאחר שיוכיח את זהותו להנחת דעתו של מזכיר החברה, או עובד אחר שימונה לעניין זה, למשוך את כתב ההצבעה ואישור הבעלות שלו.

בעל מניות יציין את אופן הצבעתו לגבי כל נושא שעל סדר היום ושלגביו ניתן להצביע באמצעות כתב הצבעה זה בחלקו השני של כתב ההצבעה.

בראק קפיטל פרופרטיז אן.וי. ("החברה")

כתב הצבעה לפי תקנות החברות (הצבעה בכתב והודעות עמדה), תשס"ו-2005 ("התקנות")

חלק שני

שם החברה: בראק קפיטל פרופרטיז אן.וי.

מען (למסירה ולמשלוח כתבי הצבעה): משרד הרצוג, פוקס, נאמן עורכי דין, שכתובתו רחוב יצחק שדה 6, מגדל הרצוג, תל אביב, ישראל.

מספר החברה: 34250659

מועד האסיפה: 8 בנובמבר, 2022 בשעה 14:00 CET

סוג האסיפה: שנתית ומיוחדת

המועד הקובע: 10 באוקטובר, 2022

פרטי בעל המניות:

1. שם בעל המניות: _____ 2. מספר זהות: _____

3. אם אין לבעל המניות תעודת זהות ישראלית	4. אם בעל המניות הוא תאגיד	5. בהצבעה באמצעות האינטרנט
מספר דרכון: _____	מספר תאגיד: _____	קוד הזיהוי: _____
המדינה שבה הוצא: _____	מדינת ההתאגדות: _____	קוד הבקרה: _____
בתוקף עד: _____	כמות ניירות הערך: _____	הפרט המזהה הנוסף: _____

אופן ההצבעה:

אנא סמן האם הינך בעל עניין¹/נושא משרה בכירה²/משקיע מוסדי³/אף אחד מהם ו/או אחר

בעל עניין	נושא משרה בכירה	משקיע מוסדי	אף אחד מהם/אחר
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

*במידה והמצביע הצביע על-פי ייפוי כוח, יינתנו הפרטים האמורים לעיל גם בקשר למייפה הכוח

¹ כהגדרתו בסעיף 1 לחוק ניירות ערך, התשכ"ח – 1968.

² כהגדרתו בסעיף 37(ד) לחוק ניירות ערך, התשכ"ח – 1968.

³ כהגדרתו בתקנה 1 לתקנות הפיקוח על שירותים פיננסיים (קופות גמל) (השתתפות חברה מנהלת באסיפה כללית), תשס"ט – 2009, וכן מנהל קרן להשקעות משותפות בנאמנות כמשמעותו בחוק השקעות משותפות בנאמנות, התשנ"ד – 1994.

מס' הנושא שעל סדר היום	הנושא שעל סדר היום	אופן ההצבעה ⁴			לעניין אישור מדיניות התגמול המעודכנת (נושא 3.10 שעל סדר היום) – האם אתה בעל שליטה, בעל עניין, בעל עניין אישי באישור המינוי, נושא משרה בכירה או משקיע מוסדי ⁵
		נמנע	נגד	בעד	
3.1	דיון ואישור הדוח השנתי והדוחות הכספיים של החברה לשנת 2021 (נערך בהתאם לדין ההולנדי)				לא
3.2	מינוי מחדש של רואי חשבון מבקרים בישראל				כן ⁶
3.3	מינוי מחדש של רואי חשבון מבקרים בהולנד				לא
3.4	פטור מאחריות לחברי דירקטוריון				כן ⁶
3.5	מינוי מחדש של מר Patrick Burke כדירקטור בלתי תלוי לדירקטוריון החברה				לא
3.6	מינוי מחדש של גבי Elisabeth van der Kuijlen-Dalenoord כדירקטורית בלתי תלויה לדירקטוריון החברה				כן ⁶
3.7	מינוי של מר Thomas Werner Ferdinand Zinnöcker כדירקטור (שאינו דירקטור חיצוני) לדירקטוריון החברה				לא
3.8	מינוי של מר Thomas Josef Echelmeyer כדירקטור (שאינו דירקטור חיצוני) לדירקטוריון החברה				כן ⁶
3.9	מינוי של מר Thilo Ger Schmid כדירקטור (שאינו דירקטור חיצוני) לדירקטוריון החברה				לא
3.10	תיקון ואישור מדיניות התגמול של החברה				כן ⁶

להלן פרטים בקשר עם היותי "בעל שליטה או בעל עניין אישי באישור ההחלטה:

תאריך: _____

חתימה: _____

לבעלי מניות המחזיקים במניות באמצעות חבר בורסה (לפי סעיף 177 (1) לחוק החברות) - כתב הצבעה זה תקף רק בצירוף אישור בעלות. לבעלי מניות הרשומים במרשם בעלי המניות של החברה - כתב ההצבעה תקף בצירוף צילום תעודת הזהות/דרכון/תעודת ההתאגדות.

⁴ אי סימון יחשב כהימנעות מהצבעה.

⁵ בעל מניות שלא ימלא טור זה או שיסמן "כן" ולא יפרט, הצבעתו לא תבוא במניין. אין צורך לפרט עניין אישי באישור המינוי שאינו כתוצאה מקשר עם בעל השליטה.

⁶ אנה פרט.