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 three months ending on March 31, 2017 (hereinafter: "the Reported Period" or "the Report Period.

The review is limited in scope and refers to events and changes occurring in the corporation's state of affairs during the Reported Period the influence of which is material. The report was prepared assuming that the report of the Company's Board of Directors for 2016 (which is included in the Company's periodical report for 2016) (hereinafter, respectively: "2016 Board of Directors Report" and "2016 Periodic Report")[1] is available to the reader.

The financial statements attached in Chapter B of this quarterly report are presented according to International Standards – the IFRS.

All the data in this report refer to the interim consolidated financial statements unless otherwise stated.

In this report:

"The report date or "the date of the report" – March 31, 2017.

"Report signing date" or "the date of signing the report" – May 18, 2017.

"The reported quarter" – the first quarter of 2017.

Preamble

Below are the Company's principal results for the three months ended March 31, 2017.

1. **Profitability** – in the first quarter of 2017, the Company's net income attributed to the Company's shareholders amounted to approximately EUR 22.6 million compared to income of EUR 18.4 million in the corresponding quarter last year. The following is the contribution of income producing real estate and residential development activities to the Company's results:

   - **Income producing real estate** – in the first quarter of 2017, the FFO amounted to EUR 8.1 million compared to EUR 8.0 million in the fourth quarter of 2016. In the reported quarter, the FFO grosses up an annual rate of EUR 32.3 million.

   - **Residential development activity**- in the reported quarter, the contribution to profit in the Grafental project amounted to EUR 1.7 million (consolidated) from the completion of delivering 13 flats from Stage B3[2].

[1] Published on March 20, 2017 (Ref No. 029265-01-2017]
[2] As of the date of signing the report the last flat in the stage was delivered.

2. **Operating segments – key operational data**[3].
   a. Residential development – Grafental project[4]

Stage	Number of flats	Expected revenues (EUR in millions)	Expected income (EUR in millions)	Entrepreneurial profit (in percentage)	Sales (in percentage)	Revenue recognition until now
B3	107	55.2	11.5	26%	100%	98%
C	109	56.2	12.4	28%	93%	0
D	119	67.6	16.4	32%	18%	0
Total	**335**	**179.0**	**40.3**	**29%**	**67%**	**28%**

   b. Income producing real estate[5]

Zoning	Area (square meters)	Actual Return of rental fees[6]	ERV Return[7]	Actual NOI return[5]	NOI return according to ERV[8]	Occupancy rate
Residential	609	6.4%	8.4%	5.5%	7.4%	96%
Commercial	334	6.6%	7.2%	6.2%	6.7%	95%
Total	**943**	**6.5%**	**7.9%**	**5.8%**	**7.1%**	**96%**

- **Residential**: in the first quarter of 2017, rental fees increased by 5.4% from identical assets and 7.8 % in rental fees per square meter in new rentals compared to the corresponding quarter of 2016. The rental fees in new rentals in the residential market are higher by 31% of the actual rental fees.

- **Commercial**: in the first quarter of 2017, rental fees have increased by 2.6% from identical assets compared to the corresponding quarter in 2016 mainly from the betterment of assets. In this regard it is indicated that the Company promotes projects for the betterment of commercial assets out of the existing portfolio of the Company at an estimated investment scope of approximately EUR 50 million[9] which will take several years and will produce an annual yield of 9% on the investment. In addition the Company examines and promotes rezoning procedures in part of those assets[10] and other assets as well, which in case they will mature, the expected investment volume will be more material.

[3] As of the report signing date
[4] Data according to 100%, the effective corporation's share in the project is 83%; sales include reservations.
[5]Assets consolidated in the Company's financial statements.
[6]Data of May 2017 in annual terms divided by the carrying values.
[7]ERV - estimated rental value – the expected annual return provided that all of the assets are leased in full occupancy in return for the rental fees prevailing in the market.
[8]Actual NOI plus the difference between actual rental fees and the ERV divided by the carrying values.
[9]of which EUR 30 million in four assets under the Matrix Portfolio
[10]of which 2 assets in large cities in Bavaria

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

   a. **Equity and NAV**: The equity attributed to the Company's shareholders amounted to approximately EUR 488.5 million and the NAV[11] amounted to EUR 565.6 million as of the report date.

   b. **Debt ratios**: the LTV ratio[12] is 47.08% as of the report date. The EBITDA ratio to interest expenses (only from the income producing portfolio, excluding operating income from entrepreneurship activity) is 3.34 in the first quarter of 2017.

   c. **Liquidity**: cash balances and liquid balances amounted to approximately EUR 123.5 million as of the report date.

4. **Dividend policy -** the Company's Board of Directors decided on a dividend policy deriving from the Company's annual FFO, according to which each year from 2018 and in respect of 2017 and thereafter, the Company will distribute to its shareholders a dividend and/or distribute to its shareholders capital (collectively: "the Distribution") of 30% of the total FFO (from the income producing activity only, excluding profit from the Company's development activity). For the purposes of calculating the FFO for a given year, the distribution amount will be derived from the FFO, the FFO data for the fourth quarter of that year will be adjusted to the data for the entire year. For further details, see the section "Events after the balance sheet date".

❑ **Concise description of the Corporation and its business environment**

Areas of activity

The Company, its subsidiaries and associates companies (hereinafter, collectively: "**the Group"**) have been operating in the field of real-estate in Germany, in four primary activity sectors: residential income producing real estate, commercial income producing real estate, entrepreneurship residential real estate in Dusseldorf and betterment of land in Dusseldorf. Below are the details on the major developments in said sectors (as occurred) in the reported period and until the signing date of the report:

❑ **Residential income-producing real-estate** – as of the report signing date, the Group owns 10,432[13] apartments, with a total leasing area of approximately 609,000 m^2**.**

❑ **Commercial income-producing real-estate** – as of the report signing date, the Group owns 28 commercial income-producing properties[14] in the commercial segment (commerce and offices) with an overall leasing area of approximately 334,000 m^2.

❑ **Entrepreneurship Residential Real estate** - for details regarding the marketing, sales and performance of stage B3 (107 units) Stage C (109 units) and Stage D (119 units) of the Grafental project in Dusseldorf as well as the Company's residential project in Aachen, see "Material events and others during the reported period".

❑ **Betterment of land in Dusseldorf -** the Company owns 2 land complexes in Dusseldorf, Germany, undergoing advanced procedures for changing the zoning from offices to residential. For details regarding the Company's progress in the zoning changes of the lands in Dusseldorf, see the section Material events and others during the reported period".

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[11]EPRA NAV – for details regarding the index and the calculation manner see section 5 of part A.
[12]Net debt to total real estate assets
[13]Excluding 639 apartments for which the Company has entered into purchase agreements until now in 2017 in Hannover, Essen, Leipzig, Bremen and Dusseldorf.
[14]In addition, the Company has 1 asset held by an associate spanning over an area of 7,000 m^2 in the city of Chemnitz.

Property financing

The Company consistently works for maximizing the return-risk profile for its shareholders by means, inter alia, of optimization of the capital/debt structure, both on property level and on corporation level. To that end the Company uses the following sources: bank loans, bonds raising in Israel etc.

Below are the details on updates in the aforesaid financing methods (as occurred) in the reported period and until the signing date of the report:

- Bank loans – the Company has bank loans amounting to EUR 581,618 thousand. As of the report date, the average rate of interest of these loans is approximately 1.8%. The average duration of the loans is about 3.9 years.

- Bonds – the Company has three series of bonds (non convertible to shares) rated by S&P Maalot Ltd. (Maalot) with AA- rating as of the signing date of the report: Series A at a scope of approximately NIS 228,640 thousand par value with an interest (linked) of approximately 4.8% per year with an average duration of approximately 1.6 years, Series B at a scope of approximately NIS 210,000 thousand par value with an interest (linked) of approximately 3.29% per year with an average duration of approximately 4.7 years and Series C at a scope of NIS 156,911 thousand par value with an interest (linked) of approximately 3.3% per year with an average duration of approximately 6.8 years.

Activity environment

The German economy is the fourth in the world in terms of Gross National Product (GDP). It is characterized by low unemployment rate and low and steady inflation. The German government enjoys a perfect credit rating (AAA) with a stable outlook and low financing cost of government bonds.[15]

The real estate market in Germany is characterized with high stability and positive directions as occupancy rates improve and rental prices are increasing. In 2016, the German GDP recorded an increase of 1.9% while the other large European economies recorded lower growth rate, when the GDP of the entire Eurozone increased by 1.7%. In 2016, the German GDP has grown mainly from an increase in private consumption and increase in volumes of investments in equipment and construction. The Organization for Economic Co-operation and Development (OECD) expects an increase in the economic activity in Germany in 2017, which is expected to show a growth of 1.7% mainly due to an additional improvement in the private consumption, which is supported among others, by low interest and low petrol prices as well as due to low unemployment rate. In the first quarter of 2017, the German GDP increased by 0.6%.

[15] As of the date of signing the report, the German government bonds for 10 years yields a nominal annual return of 0.378%.

Material Events in the Report Period

- **Purchase of 18 flats in Leipzig** - during the fourth quarter of 2016 and the first quarter of 2017 the Company entered into notarized sale agreements with third parties who are not related to the Company and/or to its controlling shareholder for the purchase of 18 flats in addition to 435 flats that are owned by the Company in the Leipzig Am Zoo asset[16] for a total consideration (including transaction costs) of approximately EUR 550 thousand. The completion of the transaction was financed by the Company's equity and was carried out during the first quarter of 2017.

- **Review of Privatization[17] in Leipzig** – in 2015 and 2016, the Company commenced reviewing the Privatization process for a building spanning over 779 m^2 in Leipzig. As part of such process, the Company expects to invest a total of EUR 1.5 million (including the value of the income generating asset) in adapting the asset and turning it into a building consisting of 8 flats. The total sale consideration is expected to amount to EUR 1.95 million and the expected entrepreneurial profit grosses up a profitability of 30% over total cost and 1.25 times the value in the financial statements as an income generating asset. As of the report signing date, binding agreements were signed for the sale of all flats. The Company explores the option of expanding its activity in this field.

- **Capital issuance** – on January 31, 2017, the Company completed a public offering in Israel of 598,540 shares and 299,270 warrants (Series 1) exercisable into 299,270 shares of the Company at a total monetary scope of EUR 49.5 million (gross) by a uniform offer in the tender on the unit price pursuant to a shelf offering report that was published on January 29, 2017 by virtue of the shelf prospectus bearing the date of May 29, 2015[18].

- **Purchase of residential portfolio in Hannover, Germany** - on February 8, 2017, the Company (through a sub subsidiary) entered into a notarized sale agreement with a third party that is not related to the Company and/or to its controlling shareholder (in this sub section only: the seller) under which the seller will sell the Company 156 residential units in Hannover, Germany (in this sub section only: the acquired asset) for a total consideration of EUR 18 million (including related transaction costs).

  For the purpose of financing the purchase, the Company (through a sub-subsidiary) negotiates with a German bank to enter into an agreement to obtain a loan in the amount of EUR 10.4 million under non-recourse terms which its final repayment date is 5 years from the date of receiving the loan bearing a variable interest based on Euribor plus a margin of 1.20% per annum. The transaction is expected to be completed at end of May 2017[19].

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[16] Were purchased by an investee of the Company where the Company holds (by indirect holding) about 68% of the rights (before adjustments for Promote mechanism) and the remaining rights are held the investors club. The transfer of said shares was not yet performed and the investors hold contractual rights in the joint venture. Leipzig Am Zoo is a residential complex that was purchased in May 2013 consisting of 435 flats at an average area of 34 sq.m per unit. The total leasable area of the complex is 15,266 sq.m after purchasing the 18 flats.

[17] Under this review, the Company reviews the profitability of selling some of the apartments which constitute part of the income generating assets to individuals such that each purchaser will purchase a single apartment in a building owned by the Company. Under this process, the Company is required to adapt the asset for sale for the commercial and legal standpoints.

[18] For additional information see immediate report of the Company dated January 31, 2017 (reference number 011337-01-2017) which is brought by way of reference.

[19] For additional information see immediate report of the Company dated February 9, 2017 (reference number 014511-01-2017) which is brought by way of reference.

- **Purchase of residential portfolio in Essen, Germany** - on February 22, 2017, the Company (through a sub subsidiary) entered into a notarized sale agreement with a third party that is not related to the Company and/or to its controlling shareholder (in this sub section only: the seller) under which the Company will purchase from the seller 320 residential units in Essen, Germany for a total consideration of EUR 23.6 million (including related transaction costs).

  For the purpose of financing the purchase, the Company (through a sub-subsidiary) negotiates with a German bank to enter into an agreement to obtain a loan in the amount of EUR 16 million under non-recourse terms which its final repayment date is 5 years from the date of receiving the loan bearing a fixed interest rate of 1.18% per annum. The transaction is expected to be completed in June 2017[20].

- **Purchase of residential assets in Leipzig, Bremen and Dusseldorf, Germany** – in the first quarter of 2017, the Company, through its wholly owned Dutch companies, entered into 4 different transactions for the purchase of 163 flats for leasing in Leipzig, Bremen and Dusseldorf in Germany (the acquired assets) for a total consideration of EUR 8 million (including related transaction costs). The acquired assets span over a leasable area of 7.3 thousand sq.m, generating current annual of EUR 342 thousand grossing up a significant rental increase of 25% to 35%, as per the Company's estimate in view of the average rental in those cities/locations for similar assets. The transactions will be financed in the first stage by equity where they are expected to be completed in the second quarter of 2017.

- **Ratification of credit rating by Maalot** – on March 26, 2017, the credit rating company, Maalot, ratified for the Comp[any the rating of ilAA- (stable outlook) and for the Company's bonds Series A B and C ratified the rating of ilAA-[21]

- **Advancement of construction rights in existing residential complexes** – the Company advances the review of the possibility of adding an additional construction rights in existing residential complexes. For the avoidance of doubt, construction rights, if any, are not reflected in the appraisals of the assets.

- **The Company's residential project in Aachen, Germany -** on February 26, 2016, the Company (through sub- subsidiaries) entered with a third party who is not related to the Company and/or its controlling shareholders (the "Partner") into a notarized sale agreement with a third party who is not related to the Company and/or its controlling shareholders (the seller) to acquire ownership rights to the land in the city of Aachen in Germany, on which an old plant which is not in use is erected, for a total consideration of € 6 million (the Company's share is EUR 3 million) that was completed in April 2016 after the various required conditions were met[22].

[20]For additional information see immediate report of the Company dated February 23, 2017 (reference number 0-01-2017) which is brought by way of reference.
[21]For additional information see Maalot rating activity report that was attached to the Company's immediate report of dated March 26, 2017 (reference number 029532-01-2017) which is brought by way of reference.
[22]For additional information see the Company's immediate report dated February 28, 2016 (reference 035506-01-2016 which is brought in this report by way of reference

The planning authorities in Aachen have agreed with the Company on the planning concept of the project such that it would be feasible to construct 280-300 residential units (instead of 180-220 residential units as was indicated in the immediate report published by the Company on the asset purchase date) resulting in increase in the sales volume and the expected profitability in the project compared to the original planning of the project. In addition, in January 2017, the planning authorities in the city have approved to change the planning master plan for the area from industry to residence such that the Company would be able to promote the urban building plan and bring such plan for approval of the planning authorities in the city until the end of 2017 and commence construction in the second half of 2018 simultaneously with issuing building permits for the project.

During the second quarter, the Company commenced promoting a detailed architectural planning for the purpose of submitting a building permit application for the first stage of the project, as well as commenced a detailed planning of the public infrastructure in the project (roads, sewage/water/ electricity, kindergarten etc) and at the same time promotes the planning procedures and approval of the Urban Planning Scheme in the timetables detailed above.

- ❑ **Progress with the development of the residential project in Düsseldorf**

Below are the major developments regarding the development of the residential project in Grafental in the reported period and until the date of signing the report:

a. **Performance and marketing of stage B3** – the construction of Stage B3 commenced in April 2015 and ended in December of 2016. Marketing of Stage B3 commenced in January 2015 and until the report signing date (signed agreements and reservations) 107 apartments were marketed (about 99.8% of this stage, 4 parking spaces remained unsold) for a total consideration of EUR 55.1 million. As of the report date and the report signing date, advances of EUR 54.8 million and EUR 55.0 million, respectively, were received from apartment purchasers.

b. **Delivery of apartments and profit recognition of Stage B3 –** in the first quarter of 2017, the Company delivered an additional 13 flats of the stage and consequently recognized a profit of EUR 1.7 million. The last flat of the stage was delivered in May 2017 and the profit for such flat will be recognized in the financial statements for the second quarter of 2017.

c. **Performance and marketing of Stage C** – in April 2016, upon receiving the building permit, the Company commenced the construction of Stage C which includes 109 flats and 125 parking spaces at a total area of 16,000 m^2 gross. The Company commenced marketing of Stage C in May 2016 at selling prices higher by 7% compared to Stage B3. As of the report signing date, 100 apartments (signed agreements and reservations) (about 93 % of this stage) were marketed at a total monetary consideration of EUR 52.2 million. As of the report date and the report signing date, advances of EUR 18.9 million and EUR 21.9 million, respectively, were received from apartment purchasers.

d. **Performance and marketing of Stage D –** in April 2017, upon receiving the building permit, the commenced constructing Stage D which includes 109 flats and underground parking lot of 125 parking spaces with 10 townhouses (total 119 flats at a total scope of 18,000 m^2 gross). In May 2017, the Company commenced marketing and sales of Stage D and as of the report date and the report signing date, 22 flats (signed agreements and reservations) were marketed (about 18% of this stage) for a total consideration of EUR 12.0 million.

The selling prices in Stage D gross up an increase of 8% compared to the selling prices of Stage C and consequently the entrepreneurial profitability is expected to increase from 28% in Stage C to 32% in Stage D (for additional information see the table in page 7 below).

e. **Planning Stages E** – the Comp[a]ny commenced the planning of Stage E that will include 110 flats and 5 townhouses at a total scope of 17,000 m^2, gross, and filed applications for building permits for this stage in September 2016.

For additional information on the performance and marketing status of the stages under construction of the project, see the tables below.

	Project marketing						
Data according to 100% The effective corporation's share in the project – 83%)	**2017**	**2017**		**2016**	**2017**		**2016**
	As of the date of signing the report[22]	**As of the date of signing the report**	**Quarter 1**		**As of the date of signing the report**	**Quarter 1**	
	Stage D	**Stage B3**			**Stage B3**		
	Cumulative agreements signed in the current period:						
Flats (#)	5	98	91	72	107	107	107
Flats – total monetary consideration (including for parking, EUR in thousands)	2,813	51,224	47,648	37,482	55,053	55,053	55,032
Flats (square meters)	575	11,198	10,408	8,205	13,263	13,263	13,263
Average price per sq.m (EUR) (including consideration for parking)	4,889	4,574	4,578	4,568	4,151	4,151	4,149
	Apartment Reservations* as of the date of signing the reports:						
Flats (#)	17	2			-		
Flats – total monetary consideration (including for parking, EUR in thousands)	9,193	1,022			-		
Flats (square meters)	1,826	211			-		
Average price per sq.m (EUR)	5,034	4,839			-		

[22]The project's marketing commenced on May 1, 2017.

	Cumulative signed agreements and reservations until the date of signing the reports						
Flats (#)	22	100			107		
Flats – total monetary consideration (including for parking, EUR in thousands)	12,006	52,246			55,053		
Flats (square meters)	2,402	11,409			13,263		
Average price per sq.m (EUR)	4,999	4,579			4,151		
	Marketing rate of the project: (%)						
	As of the date of signing the report	**As of the date of signing the report**	**As of March 31, 2017**	**As of December 31, 2016**	**As of the date of signing the report**	**As of March 31, 2017**	**As of December 31, 2016**
Marketing rate on the last date of the period - signed agreements	4.2%	91.2%	84.9%	66.8%	99.8%	99.8%	99.8%
Marketing rate on the last date of the period - signed agreements and reservations	17.8%	93.0%			99.8%		
	Advances from tenants						
	As of the date of signing the report	**As of the date of signing the report**	**As of March 31, 2017**	**As of December 31, 2016**	**As of the date of signing the report**	**As of March 31, 2017**	**As of December 31, 2016**
Advances from tenants (EUR in thousands)	0	21,893	18,879	7,104	55,009	54,847	52,384
Rate of Advances from tenants (%)	0.0%	39.0%	33.6%	12.7%	99.7%	99.4%	95.0%
	Spaces in respect of which agreements and reservations were not yet signed as of the date of signing the reports:						
Flats (#)	97	9			-	For 4 unsold parking spaces	
Flats – total expected monetary consideration (including for parking, EUR in thousands)	55,547	3,904			116		
Flats (square meters)	11,671	875			NA		
Average price per sq.m (EUR)	4,759	4,463			NA		

Total cumulative cost attributed to spaces in respect of which binding agreements were not yet signed in the statement of financial position (consolidated) (EUR in thousands)	11,630	1,917		85		

*)Reservation is a process where a potential purchaser signs a document that includes a description of the apartment and its registered number, number of purchased parking spaces and their registered numbers, amendments to specifications, if any, including the total price (apartment, parking spaces, amendments to specifications) and payment terms. The purchaser deposits EUR 2,000 for the reservation. The reservation is not legally binding and the purchaser may cancel such reservation without a penalty.

Forecast of revenues, costs and entrepreneurial profits of the stages in progress (EUR in thousands)

	Stage B3	Stage C[24]	Stage D [25]
Total expected revenues	55,169	56,150	67,553
Advances from apartment purchasers as of the report date	54,847	18,879	0
Advances from apartment purchasers as of the date of signing the report	55,009	21,893	0
Total cumulative costs invested	40,472	26,914	14,023
Total costs remaining for investment	3,202	16,861	37,150
Total expected cost (including land (EUR in thousands)	43,674	43,776	51,173
Completion rate (engineering/monetary)(excluding land)(%)[26]	90.7%	50.9%	6.1%
Total expected entrepreneurial profit	11,495	12,374	16,379
Total entrepreneurial profit recognized in the Company's financial statements (consolidated) cumulatively as of the report date	11,299	0	0
Rate of expected entrepreneurial profit (%)	26.3%	28.3%	32.0%
Expected completion date and profit recognition	Fourth quarter of 2016 and first quarter and second quarters of 2017	Fourth quarter of 2017 and first quarter of 2018	Fourth quarter of 2018.

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

[24]The performance of Stage C has commenced in April 2016 upon receiving the building permit

[25]The performance and marketing of Stage D commenced in April and May 2017 upon receiving the building permit.

[26]It is stressed that engineering completion rate is not identical to apartment delivery rate and profit recognition rate from delivering the apartments that was carried out when the apartments were delivered. See Note 2ff to the consolidated financial statements which is attached in Chapter C of the 2016 periodic report.

The following is a tabular summary of expected revenue, cash flow and entrepreneurial profit, not yet recognized in the financial statements of the company, from stages in progress and from stages under the approved urban scheme which its execution has not yet begun, in Grafental project:

From sold apartments (EUR in thousands)

Data according to 100%. The corporation's effective portion in the project – 83%	Revenue not yet recognized	Cash flow not yet recognized	Entrepreneurial profit not yet recognized
Stages in progress (stages B3 , C and D)	65,077	24,249	14,622

From apartments not yet sold (EUR in thousands)

Data according to 100%. The corporation's effective portion in the project – 83%	Revenue not yet recognized	Cash flow not yet recognized	Entrepreneurial profit not yet recognized
Stages in progress (stages C and D)	59,621	21,637	14,364
Stages E (under approved urban scheme) not yet in progress	75,090	22,654	13,597
Total	134,711	44,291	27,961

- Betterment of the land in Dusseldorf and changing the zoning to residence – the following are the main developments regarding the betterment of lands in Dusseldorf in the reported period and until the date of signing the report:

  a. with respect to the remaining land that includes construction rights of 124.5 thousand m^2 for offices (the parcel of land): in the reported period, the Company with Dusseldorf municipality, advanced a new urban scheme for the complex such that it will be feasible to build, with the formal approval of the new urban scheme which is in progress, if approved, on the entire parcel of land an additional 650 flats in addition to 850 flats that are included today in the valid urban scheme (in total 1,500 flats). The Company estimates that if the urban scheme is approved, the 300 flats out of the 650 flats deriving from changing the zoning will be available for construction to commence at the end of 2017 and the balance will be available for construction to commence at the end of 2018 [27] [29]

  b. Purchase of several office and residential buildings in Grafenberg neighborhood for betterment – in August 2014, the Company consummated the purchase of land spanning over 20,000 m^2 erected thereon residential and office buildings (generating annual income of EUR 220 thousand) in Grafenberg – one of the luxurious neighborhoods of Dusseldorf – and adjacent to the Grafental project which is constructed by the Company in Dusseldorf[28]. In the reported period, the Company had advanced with the Dusseldorf municipality a new urban scheme for the complex such that it will be feasible to construct a residential project on the land that will include 80 up to 100 flats (a constructed area of

[27] For additional information see section 1.8.5 in Chapter A "Description of the Corporation's businesses" attached to the 2016 periodic report.

[28] For additional information regarding the above transaction see immediate report dated August 31, 2014 (reference 146337-01-2016) which is brought in this report by way of reference.

20,000 m^2, gross) (instead of the existing buildings). The Company estimates that said plans will be approved, if at all, by the municipality until the end of 2017 and the land will be available for construction (with the necessary approvals) in the first half of 2018 [29] [28].

The following is a tabular summary of expected revenue, cash flow and entrepreneurial profit expected from the betterment of the land in Dusseldorf[29]

Data according to 100% (EUR in thousands)	Revenue not yet recognized	Cash flow not yet recognized	Entrepreneurial profit not yet recognized
Parcel of land under the change of zoning from offices to residence in Grafental[30] and the land in Grafenberg	439,765	159,252	84,567

The information described above in connection with stages C and D in progress and stage E of the Grafental project (which is included in the approved urban scheme) which their performance was not yet commenced and in connection with the betterment of the lands in Dusseldorf and the change of their zoning (including the expected dates of completion) regarding the total expected sales ,the expected entrepreneurial profit and expected cash flows before taxes ,is a forward looking information which is not under the full control of the Company and the actual materialization of such change of zoning ,in whole or in part ,is uncertain.

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

It is uncertain whether the change of zoning will take place and/or consummated, if any, since its consummation is subject to the planning and construction procedures required under German law, the consummation of which is not controlled by the Company.

In addition ,even if the approvals are received and the Company will resolve to establish the projects independently and the performance of the projects will be executed, change in circumstances (including without derogating from the generality of the foregoing – decrease in demand for flats in Dusseldorf and/or decrease in market prices of flats in Dusseldorf) or increase in construction costs (and other costs)

[29]It should be noted that the Company has not yet decided how to use the land under the change of zoning from offices to residence in Grafental and/or the land in Grafenberg including the development of which of the parcels of land. The decision to develop the above lands or any of them is subject to consummating the relevant approval procedures of urban scheme, the market conditions that shall prevail upon completing the urban scheme, the ability to obtain financing for developing the project in the said lands, the availability of equity resources required to realize said development plans, meeting financial ratios and more. The data shown in the table below were calculated under the assumption that the Company shall elect to develop the land complexes and the rates of entrepreneurial profit and cash flow in future stages shall be similar to the rates of the Grafental project that are in progress as of the report date (entrepreneurial profit of 28% - 32% and cash flows of 35% - 40% of the scope of sales).
[30]The corporation's effective portion in said parcel of land is 83%.

and/or the formation of special conditions that may significantly change the Company's estimates detailed above and have a material impact on the expected revenues from the projects ,including their overall profitability.

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

(1) Financial Position

Assets	March 31		December 31,	Explanation for the change
	2017	2016	2016	
	EUR in thousands			
Current assets				
Cash and cash equivalents	123,546	70,397	89,278	See details in the statement of cash flows
Balances receivable from banks	2,195	1,277	2,221	
Restricted deposits, financial assets and other receivables	13,157	15,063	10,088	
Tenants and trade receivables, net	4,121	4,959	3,545	
Inventory of buildings under construction	44,451	45,719	45,754	On one hand, increase in inventory in respect of progress in constructing Stages C and D and on the other hand, decrease in inventory for hand over apartments in Stage B3.
Total current assets	**187,470**	**137,415**	**150,886**	
Asset held for sale	**-**	**4,700**	**-**	
Non-current assets:				
Investments measured at equity	8,318	5,005	8,318	
Inventory of real estate	14,092	25,307	13,820	
Investment property – real estate rights	101,984	96,657	101,939	
Investment property – income producing assets	1,116,174	1,020,177	1,089,943	The increase in the reported period derived from capex investments in existing assets and revaluation profits
Restricted deposits for investments in assets	2,324	76	2,227	
Other accounts receivable, fixed assets and other financial assets	1,669	1,254	3,027	
Deferred taxes	6,367	8,657	3,608	
Total non-current assets:	**1,250,928**	**1,157,133**	**1,222,882**	
Total assets	**1,438,398**	**1,299,248**	**1,373,768**	

Liabilities	March 31		December 31,	Explanation for the change
	2017	2016	2016	
	EUR in thousands			
Current liabilities:				
Current maturities of loans from banks	24,164	15,622	16,164	
Current maturities of debentures	18,489	16,362	17,750	
Loans for financing inventory of buildings under construction	3,000	3,500	7,000	Repayment of construction loan
Current maturities of other financial liabilities	450	768	456	
Accounts payable	22,447	22,138	26,270	
Advances from apartment purchasers	19,901	24,785	16,073	
Liability component in respect of issuance of warrants	542	-	-	
Total current liabilities	**88,993**	**83,175**	**83,713**	
Non-current liabilities:				
Loans from banks and others	554,454	563,280	568,157	
Debentures	135,586	125,389	130,169	The increase in the reported period derives from exchange rate differences
Other liabilities	3,133	3,148	3,133	
Other financial liabilities	296	2,129	434	
Deferred taxes	72,888	56,035	68,099	
	766,357	**749,981**	**769,992**	
Total liabilities	**855,350**	**833,156**	**853,705**	
Equity				
Equity attributable to equity holders of the company	488,503	358,351	419,173	The increase in the reported period mainly derives from issuance of capital and profit in the period.
Non controlling interests	94,545	107,741	100,890	
Total equity	**583,048**	**466,092**	**520,063**	
Total liabilities and equity	**1,438,398**	**1,299,248**	**1,373,768**	

(2) Activity Results

	Three months ended March 31		Year ended December 31,	Explanation for the change
	2017	2016	2016	
	EUR in thousands			
Revenues from rental of properties	18,129	17,339	72,111	Purchase of new assets and increase in rental fees in identical assets
Revenues from property management and others	7,153	6,050	25,539	
Property management expenses	(6,750)	(5,688)	(25,064)	
Cost of maintenance of rental properties	(2,289)	(2,019)	(8,803)	
Rental and management revenues, net	**16,243**	**15,682**	**63,783**	
Revenues from sale of apartments	8,371	21,095	73,935	Handover of apartments in Stage B3 of the residential project
Cost of sale of apartments	(6,627)	(16,729)	(58,537)	
Income from the sale of apartments	**1,744**	**4,366**	**15,398**	
General and administrative expenses	(2,355)	(3,355)	(12,594)	
General and administrative expenses attributed to inventory of apartments under construction and inventory of real estate	(724)	(824)	(2,222)	
selling and marketing expenses	(172)	(104)	(422)	
Cost of share based payment	(218)	(383)	(1,227)	
Increase (decrease) in the value of investment property, net	21,207	15,383	80,459	
Operating profit	**35,725**	**30,765**	**143,175**	
Financing income	26	6	25	
Financing expenses excluding the effect of exchange rate differences, CPI and hedging transactions, net	(4,924)	(5,123)	(20,716)	Current repayments of bank loans and bonds and decrease in interest rate on refinanced loans offset by increase in bank loans for financing the purchase of new assets.
Effect of exchange rate differences, CPI and currency hedging transactions, net	(4,749)	22	(3,399)	
Change in the value of loans and interest rate swap transactions, net	288	(440)	(3,793)	Changes in the interest curve in Europe and hedging transactions
Income before taxes on income	**26,366**	**25,230**	**115,292**	
Taxes on income	(2,204)	(5,563)	(26,586)	
Reported net income	**24,162**	**19,667**	**88,706**	
Net income attributed to:				
Company shareholders	**22,582**	**18,401**	**76,276**	
Non-controlling interests	1,580	1,266	12,430	

3) Cash flows

	Three months ended March 31		Year ended December 31,	Explanation for the change
	2017	2016	2016	
	EUR in thousands			
Cash flows provided by operating activities (Cash flows used in operating activities)	16,361	14,737	71,086	Expansion of the Company's activity and the timing of receipts from the residential development project
Cash flows provided by investing activities (Cash flows used in investing activities)	(8,006)	(2,512)	(62,275)	Purchase of new assets and Capex investments in existing assets
Cash flows provided by financing activities (Cash flows used in financing activities)	25,913	2,352	24,647	

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

It is indicated that for the period of three months ended March 31, 2017, the Company has in its solo reports positive cash flows from operating activity deriving from exchange rate differences and therefore is not representative and for the period ended December 31, 2016, the Company has in its solo reports negative (but not in the consolidated statements) cash flows from operating activity amounting to EUR 1,584 thousand. The Board has determined, based on its examination, that this does not indicate on liquidity difficulty since cash flows and liquid balances in the Company (solo) with the unlimited liquid balances which can be distributed immediately from subsidiaries as of the signing date of the report amount to EUR 95 million compared to its current liabilities amounting EUR 20 million so as of the report signing date, the Company (solo) has a working capital surplus of EUR 75 million consisting of cash balances and liquid balances. The Board believes that the issue at hand is merely technical whereas in view of the high liquid balances maintained by the Company (solo), the Company elected not to receive management fees or distribute dividends from its wholly owned subsidiary (Brack German Properties B.V) and therefore no current revenues were recorded under the separate activity of the Company (solo) in a manner resulting in negative cash flows from operating activity of the solo company in 2016 and net of exchange differences - in the reported period.

(4) FFO (Funds from Operations)

Calculating FFO – the FFO index is calculated as the net profit (loss) attributed to Company's shareholders **from the income generating activity only excluding the income from sale apartments in Grafental project** with some adjustments for non-operating items, which are affected from the revaluation of the fair value of assets and liabilities. It deals mainly with adjustments of the fair value of investment property, miscellaneous capital profits and losses, miscellaneous amortizations, adjustment of expenses for management and marketing of the Düsseldorf project (since the revenues in respect of this project are not taken into account in the FFO), changes in fair value recognized for financial instruments, deferred taxes and non controlling interests for the above items.

The Company believes that this index reflects more correctly the Company's operating results, without the entrepreneurial project and its publication will provide a more correct basis for comparing the Company's operating results in a certain period with prior periods, and will enable the comparison of the operating results with other real-estate companies in Israel and in Europe.

The Company clarifies that the FFO index does not represent cash flows from operating activity according to generally accepted accounting principles, does not reflect cash held by the Company and its ability to distribute it, and does not replace the reported net profit (loss). In addition, it is clarified that these indices do not constitute data audited by the Company's auditors.

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

	Three months ended March 31, 2017	Three months ended March 31, 2016	Year ended December 31, 2016
Net profit attributed to the Company's shareholders	22,582	18,401	76,276
Adjustments for net profit:			
Adjustments for revaluations			
Increase (decrease) in the value of investment property and adjustments of liability value relating to investment property	(21,497)	(14,410)	(72,261)
Revaluation of loans and interest swap transactions at fair value	(161)	356	3,867
B. Adjustments for non cash flow items			
Cost of share-based payment and changes in capital reserves	394	443	1,327
Amortization of financing costs, indexing and non cash exchange rate differences and hedging transactions	5,350	425	5,367
Interest component in hedging transactions	228	213	1,059
Deferred tax expenses and taxes for prior years	2,204	4,908	24,308
C. Unique items / new activities / ceased activities / other			
Depreciation and contributions, professional services and onetime expenses	(725)	858	1,553
Adjustments related to associates and non controlling interests	-	(1,851)	(2,665)
Expenses relating to project management and marketing in connection with the establishment of residential project in Düsseldorf and adjustments in respect of current leasing activity in the project	1,154	1,033	3,236
Gain from sale of apartments	(1,447)	(3,624)	(12,781)
Total of adjustments to net profit	(14,500)	(11,649)	(46,990)
F.F.O	8,082	6,752	29,286

As aforesaid, the FFO I in the three months ended March 31, 2017 amounted to approximately EUR 8.1 million, grossing up an annual FFO rate of EUR 32.3 million.

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

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

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

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

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

	March 31, 2017 EUR in millions	March 31, 2016 EUR in millions	December 31, 2016 EUR in millions
Equity attributed to the Company's shareholders	.4885	358.4	419.2
Plus deferred taxes for EPRA adjustments (net of non controlling interest)	70.7	53.4	65.9
Net of fair value of derivative financial instruments, net (net of non controlling interest)	0.3	0.5	0.3
Plus profits that were not yet recognized in respect of apartments that were sold and are under construction in stages B and C of the residential project	6.1	6.2	5.8
EPRA NAV –Net Asset Value	**565.6**	**418.5**	**491.2**

6) Events after the date of the report, affecting the Company's financial position

Dividend policy – on May 18, 2017, the Company's Board of Directors decided on a dividend policy deriving from the Company's annual FFO, according to which each year from 2018 and in respect of 2017 and thereafter, the Company will distribute to its shareholders a dividend and/or distribute to its shareholders capital (collectively: "the Distribution") of 30% of the total FFO[31] (from the income producing activity only, excluding profit from the Company's development activity) according to the audited annual consolidated financial statements known on the time the distribution resolution has been made. For the purposes of calculating the FFO for a given year, the distribution amount will be derived from the FFO, the FFO data for the fourth quarter of that year will be adjusted to the data for the entire year (namely, if the FFO in the fourth quarter amounts to EUR 8 million, the FFO amount for that year from which the distribution amount is to be derived will be EUR 32 million. The resolution on such distribution will be made by the Company's Board of Directors after the approval of the annual financial statements for that year for which distribution is made.

It should be noted that this decision does not derogate from the Board of Directors' authority to examine from time to time the policy and decide at any time, taking into account business considerations and the provisions of the law, on a change in policy or on a change in the distribution rate for a particular period or decide not to make a distribution at all

It is hereby clarified that the aforesaid dividend policy should not be regarded as a commitment by the Company to make a distribution according to its provisions, and each distribution will be discussed separately by the Company's Board of Directors, which will be authorized to decide on the actual distribution at its discretion, inter alia, taking into account the criteria detailed above and subject to the approval to carry out such distribution by the general meeting of the Company's shareholders, if and to the extent required (in accordance with the provisions of any law).The Company's Board of Directors may also review from time to time such dividend policy and change it and/or cancel it at its sole discretion.

Part B – Exposure to Market Risks and Way of Managing Them

❑ Market risks to which the Company is exposed

Exchange rate effects – as of the report date, the Company's net currency exposure, net of the liabilities for which the Company carried out currency hedging transactions is at a rate of 6.27% of its total scope of assets as a result of the Company's liabilities due to the bonds (Series A, B and C) that were issued to the public in Israel and are denominated in NIS. Other than that, the Company is not exposed to material changes in currency exchange rates, as most of its activities, assets and liabilities are denominated in EUR. The Company reviews from time to time, the possibility, and hedges its liabilities in NIS, partly or wholly, against future changes in the EUR/NIS exchange rate.

The fair value of the Company's primary financial instruments

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

[31] for information about the FFO calculation manner for 2016 see section 1.7.5.2 in Chapter A "Description of the corporations business" in the Company's periodic report for 2016 (which was published on March 26, 2017 (Ref. number 029265-01-2017).

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

The basic interest is 3-month Euribor.

March 31, 2017:

	10%	**5%**	**Fair Value**	**-5%**	**-10%**
Bonds *)	980	351	(167,737)	(920)	(1,563)
Fixed-interest loans	318	159	(274,869)	(159)	(318)
Interest rate swap transactions which are not recognized as accounting hedging	36	18	(730)	(18)	(36)
Total	1,334	528	(443,336)	(1,097)	(1,917)

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

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

March 31, 2017:

	10%	**5%**	**Fair Value**	**-5%**	**-10%**
Bonds (net of cash held in NIS)	14,236	7,118	(142,364)	(7,118)	(14,236)

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

March 31, 2017:

	10%	**5%**	**Fair Value**	**-5%**	**-10%**
Currency hedging transactions	(4,000)	(2,000)	3,959	2,000	4,000

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

March 31, 2017:

	4%	**3%**	**Fair Value**	**-3%**	**-4%**
Bonds	(6,709)	(5,032)	(167,737)	5,032	6,709

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

- 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.

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 **<u>prior to the legislative amendment</u>** (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.**

(1) 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 at the end of January 2017, that it will act to complete all of the actions described above as soon as practicable including the summoning of the shareholders meeting, the Company has acted and acts in the manner detailed below:

(a) Recently the Company has reviewed with its legal advisors in Holland a formal prescription of the provisions of the companies law in the Company's articles of association so as to reflect the above fourth addendum and upon the conclusion of such review (after receiving the approval of the board which was granted on May 18, 2017) the Company will summon a general meeting of shareholders for approving the revised articles;

(b) Based on interim findings it appears that there is no prevention to include those provisions, mutatis mutandis, (as far as those were not yet prescribed in the Company's articles) and regarding the derivative claim and answer and monetary sanction – by approximate performance as stated in sub section (c) below;

(c) 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 <u>explicitly</u> 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 (which will be brought for approval of the meeting of the Company's shareholders) provisions that relate to jurisdiction and application of law including the derivative claim and answer and imposing administrative enforcement measures by the ISA;

(d) in addition to the aforesaid, on January 29, 2017, the deeds of trust were amended between the Company, on one hand and Reznik Paz Nevo Trusts Ltd. on the other hand as the trustee for the bondholders (Series A – C) such that the deeds of trust contained the obligations of the Company/officers in connection with imposing monetary sanctions and/or administrative enforcement measures on the Company and/or its officers[32] as well as the obligations of the Company and its officers not to raise any allegations against the right of the bondholders to file a derivative claim (the obligations of the Company and officers). Furthermore, the obligations of the Company and officers were included in the shelf offering report published by the Company on January 29, 2017 under the shelf prospectus dated May 28, 2015 bearing the date of May 29, 2015;

2) <u>Translation of the report to English</u>

Without derogating from the liability, pursuant to the law, of each Board member for the contents of this report, it is clarified that the members of the Board of Directors the Messers Jan Van Der Meer, Lambertus Van den Heuvel, Robert Israel, Ulrich Tappe, Willem Van Hassel and Mrs. Nansia Koutsu), are not Hebrew speakers[33]. The members of the Board of Directors informed the Company that they approved this report based on the translation of the report to English and not the original version of the report in Hebrew. Said directors stated that they are aware that the binding version of the report is in its original version in Hebrew.

3) <u>Donations</u>

On March 23, 2017, the Board of Directors approved a donations budget of EUR 85 thousand for 2017. In the reported period, the Company did not make donations.

(4) <u>Directors with accounting and financial expertise and independent directors</u>

For information regarding the skills, education and experience of the Messers Jan Van Der Meer (the chairman of the Board of Directors), Lambertus Van Den Heuvel (external director), Willem Van Hassel (external director), Robert Israel (independent director) Ulrich Tappe (director and manager of the development division of the Company) and Nansia Koutsou (director) in respect of which the Company views them as directors having accounting and financial expertise , see regulation 26 in the chapter "Additional Information About the Corporation" which is attached in chapter D to 2016 periodical report.

[32]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 its recurrence.

[33]It is noted that Mr. Or Levkovich who serves on the Company's Board from January 5, 2017 is a Hebrew speaker.

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

- Events after the date of the Statement of Financial Position

  See part A, section (6) as aforesaid.

- Critical Accounting Estimates

  Regarding critical accounting estimates see note 2 to the annual audited consolidated financial statements for 2016 which are attached in Chapter C in the periodic report for 2016.

- Disclosure on material and very material valuations

  There were no material or very material valuations in the first quarter of 2017.

Part E – Specific Disclosure for Bond Holders

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

	Bonds (Series A)	Bonds (Series B)	Bonds (Series C)
Is the series material (as this term is defined in Regulation 10(B)(13)(a) of the Reports' Regulations ?	Yes	Yes	Yes
Date of issue	March 1, 2011	May 21, 2013	July 22, 2014
Date of expanding series	June 19, 2012, November 6, 2012	February 4, 2014	April 4, 2016
Par value on the date of issue (thousands NIS)	200,000	175,000	102,165
Par value on the date of expanding series (thousands NIS)	240,000; 400,000	240,000	160,180
Par value as at 31.3.2017(thousands NIS)	228,640	210,000	156,911
Linked par value as at 31.3.2017 (thousands NIS)	237,413	210,000	159,911
Sum of cumulative interest plus linkage differentials (thousands NIS) as at 31.3.2017	2,353	1,690	985
Value in financial statements as at 31.3.2017 including interest payable (thousands NIS)	237,111	209,593	156,679
Value at the stock exchange as at 31.3.2017 (thousands NIS)	255,368	228,270	167,549

Type and rate of interest	4.8% (annual, linked, fixed rate), subject to adjustments in cases of changes in the rating of the bonds (Series A) and/or non compliance with the financial covenants specified in Sections 2.7.12.8 and 2.7.12.9 of the shelf prospectus dated May 24, 2012 as amended on May 9, 2013 and as amended on July 14, 2014 (the shelf prospectus)	3.29% (annual, linked, fixed rate), subject to adjustments in cases of changes in the rating of the bonds (Series B) and/or non compliance with the financial covenants specified in Sections 2.8.4.12 and 2.8.4.13 of the shelf prospectus	3.30% (annual, linked, fixed rate), subject to adjustments in cases of changes in the rating of the bonds (Series C) and/or non compliance with the financial covenants specified in Sections 2.8.4.12 and 2.8.4.13 of the shelf prospectus
Dates of paying principal	Payable in 7 annual installments on July 14 of each of the years 2014 to 2020 (inclusive) such that each of the first six installments will constitute 14.28% of the principal of the total par value of the bonds (Series A), and the last installment will constitute 14.32% of the total par value of bonds (Series A).	Payable in 12 unequal annual installments on December 31 of each of the years 2013 to 2024 (inclusive) such that each of the first seven installments will constitute 4% of the principal of the total par value of the bonds (Series B), and each of the last five installments will constitute 14.4% of the principal of the total par value of bonds (Series B); the first principal payment will be on December 31, 2013.	Payable in 12 unequal annual installments on July 20 of each of the years 2015 to 2026 (inclusive) such that each of the first nine installments will constitute 2% of the principal of the total par value of the bonds (Series C), the tenth payment will constitute 17% of the principal of the total par value of bonds (Series C); and each of the last two installments will constitute 32.5% of the principal of the total par value of bonds (Series C); the first principal payment will be on July 20, 2015.
Dates of paying interest	Payable on July 14 and January 14 of each of the years 2011 to 2020 (inclusive).	Payable on December 31 and June 30 of each of the years 2013 to 2024 (inclusive) effective December 31, 2013. The last interest installment will be paid on December 31, 2024.	Payable on January 20 and July 20 of each of the years 2015 to 2026 (inclusive) effective January 20, 2015. The last interest installment will be paid on July 20, 2026.

Linkage base (principal and interest)	Linked (principal and interest) to the consumers' price index published on February 15, 2011 in respect of January 2011.	Linked (principal and interest) to the consumers' price index published on May 15, 2013 in respect of April 2013.	Linked (principal and interest) to the consumers' price index published on July 15, 2014 in respect of June 2014.
Are they convertible?	No	No	No
Company's right to perform early redemption or forced conversion	The Company may (but is not obligated to), at any time and at its sole discretion, make an early redemption of some or all of the bonds (Series A), as it chooses, until the date of the final repayment of the bonds (Series A), everything according to the decisions of the Company's Board of Directors. For further details, please see Section 2.7.3 of the shelf prospectus.	The Company may (but is not obligated to), at any time and at its sole discretion, make an early redemption of some or all of the bonds (Series B), as it chooses, until the date of the final repayment of the bonds (Series B), everything according to the decisions of the Company's Board of Directors. For further details, please see Section 2.8.15 of the shelf prospectus.	The Company may (but is not obligated to), at any time and at its sole discretion, make an early redemption of some or all of the bonds (Series C), as it chooses, until the date of the final repayment of the bonds (Series C), everything according to the decisions of the Company's Board of Directors. For further details, please see Section 2.8.15 of the shelf prospectus.
Was a guarantee provided for the payment of the Company's liabilities under the deed of trust?	No	No	No

2) Details on the trustee

Bonds (Series A)

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

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
(C)	Contact details:	Tel: 03-6399200 Fax: 03-6389222 Email: trust@rpn.co.il
(D)	Mailing address for documents:	14 Yad Harutzim Street, Tel-Aviv

Bonds (Series C)

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

3) Rating

Bond series	A	
Name of rating company	Maalot	
	Bonds' rating	**Issuer's rating**
Rating of the issuer and bonds on the date of initial issue (March 2011)	A3 (Midroog)[34]	
Rating of the issuer and bonds – April 2012	ilA	ilA, stable
Rating of the issuer and bonds on the date of expanding the series – June 2012	ilA	ilA, stable
Rating of the issuer and bonds on the date of expanding the series – November 2012	ilA	ilA, stable
Rating of the issuer and bonds – April 2013	ilA+	ilA+, stable
Rating of the issuer and bonds – June 2014	ilA+	ilA+, stable
July 2015	ilA+	ilA+, stable
March 2016	ilAA-	ilAA-, stable
March 2017	ilAA-	ilAA-, stable
Rating of the issuer and bonds as of the date of the report	ilAA-	ilAA-, stable

[34] On May 7, 2012, the Company notified Midroog on the discontinuance of the agreement between the Company and Midroog for rating the bonds (series A) of the Company and on May 13, 2012, Midroog announced the discontinuance of the rating activity of the Company's bond (series A).

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

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

4) Compliance with terms and liabilities according to the deed of trust

To the Company's best knowledge, as of the report date and over the reported year, the Company has complied with all the terms and liabilities according to the deeds of trust, including as at the end of the Report Period the Company complied with all the financial covenants prescribed in the deed of trust of February 24, 2011 between the Company and Reznik Paz Nevo Trust Ltd, the trustee for the bond holders (series A) and in the deed of trust dated May 9, 2013 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 (Series C) (the trustee and the deeds of trust, respectively) including the following financial covenants:

A. The ratio of the Company's equity at the end of each quarter to its financial debt, net, according to solo reports for that date, will not be under 187.5%[35]:

The Company's equity, which is attributed to the majority shareholders as at the Report Period, namely, as at March 31, 2017, is EUR 488,503 thousand.

The financial debt, net, according to solo reports of the Company as at the same date is EUR 71,349 thousand.

Therefore, the ratio of the Company's equity to the financial debt, net, according to solo reports as at the end of the Report Period, namely, as at March 31, 2017, is approximately 685%**.**

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

With respect to the bond holders (Series A):

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

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

The number of charged shares of Brack Capital German Properties B.V., a subsidiary (100%) of the Company (hereinafter: "**BGP**") as of March 31, 2017– 943,804.

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

The rate of charged shares out of the issued capital share of BGP as of March 31, 2017 – 47.7%.

BGP's equity which is attributed to its shareholders, as appears in the Company's financial statements as of March 31, 2017 – EUR 557,946 thousand.

The EUR/NIS representative exchange rate known, as of the signing date of the report as published by the Bank of Israel - NIS 4.0114

The value of the charged shares – NIS 1,067,791 thousand.

Net debt – NIS 239,800 thousand.

Accordingly ,the ratio between the charged share value to net debt, as at the end of the Report Period, is approximately 445% and therefore, the Company meets this ratio as well.

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

With respect to the bond holders (Series B):

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

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

The number of charged shares of BGP as of March 31, 2017 – 640,027.

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

The rate of charged shares out of the issued capital share of BGP as of March 31, 2017 - 32.4%.

BGP's equity which is attributed to its shareholders, as appears in the Company's financial statements as of March 31, 2017 – EUR 557,946 thousand.

The EUR/NIS representative exchange rate known, as of the signing date of the report, as published by the Bank of Israel – NIS 4.0114

The value of the charged shares – NIS 724,107 thousand.

Net debt – NIS 211,718 thousand.

Accordingly ,the ratio between the charged share value to net debt, as at the end of the Report Period, is approximately 342% and therefore, the Company meets this ratio as well.

With respect to the bond holders (Series C):

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

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

The number of charged shares of BGP as of March 31, 2017 – 394,430.

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

The rate of charged shares out of the issued capital share of BGP as of March 31, 2017 - 19.9%.

BGP's equity which is attributed to its shareholders, as appears in the Company's financial statements as of March 31, 2017 – EUR 557,946 thousand.

The EUR/NIS representative exchange rate known, as of the signing date of the report, as published by the Bank of Israel - NIS 4.0114

The value of the charged shares – NIS 446,246 thousand.

Net debt – NIS 157,906 thousand.

Accordingly ,the ratio between the charged share value to net debt, as at the end of the Report Period, is approximately 283% and therefore, the Company meets this ratio as well.

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

a. **Minimum equity** - pursuant to the series A deed of trust -the equity attributed to the majority shareholders shall not fall below EUR 80 million and pursuant to the series B and C deeds of trust- equity shall not fall below EUR 150 million and EUR 190 million, respectively, whereas as of the report date, the equity attributed to the majority shareholders is EUR 488.5 million.

b. **Restrictions on dividend distribution -** under series A deed of trust- not to distribute dividends and/or distribute equity to its shareholders and/or repurchase its treasury shares or of its convertible securities if it will result in equity attributed to the majority shareholders that is lower than EUR 80 million, pursuant to the series A deed of trust. As of the report date, the equity attributed to the majority shareholders is EUR 488.5 million.

   Under series B and C deeds of trust- not to distribute dividends and/or distribute equity to its shareholders and/or repurchase its treasury shares or its convertible securities if it will result in equity attributed to the majority shareholders that is lower than EUR 160 million and EUR 200 million, respectively, and/or the debt ratio to CAP (as defined below) that will exceed 70%. As of the report date, the equity attributed to the majority shareholders is EUR 488.5 million and the debt ratio to CAP is 51.05% (as detailed below).

c. **Maximum CAP ratio** - the ratio between the net financial liabilities and its equity in addition to non controlling interests and other financial liabilities (CAP) shall not exceed 90% pursuant to series A deed of trust and shall not exceed 75% pursuant to Series B and C deeds of trust and is calculated in the following manner (it is indicated that the value of items B (deferred loans) and C (negative equity) defining CAP as specified in the bond deed is Zero):

Financial liabilities according to solo reports	154,075
Financial liabilities of the subsidiaries	581,618
Net of cash, cash equivalents and deposits	(124,680)
Net of debt in respect of inventory of apartments under construction	(3,000)
CAP[36]	608,013
Equity including non controlling interests	583,048
Net financial debt, consolidated	608,013
CAP	1,191,061

Therefore, **this ratio is 51.05%,** whereas according to the deeds of trust such ratio should be lower than 90% for Series A and lower than 75% for Series B and C.

5) Description of the charged properties for securing the Corporation's undertakings according to the liability certificates

The following are details regarding the charges for securing the Company's undertakings pursuant to the terms of the Company's bonds (Series A, Series B and Series C) which are in force pursuant to any law and the Company's corporate instruments, as at the date of issuing the report:

Bonds (Series A)

a) Charging BGP shares

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

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

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

b) Negative pledge

As long as the bonds (Series A) are within the cycle (namely, as long as the bonds (Series A) have not been fully repaid or settled in any way, including by way of self acquisition and/or early redemption), the Company undertakes that it shall not charge, mortgage, assign by way of charging, or provide as another security of any kind or as another security (hereinafter together in this sub-section only: "**the Security**") to any of its charges or to the charges of others, in favor of any third party, BGP shares, if after creating the Security, the Company is left with a number of BGP shares which are free and clean, in an amount constituting 10% or less than the total number of the charged shares (for securing the bonds (Series A), as shall be from time to time. Whenever the Company provides a security as stated in this Section above, the Company will forward a confirmation to the trustee to the effect that it meets said condition, prior to providing the security[37].

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

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

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

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

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

Bonds (Series B)

a) Charging BGP shares

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

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

[37] It is indicated that as of March 31, 2017, all BGP shares are charged in favor of the trustee for the bond holders (Series A – C) and therefore **such condition does not appear to have been met**. Nevertheless, it is clarified and stressed that the number of BGP charged shares in favor of the trustee for the bond holders (Series A) is greater by 154% than the minimum number of BGP shares the Company is required to charge to the trustee according to the basic ratio and the ratio of the charged shares to the net debt exceeds 134% the ratio required to release the collaterals (as defined in the Series A deed of trust) and therefore **the non fulfillment of the above condition will not harm the holders**

b) Negative pledge

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

It is stressed that this small section will not apply as long as the ratio of charged shares to the net debt will be equal to the ratio required for releasing collaterals (as defined in the Series B deed of trust).

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

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

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

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

Bonds (Series C)

c) Charging BGP shares

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

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

Negative pledge

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

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

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

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

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

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

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

6) <u>Attaching the financial statements of BGP</u>

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

However, as of the date of the Periodic Report, the only differences between the financial statements of the Company and the financial statements of BGP, the 100% investee company whose shares are pledged to the bondholders (as described in section 5 above, the "**pledged investee company** ") is the amount of cash held by the Company itself on the part of the assets and the bonds issued by the Company on the liabilities' part (as reflected in the Company's solo reports), and as a result, the consolidated financial statements of the Company are virtually identical to those of the pledged investee company (excluding cash held by the Company and the bonds it issued) ,and therefore the Company does not attach separate financial statements of the pledged investee company.

The following are data as of March 31, 2017 and December 31, 2016 with respect to the assets and liabilities of the Group which are not included in the consolidated statements of the pledged investee company compared to the assets and liabilities of the pledged investee and the total consolidated balance sheet:

Data as of March 31, 2017 (EUR in thousands)	The Company Consolidated	Assets/liabilities In the pledged investee company	Assets/liabilities In unpledged companies
Total assets	1,438,398	1,351,575	86,823
Current assets	187,470	101,916	85,554*
Noncurrent assets	1,250,928	1,249,659	1,269
Total liabilities	855,350	699,084	156,266
Current liabilities	88,993	68,313	20,680**
Noncurrent liabilities	766,357	630,771	135,586***
Non- controlling interests	94,545	94,545	0
Total equity	488,503	557,946	(69,443)
Rate of assets out of the total assets in the balance sheet	100%	94%	6%
Rate of liabilities out of the total liabilities in the balance sheet	100%	82%	18%
Rate of equity out of the total equity in the balance sheet	100%	114%	(14%)

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

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

Data as of December 31, 2016 (EUR in thousands)	The Company Consolidated	Assets/liabilities In the pledged company	Assets/liabilities In unpledged companies
Total assets	1,373,768	1,362,608	11,160
Current assets	150,886	141,872	* 9,014
Noncurrent assets	1,222,882	1,220,736	2,146
Total liabilities	853,705	703,759	149,947
Current liabilities	83,713	63,936	** 19,778
Noncurrent liabilities	769,992	639,823	*** 130,169
Non- controlling interests	100,890	100,890	0
Total equity	419,173	557,960	(138,787)
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%	82%	18%
Rate of equity out of the total equity in the balance sheet	100%	133%	(33%)

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

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

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

Names of signatories	Position	Signature
Jan Van Der Meer	Chairman of the Board of Directors	___________________
Ofir Rahamim	Co-CEO	___________________

May 18, 2017

BRACK CAPITAL PROPERTIES NV

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2017

UNAUDITED

IN THOUSANDS OF EUROS

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Auditor Review Report to the Shareholders of Brack Capital Properties NV

Introduction

We have reviewed the accompanying financial information of Brack Capital Properties NV and its subsidiaries (hereinafter – the Group), which includes the condensed consolidated statement of financial position as of March 31, 2017 and the condensed consolidated statements of profit or loss and other comprehensive income, changes of equity and cash flows for the three-month period ending that date. The Board of Directors and Management are responsible for preparing and presenting financial information for these interim periods in accordance with IAS 34, Interim Financial Reporting, and are responsible for preparing financial information for these interim periods in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.Our responsibility is to express our conclusions with regard to the financial information for these interim periods, based on our review.

Scope of the Review

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

Conclusion

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

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

May 18, 2017 Amit, Halfon, CPAs

רח' אבא הילל סילבר 16, רמת-גן 52506 טל: 03-6123939 פקס: 03-6125030 e-mail: office@ahcpa.co.il www.ahcpa.co.il

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31, 2017	March 31, 2016	December 31, 2016
	(Unaudited)	(Unaudited)	(Audited)
	€ in thousands		
Current Assets			
Cash and cash equivalents	123,546	70,397	89,278
Balances receivable from banks	2,195	1,277	2,221
Restricted deposits, financial assets and other receivables	13,157	15,063	10,088
Tenants and trade receivables, net	4,121	4,959	3,545
Inventory of buildings under construction	44,451	45,719	45,754
	187,470	137,415	150,886
Asset held for sale	-	4,700	-
Non-Current Assets			
Investments in companies measured at equity	8,318	5,005	8,318
Inventory of real estate	14,092	25,307	13,820
Investment property - rights to land	101,984	96,657	101,939
Investment property – income generating assets	1,116,174	1,020,177	1,089,943
Restricted deposits for investments in properties	2,324	76	2,227
Other accounts receivable, fixed assets and other financial assets	1,669	1,254	3,027
Deferred taxes	6,367	8,657	3,608
	1,250,928	1,157,133	1,222,882
	1,438,398	1,299,248	1,373,768

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31, 2017	March 31, 2016	December 31, 2016
	(Unaudited)		(Audited)
	€ in thousands		
Current Liabilities			
Current maturities of loans from banks	24,164	15,622	16,164
Current maturities of debentures	18,489	16,362	17,750
Loans for financing inventory of buildings under construction	3,000	3,500	7,000
Current maturities of other financial liabilities	450	768	456
Accounts payable	22,447	22,138	26,270
Advances from apartment purchasers	19,901	24,785	16,073
Liability component in respect of the issuance of warrants	542		
	88,993	83,175	83,713
Non-Current Liabilities			
Loans from banks and others	554,454	563,280	568,157
Debentures	135,586	125,389	130,169
Other liabilities	3,133	3,148	3,133
Other financial liabilities	296	2,129	434
Deferred taxes	72,888	56,035	68,099
	766,357	749,981	769,992
Equity Attributable to Company Shareholders			
Share capital	72	66	67
Premium on shares	115,590	68,640	69,221
Treasury shares	(883)	(951)	(883)
Other capital reserves	6,988	4,317	6,614
Statutory capital reserve	253,971	286,279	233,463
Retained earnings	112,765	-	110,691
Total equity attributable to Company shareholders	488,503	358,351	419,173
Non-controlling interests	94,545	107,741	100,890
Total equity	583,048	466,092	520,063
	1,438,398	1,299,248	1,373,768

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

May 18, 2017			
Date of approval of the financial statements	Jan Van Der Meer Chairman of the Board of Directors	Ofir Rahamim Joint CEO	Guy Priel CFO

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

	Three months ended March 31,		Year ended December 31,
	2017	2016	2016
	(Unaudited)		(Audited)
	€ in thousands (except per share amounts)		
Revenues from rental of properties	18,129	17,339	72,111
Revenues from property management and others	7,153	6,050	25,539
Property management expenses	(6,750)	(5,688)	(25,064)
Cost of maintenance of rental properties	(2,289)	(2,019)	(8,803)
Rental and management revenues, net	16,243	15,682	63,783
Revenues from sale of apartments	8,371	21,095	73,935
Cost of sale of apartments	(6,627)	(16,729)	(58,537)
Income from sale of apartments	1,744	4,366	15,398
Administrative and general expenses	(2,355)	(3,355)	(12,594)
Administrative and general expenses attributed to the inventory of apartments under construction and inventory of real estate	(724)	(824)	(2,222)
Selling and marketing expenses	(172)	(104)	(422)
Cost of share based payment (Administrative and general)	(218)	(383)	(1,227)
Operating income before change in investment property value	14,518	15,382	62,716
Increase in value of investment property, net	21,207	15,383	80,459
Operating income	35,725	30,765	143,175
Finance income	26	6	25
Finance expenses excluding the effect of exchange rate differences, CPI and currency hedging transactions	(4,924)	(5,123)	(20,716)
Effect of exchange rate differences, CPI and currency hedging transactions, net	(4,749)	22	(3,399)
Change in value of loans, interest-swap transactions and refinance costs, net	288	(440)	(3,793)
Income before taxes on income	26,366	25,230	115,292
Taxes on income	(2,204)	(5,563)	(26,586)
Net income	24,162	19,667	88,706
Other comprehensive income:	-	-	-
Total other comprehensive income	24,162	19,667	88,706
Total comprehensive income attributable to:			
Company shareholders	22,582	18,401	76,276
Non-controlling interests	1,580	1,266	12,430
	24,162	19,667	88,706
Net earnings per share attributable to the Company's shareholders (in Euro)			
Basic net income	3.22	2.79	11.55
Diluted net income	3.13	2.74	11.22

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity Attributable to Company Shareholders								
	Share Capital	**Premium on Shares**	**Treasury Shares**	**Other capital reserves**	**Statutory Capital Reserve**	**Retained Earnings**	**Total**	**Non-Controlling Interests**	**Total Equity**
	Unaudited								
	€ in thousands								
Balance as of January 1, 2017 (audited)	67	69,221	(883)	6,614	233,463	110,691	419,173	100,890	520,063
Net income and comprehensive income	-	-	-	-	-	22,582	22,582	1,580	24,162
Total comprehensive income	-	-	-	-	-	22,582	22,582	1,580	24,162
Classification as per provisions of Dutch law	-	-	-	-	20,508	(20,508)	-	-	-
Cost of share-based payment	-	-	-	218	-	-	218	-	218
Capital reserve adjustment in respect of transactions with controlling shareholder	-	-	-	156	-	-	156	-	156
Issuance of share capital, net	5	46,369	-	-	-	-	46,374	-	46,374
Distribution and payment to non controlling interests	-	-	-	-	-	-	-	(7,925)	(7,925)
Balance as of March 31, 2017 (unaudited)	72	115,590	(883)	6,988	253,971	112,765	488,503	94,545	583,048

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity Attributable to Company Shareholders								
	Share Capital	Premium on Shares	Treasury Shares	Other capital reserves	Statutory Capital Reserve	Retained Earnings	Total	Non-Controlling Interests	Total Equity
	Unaudited								
	€ in thousands								
Balance as of January 1, 2016 (audited)	66	74,689	(951)	3,841	267,878	-	345,523	108,577	454,100
Net and comprehensive income	-	-	-	-	-	18,401	18,401	1,266	19,667
Total comprehensive income	-	-	-	-	-	18,401	18,401	1,266	19,667
Classification as per provisions of Dutch law	-	-	-	-	18,401	(18,401)	-	-	-
Cost of share-based payment	-	-	-	383	-	-	383	-	383
Capital reserve adjustment in respect of transactions with controlling shareholder	-	-	-	93	-	-	93	-	93
Distribution and payment to non-controlling interests	-	-	-	-	-	-	-	(2,102)	(2,102)
Increase of share capital	6,049	(6,049)	-	-	-	-	-	-	-
Capital distribution to the Company's shareholders	(6,049)	-	-	-	-	-	(6,049)	-	(6,049)
Balance as of March 31, 2016 (unaudited)	66	68,640	(951)	4,317	286,279	-	358,351	107,741	466,092

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity Attributable to Company Shareholders								
	Share Capital	Premium on Shares	Treasury Shares	Other capital reserves	Statutory Capital Reserve	Retained Earnings	Total	Non-Controlling Interests	Total Equity
	Unaudited								
	€ in thousands								
Balance as of January 1, 2016 (audited)	66	74,689	(951)	3,841	267,878	-	345,523	108,577	454,100
Total net income and comprehensive income	-	-	-	-	-	76,276	76,276	12,430	88,706
Total comprehensive income	-	-	-	-	-	76,276	76,276	12,430	88,706
Classification as per provisions of Dutch law, net	-	-	-	-	(34,415)	34,415	-	-	-
Exercise of options into shares	1	544	68	(466)	-	-	147	-	147
Cost of share-based payment	-	-	-	1,227	-	-	1,227	-	1,227
Adjustment of capital reserve in respect of transactions with controlling shareholder	-	-	-	80	-	-	80	-	80
Purchase of rights from non-controlling interests	-	-	-	1,932	-	-	1,932	(16,920)	(14,988)
Increase of share capital	6,049	(6,049)	-	-	-	-	-	-	-
Capital distribution to the Company's shareholders and adjustment in respect of treasury shares	(6,049)	37	-	-	-	-	(6,012)	-	(6,012)
Distribution and payment to non-controlling interests	-	-	-	-	-	-	-	(3,197)	(3,197)
Balance as of December 31, 2016 (audited)	67	69,221	(883)	6,614	233,463	110,691	419,173	100,890	520,063

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended March 31,		Year ended December 31,
	2017	2016	2016
	Unaudited		Audited
	€ in thousands		
Cash flows from operating activities:			
Net income	24,162	19,667	88,706
Adjustments required to present net cash provided by operating activities:			
Adjustments to profit or loss:			
Depreciation	74	50	281
Financial expenses, net	10,804	5,455	25,121
Increase in value of investment property, net	(21,207)	(15,383)	(80,459)
Deferred taxes, net	2,201	5,521	25,944
Cost of share-based payment	218	383	1,227
Capital reserve adjustment in respect of transactions with controlling shareholder	156	93	80
	(7,754)	(3,881)	(27,806)
Cash flows from operating activities before changes in asset and liability items	16,408	15,786	60,900
Changes in assets and liabilities items:			
Decrease (increase) in tenants, restricted deposits and other receivables and related parties	(4,065)	(79)	1,772
Increase (decrease) in accounts payable	(1,411)	(846)	4,077
	(5,476)	(925)	5,849
Net cash provided by operating activities before decrease (increase) in inventory of real estate, inventory of buildings under construction and advances from apartment purchasers	10,932	14,861	66,749
Increase (decrease) in advances from apartment purchasers	6,015	(10,902)	(19,614)
Decrease (increase) in inventory of buildings under construction	(314)	10,495	12,180
Decrease (increase) in inventory of real estate	(272)	283	11,771
Net cash provided by operating activities	16,361	14,737	71,086

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended March 31, 2017	Three months ended March 31, 2016	Year ended December 31, 2016
	Unaudited		Audited
	€ in thousands		
Cash Flows from investing activities			
Investment in fixed assets	(5,295)	(189)	(529)
Investment in companies measured at equity	-	-	(3,313)
Proceeds from sale of investment property	-	-	10,963
Proceeds from sale of subsidiaries, net (a)	-	-	10,708
Repayment (grant) of loans to employees, net	-	(72)	-
Increase in long term accounts receivable	-	-	(84)
Withdrawal (placement) of restricted deposits, prepaid transaction costs and withdrawal (placement) of long-term deposits in banks, net	(2,737)	(2,309)	697
Interest received and sale of derivatives	26	24,728	25,174
Net cash used in investing activities	(8,006)	(2,512)	(62,275)
Cash flows from financing activities			
Interest paid	(5,275)	(5,460)	(18,567)
Exercise of stock options	-	-	147
Distribution and payment to non controlling interests	(6,145)	(2,102)	(3,197)
Receipt of long-term loans, net	-	13,842	93,195
Issuance of debentures, net	-	-	14,127
Repayment of debentures	-	-	(17,117)
Repayment of long-term loans	(9,583)	(3,928)	(22,941)
Issuance of shares and warrants, net	46,916		
Capital distribution to the Company's shareholders	-	-	(6,012)
Purchase of rights from non-controlling interests	-	-	(14,988)
Net cash provided by (used in) financing activities	25,913	2,352	24,647
Change in cash and cash equivalents	34,268	14,577	33,458
Balance of cash and cash equivalents at the beginning of the period	89,278	55,820	55,820
Balance of cash and cash equivalents at the end of the period	123,546	70,397	89,278

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended March 31, 2017	Three months ended March 31, 2016	Year ended December 31, 2016
	Unaudited	Unaudited	Audited
	€ in thousands		
(a) Proceeds from sale of previously consolidated subsidiaries :			
Assets and liabilities of consolidated subsidiaries as of date of sale:			
Investment property	-	-	61,479
Working capital (excluding cash and cash equivalents)	-	-	385
Loans from banks, net	-	-	(53,697)
Gain from sale of subsidiaries	-	-	1,861
Deferred taxes, net	-	-	680
	-	-	10,708

Note 1: - **General**

These Financial Statements have been prepared in a condensed format as of March 31, 2017 and for the three month period then ended (hereinafter – the Consolidated Interim Financial Statements). These Statements should be read in conjunction with the annual financial statements as of December 31, 2016 and for the year then ended and the accompanying notes (the consolidated annual financial statements).

Note 2: - **Significant accounting policies**

a. Preparation format of the Interim Consolidated Financial Statements

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

b. The significant accounting policies and calculation methods implemented in preparing the Interim Consolidated Financial Statements are consistent with those implemented in preparing the consolidated annual Financial Statements.

c. New standards in the period prior to their adoption
1. IFRS 15 - Revenue from Contracts with Customers:
For details regarding the expected changes in the Company's revenue recognition policy and regarding other effects on matters relating to the Company's business – see Note 2 (AE) of the Company's annual financial statements as of December 31, 2016.
2. IFRS 9 – Financial Instruments:
For details regarding the expected changes in the classification and measurement policy of financial assets and regarding other effects on matters relating to the Company's business – see Note 2 (AE) of the Company's annual financial statements as of December 31, 2016.

Note 3: - **Financial instruments**

a. Financial instruments not measured at fair value

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

	March 31, 2017		March 31, 2016		December 31, 2016	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
	Unaudited				Audited	
	€ in thousands					
Debentures and interest payable in respect of debentures	155,389	167,737	143,023	155,438	149,794	161,297

Note 3: - Financial instruments (Cont.)

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

b. Financial instruments measured at fair value

Classification of the financial instruments according to fair value hierarchy

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

	March 31, 2017		
	Level 1	**Level 2**	**Level 3**
		Unaudited	
		€ in thousands	
Assets:			
Foreign currency forward contracts– dollar	1,776	-	-
CAP transactions	-	1	-
Liabilities:			
Interest swap agreements	-	(730)	-
Loans			(76,074)

	March 31, 2016		
	Level 1	**Level 2**	**Level 3**
		Unaudited	
		€ in thousands	
Assets:			
Interest swap agreements	-	8	-
Liabilities:			
Foreign currency forward contracts– dollar	(1,712)	-	-
	-	(1,185)	-
Loans	-	-	(244,208)

Note 3: - Financial instruments (Cont.)

	December 31, 2016		
	Level 1	Level 2	Level 3
		€ in thousands	
Assets:			
Foreign currency forward contracts – dollar	2,146	-	-
CAP transactions	-	1	-
Liabilities:			
Interest swap agreements	-	(875)	-
Loans	-	-	(76,867)

c. Reconciliation of fair value measurements that are categorized within Level 3 of the fair value hierarchy in financial instruments:

	Financial instruments	
	2017	2016
	€ in thousands	
Balance as of January 1 (audited)	(76,867)	(245,509)
Total profit (loss) recognized in profit or loss	295	(188)
Repayment/classification of loans	498	1,489
Balance as of March 31 (unaudited)	(76,074)	(244,208)

	Financial instruments
	€ in thousands
Balance as of January 1, 2016 (audited)	(245,509)
Total loss recognized in profit or loss	(259)
Repayment/classification of loans	168,901
As of December 31, 2016 (audited)	(76,867)

Note 3: - Financial instruments (Cont.)

d. Valuation techniques

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

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

- The fair value of interest swap contracts and CAP agreements is based on calculating the present value of the estimated future cash flows using observable return curves.
- The fair value of short term bank credit is based on calculating the discounted cash flows using the credit actually observed of the euribor rate plus a margin.

e. The following describes unobservable material data in active market used in valuation:

	Valuation technique	**unobservable material data**	**Range (weighted average)**	**Sensitivity of fair value to change in data**
Loans	DCF	Discount interest	Fixed interest	2% increase/decrease in discount rate will result in increase/decrease of up to € 1.5 million in fair value
Interest swap transactions	DCF	Payment curve	Euribor curve for the transaction period	2% increase/decrease in Euribor curve will result in increase/decrease of up to € 2.1 million in fair value

Note 4: - Operating Segments

	Income-Generating Commercial Real Estate	Income-Generating Residential Real Estate	Land for Betterment	Residential development	Adjustments	Total
	€ in thousands					
For the Three-Month Period Ended March 31, 2017 (unaudited)						
Revenues from sale of apartments	-	-	-	8,371	-	8,371
Cost of sale of apartments	-	-	-	(6,627)	-	(6,627)
Income from sale of apartments	-	-	-	1,744	-	1,744
Revenues from property rental	7,883	10,199	47	-	-	18,129
Revenues from property management and others	2,051	5,087	15	-	-	7,153
Property management expenses	(2,046)	(4,689)	(15)	-	-	(6,750)
Rental property maintenance expenses	(658)	(1,473)	(158)	-	-	(2,289)
Total rental and management revenues, net	7,230	9,124	(111)	-	-	16,243
Administrative and general expenses						(2,355)
Selling and marketing expenses and administrative and general expenses attributed to inventory of buildings under construction and inventory of real estate	-	-	-	(896)	-	(896)
Cost of share based payment						(218)
Increase in value of investment property, net	(117)	21,538	(214)	-	-	21,207
Financial expenses, net						(9,359)
Income before taxes on income						26,366

Note 4: - Operating Segments (Cont.)

	Income-Generating Commercial Real Estate	Income-Generating Residential Real Estate	Land for Betterment	Residential development	Adjustments	Total
	€ in thousands					
For the Three-Month Period Ended March 31, 2016 (unaudited)						
Revenues from property rental	8,737	8,517	85	-	-	17,339
Revenues from property management and others	1,941	4,089	20	-	-	6,050
Property management expenses	(1,903)	(3,765)	(20)	-	-	(5,688)
Rental property maintenance expenses	(745)	(1,219)	(55)	-	-	(2,019)
Total rental and management revenues, net	8,030	7,622	30	-	-	15,682
Revenues from sale of apartments	-	-	-	21,095	-	21,095
Cost of sale of apartments	-	-	-	(16,729)	-	(16,729)
Income from sale of apartments	-	-	-	4,366	-	4,366
Administrative and general expenses						(3,355)
Selling and marketing expenses and administrative and general expenses attributed to inventory of buildings under construction and inventory of real estate	-	-	-	(928)	-	(928)
Cost of share based payment						(383)
Increase in value of investment property, net	3,119	12,264	-	-	-	15,383
Financial expenses, net						(5,535)
Income before taxes on income						25,230

Note 4: - Operating Segments (cont.)

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

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

1. Capital issuance – on January 31, 2017, the Company completed a public offering of 598,540 shares and 299,270 warrants (Series 1) exercisable into 299,270 shares of the Company at a total monetary scope of EUR 49.5 million (gross) by a uniform offer in the tender on the unit price pursuant to a shelf offering report that was published on January 29, 2017 by virtue of the shelf prospectus bearing the date of May 29, 2015.

2. Purchase of residential portfolio in Hannover, Germany - on February 8, 2017, the Company (through sub subsidiaries) entered into a notarized sale agreement with a third party that is not related to the Company and/or to its controlling shareholder under which the seller will sell the Company 156 residential units in Hannover, Germany for a total consideration of EUR 18 million (including related transaction costs). For the purpose of financing the purchase, the Company (through a sub-subsidiary) negotiates with a German bank to obtain a loan in the amount of EUR 10.4 million under non-recourse terms which its final repayment date is 5 years from the date of receiving the loan bearing a variable interest based on Euribor plus a margin of 1.20% per annum. The transaction is expected to be completed in May 2017.

3. Purchase of residential portfolio in Essen, Germany – in the first quarter of 2017, the Company (through a sub subsidiary) entered into a notarized sale agreement with a third party that is not related to the Company and/or to its controlling shareholder under which the Company will purchase from the seller 320 residential units in Essen, Germany for a total consideration of EUR 23.6 million (including related transaction costs). For the purpose of financing the purchase, the Company (through a sub-subsidiary) negotiates with a German bank to obtain a loan in the amount of EUR 16 million under non-recourse terms which its final repayment date is 5 years from the date of receiving the loan bearing a fixed interest rate of 1.08% per annum. The transaction is expected to be completed in June 2017.

4. Purchase of residential assets in Leipzig, Bremen and Dusseldorf, Germany – in the first quarter of 2017, the Company, through its wholly owned Dutch companies, entered into 4 different transactions for the purchase of 163 flats for leasing in Leipzig, Bremen and Dusseldorf in Germany (the acquired assets) for a total consideration of EUR 8 million (including related transaction costs). The acquired assets span over a leasable area of 7.3 thousand sq.m, generating current annual of EUR 342 thousand grossing up a significant rental increase of 25% to 35%, as per the Company's estimate in view of the average rental in those cities/locations for similar assets. The transactions will be financed in the first stage by equity where they are expected to be completed in the second quarter of 2017.

Note 6: - **Material Events after the Reported Period**

Dividend policy - the Company's Board of Directors decided on a dividend policy deriving from the Company's annual FFO, according to which each year from 2018 and in respect of 2017 and thereafter, the Company will distribute to its shareholders a dividend and/or distribute to its shareholders capital (collectively: "the Distribution") of 30% of the total FFO (from the income producing activity only, excluding profit from the Company's development activity). For the purposes of calculating the FFO for a given year, the distribution amount will be derived from the FFO, the FFO data for the fourth quarter of that year will be adjusted to the data for the entire year.

BRACK CAPITAL PROPERTIES NV

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

AS OF MARCH 31, 2017

UNAUDITED

IN THOUSANDS OF EUROS

To the Shareholders of Brack Capital Properties NV

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

Introduction

We have reviewed the separate interim financial information according to regulation 38d of the Securities regulations (Periodic and Immediate Reports), 1970 of Brack Capital Properties NV (hereinafter – the Company), as of March 31, 2017 and for the three-month period ending that date. The Board of Directors and Management are responsible for the separate interim financial information. Our responsibility is to express our conclusions with regard to the separate interim financial information for this interim period, based on our review.

Scope of the Review

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

Conclusion

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

May 18, 2017 Amit, Halfon, CPAs

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

	March 31, 2017	March 31, 2016	December 31, 2016
	Unaudited	Unaudited	Audited
	€ in thousands		
Current Assets	41,049	17,620	4,654
Cash and cash equivalents	41,677	12,919	2,042
Cash and cash equivalents in trust	2,195	1,277	2,221
Balances receivable from banks	125	85	97
Other receivables	508	-	-
Other financial assets			
	85,554	31,901	9,014
Non-Current Assets			
Other financial assets	1,269	-	2,146
Investment in investee	557,946	477,423	557,960
	559,215	477,423	560,106
	644,769	509,324	569,120
Current Liabilities			
Other accounts payable	1,649	7,512	2,028
Current maturity of debentures	18,489	16,362	17,750
Liability component in respect of issuance of warrants	542	-	-
Other financial liabilities	-	319	-
	20,680	24,193	19,778
Non-Current Liabilities			
Debentures	135,586	125,389	130,169
Other financial liabilities	-	1,391	-
	135,586	126,780	130,169
Equity			
Share Capital	72	66	67
Premium on Shares	115,590	68,640	69,221
Treasury Shares	(883)	(951)	(883)
Other capital reserves	6,988	4,317	6,614
Statutory capital reserve	253,971	286,279	233,463
Retained earnings	112,765	-	110,691
Total equity	488,503	358,351	419,173
	644,769	509,324	569,120

May 18, 2017			
Date of approval of the financial statements	Jan Van Der Meer Chairman of the Board of Directors	Ofir Rahamim Joint CEO	Guy Priel CFO

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

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

	Three months ended March 31,		Year ended December 31,
	2017	2016	2016
	Unaudited		Audited
	€ in thousands		
Administrative and general expenses	(1,010)	(752)	(2,761)
Financial expenses, net	(6,517)	(239)	(11,187)
Equity in earnings of investess	30,109	19,392	90,224
Net income	22,582	18,401	76,276
Other comprehensive income:			
Total comprehensive income	-	-	-
	22,582	18,401	76,276

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

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

	Three months ended March 31,		Year ended December 31,
	2017	2016	2016
	Unaudited		Audited
	€ in thousands		
Cash flows from operating activities:			
Net income attributed to the Company's shareholders	22,582	18,401	76,276
Adjustments required to present net cash provided by operating activities:			
Adjustments to the profit or loss items:			
Financial expenses, net	8,089	181	11,110
Cost of share-based payment	218	383	1,227
Capital reserve adjustment in respect of transactions with controlling shareholders	156	93	80
Equity in earnings of investees	(30,109)	(19,392)	(90,224)
	(21,646)	(18,735)	(77,807)
Changes in assets and liabilities items:			
Increase in other receivables and related parties	(29)	(15)	(27)
Increase (decrease) in accounts payable and related parties	164	(4)	(26)
	135	(19)	(53)
Net cash provided by (used in) operating activities of the Company	1,071	(353)	(1,584)
Cash Flows from investing activities			
Withdrawals of restricted deposits	-	530	530
Change in investment in investees, net	(9,535)	(10,347)	(9,853)
Interest received and exercise of derivatives	-	24,722	25,174
Net cash provided by (used in) investing activities of the Company	(9,535)	14,905	15,851

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

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

	Three months ended March 31,		Year ended December 31,
	2017	2016	2016
	Unaudited		Audited
	€ in thousands		
Cash flows from financing activities			
Interest paid	(2,057)	(2,082)	(5,908)
Issuance of debentures, net	-	-	14,127
Issuance of shares and stock options, net	46,916	-	-
Capital distribution to the Company's shareholders	-	-	(6,012)
Repayment of debentures	-	-	(17,117)
Exercise of stock options	-	-	147
Net cash provided by (used in) financing activities of the Company	44,859	(2,082)	(14,763)
Change in cash and cash equivalents	36,395	12,470	(496)
Balance of cash and cash equivalents at the beginning of the period	4,654	5,150	5,150
Balance of cash and cash equivalents at the end of the period	41,049	17,620	4,654

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

ADDITIONAL INFORMATION

Note 1: - **General**

a. This separate financial information has been prepared in a condensed format as of March 31, 2017 and for the three month period then ended in accordance with Regulation 38d of the Securities Regulations (Periodic and Immediate Reports), 1970. This separate financial information should be read in conjunction with the annual financial statements as of December 31, 2016 and for the year then ended and the additional information.

b. Subsidiaries as defined in note 1b of the annual financial statements of the Company as of December 31, 2016.

c. The accounting policies applied in the preparation of this separate financial information is consistent with the policies applied in the preparation of the separate financial information as of December 31, 2016.

Note 2: **Material Events during the Reported Period**

a. Capital issuance - On January 31, 2017, the Company completed a public offering of 598,540 shares and 299,270 warrants (Series 1) exercisable into 299,270 shares of the Company at a total monetary scope of EUR 49.5 million (gross) by a uniform offer in the tender on the unit price pursuant to a shelf offering report that was published on January 29, 2017 by virtue of the shelf prospectus bearing the date of May 29, 2015

Note 3: **Material Events after the Reported Period**

Dividend policy - on May 18, 2017, the Company's Board of Directors decided on a dividend policy deriving from the Company's annual FFO, according to which each year from 2018 and in respect of 2017 and thereafter, the Company will distribute to its shareholders a dividend and/or distribute to its shareholders capital of 30% of the total FFO (from the income producing activity only, excluding profit from the Company's development activity). For the purposes of calculating the FFO for a given year, the distribution amount will be derived from the FFO, the FFO data for the fourth quarter of that year will be adjusted to the data for the entire year.