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

Brack Capital Properties NV (hereinafter: "the Company") hereby submits the Board of Directors' report for a period of six months ending on June 30, 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" – June 30, 2017.

"Report signing date" or "the date of signing the report" – August 17, 2017.

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

Preamble

Below are the Company's principal results for the six months ended June 30, 2017.

1. **Profitability** – in the second quarter of 2017, the Company's net income attributed to the Company's shareholders amounted to approximately EUR 44.8 million compared to income of EUR 9.4 million in the corresponding quarter last year.

   - **Income producing real estate** – in the second quarter of 2017, the FFO amounted to EUR 8.3 million compared to EUR 8.1 million in the first quarter of 2017. In the reported quarter, the FFO grosses up an annual rate of EUR 33.2 million given a full income generation in a -12 month period [2]the FFO grosses up an annual rate of EUR34. 6 million.

   - **Residential development activity**- in the reported quarter, one apartment was delivered and an estimate of completion costs for the apartments delivered was adjusted.

[1] Published on March 23, 2017 (Ref No. 029265-01-2017]

[2]Regarding assets that were purchased and sold in the reported period and interest savings for bond repayment in July 2017 that was not refinanced.

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
C	109	56.2	12.4	%28	99.3%	%0
D	119	67.6	16.4	%32	59%	%0
Total	228	123.8	28.8	%30	%77	%0

b. Income producing real estate[5]

Zoning	Area (square meters)	Actual Return of rental fees[6]	ERV Return[7]	Actual NOI return[6]	NOI return according to ERV[8]	Occupancy rate
Residential	646	%6.1	%7.8	%5.2	%7.0	%95
Commercial	330	%6.4	%7.2	%5.9	%6.7	%96
Total	**976**	**%6.2**	**%7.6**	**%5.5**	**%6.9**	**%95**

During the reported quarter, the Company recognized a gain[9] of € 23.4 million, € 17.6 million and € 8 million, as a result of the revaluation of the investment property of Portoflio in Leipzig, land for investment in Dusseldorf and a commercial property in Rostock, respectively.

The improvement in the value of a residential portfolio in Leipzig stems from substantial investments made by the Company in recent years, and was reflected in a significant improvement in the operating parameters (37% increase in rentals and increase of 34% in NOI from the date of acquisition) and as a result of the increase in rentals and property prices in the city.

The improvement in the value of the land for investment in Düsseldorf stems from significant progress in the process of changing the Urban Planning Scheme from offices to residential.

For further details, see Chapter D below .The following is the contribution of income producing real estate and residential development activity to the Company's results:

- **Residential**: in the second quarter of 2017, rental fees increased by 5.4% from identical assets and 8.1% 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 29% of the actual rental fees.

[3] as of the report 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 August 2017 on annual basis divided by the carrying value
[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] the Company's share net of deferred taxes and non-controlling interests

- **Commercial**: in the second 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[10] 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[11] and other assets as well, which in case they will mature, the expected investment volume will be more material.

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

   a. **Equity and NAV**: The equity attributed to the Company's shareholders amounted to approximately EUR 535.6 million and the NAV[12] amounted to EUR 621.7 million as of the report date. In July 2017, 257 thousand warrants were exercised into the Company's shares for EUR 21.7 million.

   b. **Debt ratios**: the LTV ratio[13] is 45.58% as of the report date. The EBITDA ratio to interest expenses (only from the income producing portfolio, excluding operating income from development activity) is 3.46 in the second quarter of 2017.

   c. **Liquidity**: cash balances and liquid balances amounted to approximately EUR 109.3 million as of the report date.

4. **Dividend policy –** On May 18, 2017 the Company's Board of Directors adopted the 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 "Material and other events in the reported period".

❑ 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:

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[10] of which EUR 30 million in four assets under the Matrix Portfolio.

[11] of which 2 assets in large cities in Bavaria

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

[13] Net debt to total real estate assets

- **Residential income-producing real-estate** – as of 11,005[14] apartments, with a total leasing area of approximately 646,000 m^2**.**

- **Commercial income-producing real-estate** – as of 27 commercial income-producing properties[15] in the commercial segment (commerce and offices) with an overall leasing area of approximately 330,000 m^2.

- **Entrepreneurship Residential Real estate** - for details regarding the marketing, sales and performance of Stage C (109 units) and Stage D 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".

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 596,171 thousand. As of the report date, the average rate of interest of these loans is approximately 1.75%. The average duration of the loans is about 3.7 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 176,920 thousand par value with an interest (linked) of approximately 4.8% per year with an average duration of approximately 1.5 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.[16]

[14]Excluding 50 apartments for which the Company has entered into purchase agreement in Leipzig in the second quarter of 2017 and ownership was not yet transferred to the Company.
[15]In addition, the Company has one asset held by an associate spanning over an area of 7,000 m^2 in the city of Chemnitz.
[16]As of the date of signing the report, the German government bonds for 10 years yields a nominal annual return of 0.436%.

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 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 second quarter of 2017, the German GDP increased by 0.6%.

Material and other Events in the Report Period

- **Change of control in the Company** – on June 14, 2017 (completion date) Redzone Empire Holding Ltd. ("Redzone" or "the Purchaser"), which is, to the best of the Company's knowledge, a Cypriot private company wholly owned by Mr. Teddy Sagi ("Sagi") purchased 3,172,910 ordinary shares of NIS 0.01 par value each of the Company (which at the time constituted approximately 44% of the Company's issued and paid-up share capital) for a total consideration of NIS 1,092 million .The amount of the aforementioned shares was acquired by Redzone from Shimon Weintraub ("Weintraub") and Ronen Peled ("Peled"), the joint controlling shareholders of the Company until that date, from interested parties in the Company until that date and from others (collectively: the Sellers) in several off-stock exchange transactions (for details about most of these transactions, see the Company's immediate reports regarding changes in holdings of interested parties in the Company from June 15, 2017 [Reference No. 2017-01-061152 and 2017-01-061161) according to agreements dated May 22, 2017 (for details regarding these agreements see immediate report dated May 23, 2017 (reference 052314-01-2017). On the completion date, Mr. Sagi became the controlling shareholder in the Company instead of Messers Weintraub and Peled.
- **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[17] 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[18] 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

[17] 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.

[18] In this framework, the Company is examining the feasibility of selling some of the apartments that are part of the Company's income producing assets to individuals so that each purchaser will purchase a single apartment from a building owned by the Company .As part of the process, the Company is required to adjust the asset from commercial and legal standpoints for sale.

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 prospectus bearing the date of May 29, 2015[19]. In the second quarter of 2017, 11,067 warrants (Series 1) were exercised into the Company's shares for a total consideration of EUR 965 thousand. For details regarding the exercise of the warrants after the date of the statement of financial position see section "**Events after the report date affecting the Company's financial position and other events below.**

- **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. On May 31, 2017, the full consideration was paid to the seller and all of the rights in the purchased assets have been transferred to the Company[20].

- **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. On May 31, 2017, the full consideration was paid to the seller and all of the rights in the purchased assets have been transferred to the Company[21].

- **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 164 flats for leasing in Leipzig, Bremen and Dusseldorf in Germany (the acquired assets) for a total consideration of EUR 15.4 million (including related transaction costs). The acquired assets span over a leasable area of 7.3 thousand sq.m, generating current annual of EUR 631 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. In the second quarter of 2017, the full consideration was paid to the seller and all of the rights in the purchased assets have been transferred to the Company.

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

[20] 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.

[21] 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.

- **Adoption of dividend policy –** on May 18, 2017, the Company's Board of Directors adopted a dividend policy deriving from the Company's annual FFO, according to which each year from 2017 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[22] (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.

- **Sale of an office property to the Chinese Consulate, Düsseldorf, Germany** - on June 1, 2017, a notarized sale agreement was signed between the Company's sub subsidiary (100%) and the Chinese Government for the sale of an office property with a 4,316 sq.m. used as the Chinese Consulate in Dusseldorf for a consideration of € 14.8 million. The purchase cost (including transaction costs) to be paid by the purchaser grosses up a rental yield of about 4.5% and a value per square meter of € 3,700. The entire consideration of the sale and the completion of the transaction have been carried out on June 17, 2017.

- **Acceleration of the vesting period of the Company's employee share option plan (ESOP -3)–** as a result of the change in the control of the Company's shares, as above, the vesting period of the options has ended and all options are available for immediate exercise. Following the acceleration of the vesting period ,the Company recognized a one-time expense of EUR 0.4 million ,as part of the cost of a share-based payment against a capital reserve .See also Note 18(E) to the annual financial statements.

- **Ratification of credit rating by Maalot** – on March 26, 2017, the credit rating company, Maalot, ratified for the Company the rating of ilAA- (stable outlook) and for the Company's bonds Series A B and C ratified the rating of ilAA- [23]

[22]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).

[23]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.

- **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[24].

  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) such that it will result 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 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, 108 apartments (signed agreements and reservations) (about 99.3 % of this stage) were marketed at a total monetary consideration of EUR 55.8 million. As of the report date and the report signing date, advances of EUR 30.9 million and EUR 38.3 million, respectively, were received from apartment purchasers.

b. **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, 69 flats (signed agreements and reservations) were marketed (about 59% of this stage) for a total consideration of EUR 39.80 million.

[24]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

As of the report date and the report signing date, advances of EUR 2.1 million and EUR 4.0 million, respectively, were received from apartment purchasers.

<u>The selling prices</u> in Stage D gross up an increase of 8.7% 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).

c. **<u>Planning Stage E</u>** – the Company 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 – stage C				
Data according to 100% The effective corporation's share in the project – 83%)	**2017**			**2016**
	As of the date of signing the report	**quarter 2**	**Quarter 1**	
	Cumulative signed agreements in the current period			
Flats (#)	107	105	91	72
Flats – total monetary consideration (including for parking, EUR in thousands)	55,317	54,467	47,648	37,482
Flats (square meters)	12,101	11,913	10,408	8,205
Average price per sq.m (EUR) (including consideration for parking)	4,571	4,572	4,578	4,586
	Apartment reservations as of the report signing date			
Flats (#)	1			
Flats – total monetary consideration (including for parking, EUR in thousands)	453			
Flats (square meters)	101.8			
Average price per sq.m (EUR)	4,450			
	Cumulative signed agreements and reservations until the date of signing the reports			
Flats (#)	108			
Flats – total monetary consideration (including for parking, EUR in thousands)	55,770			
Flats (square meters)	12,203			
Average price per sq.m (EUR)	4,570			

	of date the of As report the signing	As of June 30, 2017	As of March 31, 2017	As of December 31, 2016
Marketing rate on the last date of the period - signed agreements	%98.5	%97.0	%84.9	%66.8
Marketing rate on the last date of the period - signed agreements and reservations	%99.3			
	Advances from tenants			
	of date the of As report the signing	**As of June 30, 2017**	**As of March 31, 2017**	**As of December 31, 2016**
Advances from tenants (EUR in thousands)	38,273	30,872	18,879	7,104
Rate of Advances from tenants (%)	%68.2	%55.0	%33.6	%12.7
	Spaces in respect of which agreements and reservations were not yet signed as of the report signing date			
Flats (#)	1			
Flats – total expected monetary consideration (including for parking, EUR in thousands)	380			
Flats (square meters)	81			
Average price per sq.m (EUR)	4,680			
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)	211			

(*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
purchaser may cancel such reservation without a penalty .

Project marketing – stage D			
Data according to 100% The effective corporation's share in the project – 83%)	**2017**		
	As of the date of publishing the report	**quarter 2**	**Quarter 1**
	Cumulative signed agreements in the current period		
Flats (#)	55	29	NA Marketing has commenced in May 2017
Flats – total monetary consideration (including for parking, EUR in thousands)	32,403	16,478	
Flats (square meters)	6,891	3,287	
Average price per sq.m (EUR)	4,702	5,013	
	Apartment reservations as of the date of publishing the report		
Flats (#)	14		
Flats – total monetary consideration (including for parking, EUR in thousands)	7,399		
Flats (square meters)	1514		
Average price per sq.m (EUR)	4,887		
	Cumulative signed agreements and reservations until the date of publishing the reports		
Flats (#)	69	It is indicated that the average price in the Condo apartments is EUR 4,968 per square meter.	
Flats – total monetary consideration (including for parking, EUR in thousands)	39,802		
Flats (square meters)	8,405		
Average price per sq.m (EUR)	4,736		

	Marketing rate of the project: (%)			
	As of the date of publishing the report	**Quarter 2**		
Marketing rate on the last date of the period - signed agreements	%48.0	%24.4		
Marketing rate on the last date of the period - signed agreements and reservations	%58.9			
	Advances from tenants			
	As of the date of publishing the report	**Quarter 2**		
Advances from tenants (EUR in thousands)	4,033	2,127		
Rate of Advances from tenants (%)	%6.0	%3.1		
	Spaces in respect of which agreements and reservations were not yet signed as of the date of publishing the report			
Flats (#)	50			
Flats – total expected monetary consideration (including for parking, EUR in thousands)	27,751			
Flats (square meters)	5,668			
Average price per sq.m (EUR)	4,896			
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)	6,989			

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

	Stage C[25]	Stage D [26]
Total expected revenues	56,150	67,553
Advances from apartment purchasers as of the report date	30,872	2,127
Advances from apartment purchasers as of the date of signing the report	38,273	4,033
Total cumulative costs invested	31,980	17,353
Total costs remaining for investment	11,795	33,835
Total expected cost (including land (EUR in thousands)	43,776	51,188
Completion rate (engineering/monetary)(excluding land)(%)[27]	%65.7	%14.5
Total expected entrepreneurial profit	12,374	16,365
Total entrepreneurial profit recognized in the Company's financial statements (consolidated) cumulatively as of the report date	0	0
Rate of expected entrepreneurial profit (%)	%28.3	%32.0
Expected completion date and profit recognition	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.

[25]The performance of Stage C has commenced in April 2016 upon receiving the building permit
[26]The performance and marketing of Stage D commenced in April and May 2017 upon receiving the building permit.
[27]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 and note 2c1 of the consolidated statements of the Company for this period.

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 C and D)	95,536	35,299	21,951

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)	28,303	10,255	6,842
Stages E (under approved urban scheme) not yet in progress	77,425	24,964	17,532
Total	**105,728**	**35,219**	**24,375**

- 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 urban scheme for 300residential units (Grafental Mitte) out of 650 units will be brought for approval by the City Council of Dusseldorf on September 29, 2017 for publication to the public (the final stage prior to its final and binding approval) such that the Company will be able to obtain building permits for the first stage under Section 33 of the German Planning and Building Law in Grafental Mitte until the end of 2017. The urban scheme for the remaining 350 residential units in the Grafental Ost is in the process of planning and the Company estimates that the urban scheme will be approved and will be available for construction at the end of 2018 [28] [30]

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

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[29]

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 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] [30].

The following is a tabular summary of expected revenue, cash flow and entrepreneurial profit expected from the betterment of the land in Dusseldorf [30]

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[31] and the land in Grafenberg	456,200	183,819	89,825

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,

[29]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.

[30]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).

[31]The corporation's effective portion in said parcel of land is 83%.

marketing of projects based on the costs of the stages that 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 construct consummation of which is not controlled by the Company.

In addition ,even if the approvals are received and the Company will resolve to establish the projects independently and the performance of the projects will be executed, change in circumstances (including without derogating from the generality of the foregoing – decrease in demand for flats in Dusseldorf and/or decrease in market prices of flats in Dusseldorf) or increase in construction costs (and other costs) and/or the formation of special conditions that may significantly change the Company's estimates detailed above and have a material impact on the expected revenues from the projects ,including their overall profitability.

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	June 30		December 31,	Explanation for the change
	2017	**2016**	**2016**	
	EUR in thousands			
Current assets				
Cash and cash equivalents	109,275	66,142	89,278	See details in the statement of cash flows
Balances receivable from banks	1,653	1,237	2,221	
Restricted deposits, financial assets and other receivables	12,443	9,482	10,088	
Tenants and trade receivables, net	7,008	5,258	3,545	
Inventory of buildings under construction	53,411	51,643	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	**183,790**	**133,762**	**150,886**	
Asset held for sale	-	10,634	-	
Non-current assets:				
Investments measured at equity	8,318	8,135	8,318	
Inventory of real estate	14,110	26,125	13,820	
Investment property – real estate rights	127,694	96,894	101,939	The increase in the reported period derives from revaluations profits
Investment property – income producing assets	1,202,697	1,071,866	1,089,943	The increase in the reported period derived from the purchase of assets and revaluation profits on one hand and from selling an asset on the other hand
Restricted deposits for investments in assets	2,635	66	2,227	
Other accounts receivable, fixed assets and other financial assets	394	1,777	3,027	

Deferred taxes	724	4,090	3,608	
Total non-current assets:	**1,356,572**	**1,208,953**	**1,222,882**	
Total assets	**1,540,362**	**1,353,349**	**1,373,768**	

Liabilities	June 30		December 31,	Explanation for the change
	2017	**2016**	**2016**	
	EUR in thousands			
Current liabilities:				
Current maturities of loans from banks	68,372	28,004	16,164	The increase in the reported period derives from classification of short term loans according to the original amortization schedules of the loans
Current maturities of debentures	18,199	16,747	17,750	
Loans for financing inventory of buildings under construction	4,500	-	7,000	
Current maturities of other financial liabilities	446	773	456	
Accounts payable	24,359	14,901	26,270	
Advances from apartment purchasers	34,024	43,365	16,073	
Total current liabilities	**149,900**	**103,790**	**83,713**	
Non-current liabilities:				
Loans from banks and others	523,299	573,514	568,157	
Debentures	133,284	139,568	130,169	The increase in the reported period mainly derives from exchange rate differences
Other liabilities	3,133	3,148	3,133	
Other financial liabilities	1,393	969	434	
Deferred taxes	84,814	60,398	68,099	The increase in the reported period mainly derives from revaluation profits
	745,923	777,597	**769,992**	
Total liabilities	**895,823**	**881,387**	**853,705**	
Equity				
Equity attributable to equity holders of the company	535,595	368,602	419,173	The increase in the reported period mainly derives from issuance of capital and profit in the period.
Non-controlling interests	108,944	103,360	100,890	
Total equity	**644,539**	**471,962**	**520,063**	
Total liabilities and equity	**1,540,362**	**1,353,349**	**1,373,768**	

(2) Activity Results

	Six months ended June 30		Three months ended June 30		Year ended December 31,	Explanation for the change
	2017	2016	2017	2016	2016	
EUR in thousands						
Revenues from rental of properties	36,362	35,103	18,233	17,764	72,111	Purchase of new assets and increase in rental fees in identical assets on one hand and sale of assets in the last quarter of 2016 and the second quarter of 2017 on the other hand.
Revenues from property management and others	14,166	12,987	7,013	6,937	25,539	
Property management expenses	(13,633)	(12,427)	(6,883)	(6,739)	(25,064)	
Cost of maintenance of rental properties	(4,799)	(3,951)	(2,510)	(1,932)	(8,803)	
Rental and management revenues, net	**32,096**	**31,712**	**15,853**	**16,030**	**63,783**	
Revenues from sale of apartments	9,228	21,095	857	-	73,935	Handover of apartments in Stage B3 of the residential project and updating the provision for completion
Cost of sale of apartments	(9,306)	(16,729)	(2,679)	-	(58,537)	
Income (loss) from the sale of apartments	**(78)**	**4,366**	**(1,822)**	**-**	**15,398**	
Cost of sale of apartments	2,008	-	2,008	-	-	
other						
General and administrative expenses	(5,248)	(6,266)	(2,893)	(2,911)	(12,594)	
General and administrative expenses attributed to inventory of apartments under construction and inventory of real estate	(1,184)	(1,271)	(460)	(447)	(2,222)	
selling and marketing expenses	(297)	(267)	(125)	(163)	(422)	
Cost of share based payment	(871)	(792)	(653)	(409)	(1,227)	
Increase (decrease) in the value of investment property, net	92,997	30,616	71,790	15,233	80,459	Revaluation profits in the quarter derive from mainly from updating the value of assets defined as very material or material see part D
Operating profit	**119,423**	**58,098**	**83,968**	**27,333**	**143,175**	
Financing income	39	14	13	8	25	
Financing expenses excluding the effect of exchange rate differences, CPI and	(9,900)	(10,270)	(4,976)	(5,147)	(20,716)	Increase in bank loans for financing the purchase of new assets offset by current

hedging transactions, net						repayments of loans and bonds
Effect of exchange rate differences, CPI and currency hedging transactions, net	(5,520)	1,800	(771)	1,778	(3,399)	
Change in the value of loans and interest rate swap transactions, net	146	(866)	(142)	(426)	(3,793)	Changes in interest curve in Europe and hedging transactions
Income before taxes on income	**104,188**	**48,776**	**77,822**	**23,546**	**115,292**	
Taxes on income	(20,369)	(14,557)	(18,165)	(8,994)	(26,586)	
Reported net income	**83,819**	**34,219**	**59,657**	**14,552**	**88,706**	
Net income attributed to:						
Company shareholders	67,421	27,791	44,839	9,390	76,276	
Non-controlling interests	16,398	6,428	14,818	5,162	12,430	

3) Cash flows

	Six months ended June 30		Three months ended June 30		Year ended December 31,	Explanation for the change
	2017	2016	2017	2016	2016	
EUR in thousands						
Cash flows provided by operating activities (Cash flows used in operating activities)	29,226	38,965	12,865	24,229	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)	(47,032)	(44,149)	(39,025)	(41,637)	(62,275)	Purchase of new assets
Cash flows provided by financing activities (Cash flows used in financing activities)	37,803	15,506	11,889	13,153	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 six months ended June 30, 2017, the Company has in its solo reports (but not in its consolidated reports negative cash flows from operating activity amounting to EUR 234 thousand 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 79 million compared to its current liabilities amounting EUR 19 million so as of the report signing date, the Company (solo) has a working capital surplus of EUR 60 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 in the reported period.

(4) <u>FFO (Funds from Operations)</u>

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 June 30, 2017	Three months ended June 30, 2017	Year ended December 31, 2016
Net profit attributed to the Company's shareholders	44,839	9,390	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	(56,584)	(10,119)	(72,261)
Revaluation of loans and interest swap transactions at fair value	(119)	460	3,867
B. Adjustments for non cash flow items			
Cost of share-based payment and changes in capital reserves	815	403	1,327
Amortization of financing costs, indexing and non cash exchange rate differences and hedging transactions	1,351	(1,368)	5,367
Interest component in hedging transactions	274	351	1,059
Deferred tax expenses and taxes for prior years	14,873	8,007	24,308
C. Unique items / new activities / ceased activities / other			
Depreciation and contributions, professional services and onetime expenses	491	(69)	1,553
Adjustments related to associates and non controlling interests		(807)	(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	1,100	740	3,236
Gain from sale of apartments	1,511	-	(12,781)
Total of adjustments to net profit	(35,798)	(2,402)	(46,990)
F.F.O	**8,281**	**6,988**	**29,286**

As aforesaid, the FFO I in the three months ended June 30, 2017 amounted to approximately EUR 8.3 million, grossing up an annual FFO rate of EUR 33.2 million. Given a full income generation in a 12- month period[32] the FFO grosses up an annual rate of EUR 34.6 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:

	June 30, 2017 EUR in millions	**June 30, 2016 EUR in millions**	**December 31, 2016 EUR in millions**
Equity attributed to the Company's shareholders	535.6	368.6	419.2
Plus deferred taxes for EPRA adjustments (net of non controlling interest)	76.8	56.9	65.9
Net of fair value of derivative financial instruments, net (net of non controlling interest)	0.2	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	9.1	8.4	5.8
EPRA NAV –Net Asset Value	**621.7**	**434.4**	**491.2**

[32]Regarding assets that were purchased and sold in the reported period and interest savings for bond repayment in July 2017 that was not refinanced.

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

- **<u>Exclusivity agreements for the purchase of 802 residential units in a federal capital and two large cities, Germany</u>** - On July 12, 2017 and July 21, 2017, two exclusivity agreements were signed between the Company with third parties who are not related to the Company and/or its controlling shareholder for the purchase of 802 residential units for rental in a federal capital and two large cities in Germany, for a total price of approximately € 65 million. The exclusivity agreements stipulate that due diligence will be completed by the Company within six weeks and a notarized sale agreement is expected to be signed at the end of the exclusivity period. To the best of the Company's knowledge, as at the date of this report, the acquired properties are leased to a large number of tenants at an occupancy rate of approximately 92%, generating a current annual rental of approximately € 3 million and grossing up a potential for a significant rental increase this is due to the average rental in the market in those cities/locations for similar properties.

- **<u>Exclusivity agreements for the purchase of 176 residential units in Leipzig, Germany</u>** - During July, the Company entered into two exclusive agreements with two third parties not related to the Company and/or its controlling shareholder for the purchase of 176 residential units for rental in Leipzig, Germany, at a total price of € 10 million .In the exclusivity agreements it was determined that due diligence will be completed by the Company within six weeks and a notarized sale agreement is expected to be signed at the end of the exclusivity period .To the best of the Company's knowledge, as of the report date, the acquired properties are leased to a large number of tenants with 90% occupancy, generating a current annual rental of € 478 thousand and grossing up a potential of significant rental increase of approximately 30% in view of the average rental prevailing in the market in Leipzig in similar locations/properties.

- **Exercise of warrants (Series 1)** - In July 2017, 257,067 warrants (Series 1) were exercised into Company's shares for a total consideration of approximately € 21,679 thousand, so that in total (together with the exercise of the warrants during the first quarter of 2017) 268,130 warrants (series 1) were converted into Company's shares for a total consideration of approximately € 22,644 thousand. The remaining 31,140 warrants (Series 1) that were not exercised until the last exercise date (July 31, 2017) have been expired.

- **Changes in the composition of the board of Directors** - On July 25, 2017, the tenure of Mr. Jan Van Der Meer (Chairman of the Board of Directors), Robert Israel (independent director), Or Levkovitch (director) and Nansia Koutsou (director) has ended as directors on the Company's Board of Director, and on that date the tenure of Mr. Noam Sharon (director), Noa Shacham (independent director) and Liudmila Popova has commenced ("the new directors") as directors on the board of directors of the Company For further details regarding the new directors, see the immediate reports of July 26, 2017 ,[077082-01-2017 ,077073-01-2017 ,077070-01-2017] which are brought in this report by way of reference. .

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 3.8% 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.

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.

June 30, 2017:

	%10	%5	Fair Value	-%5	-%10
Bonds *)	747	210	(165,248)	(873)	(1,420)
Fixed-interest loans	322	161	(280,392)	(161)	(322)
Interest rate swap transactions which are not recognized as accounting hedging	30	15	(629)	(15)	(30)
Total	1,099	386	(446,269)	(1,049)	(1,772)

*) 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):

June 30, 2017:

	%10	%5	Fair Value	-%5	-%10
Bonds (net of cash held in NIS)	14,104	7,052	(141,039)	(7,052)	(14,104)

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):

June 30, 2017:

	%10	%5	Fair Value	-%5	-%10
Currency hedging transactions	(7,000)	(3,500)	(1,090)	3,500	7,000

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

June 30, 2017:

	%4	%3	Fair Value	-%3	-%4
Bonds	(6,610)	(4,957)	(165,248)	4,957	6,610

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.

❑ <u>Linkage basis report</u>

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.

<u>Part C – Corporate Governance Aspects</u>

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 311-301 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 (that was held on July 3, 2017) , 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 summoned a general meeting of shareholders to July 3, 2017 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 explicitly in the Company's articles since they are not in line with the absolute law applicable to the Company in Holland, the Company included in the revised articles (which was brought for approval of the meeting of the Company's shareholders on July 3, 2017) provisions that relate to jurisdiction and application of law including the derivative claim and answer and imposing administrative enforcement measures by 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[33] 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;

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

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

The laws applicable to the Company pursuant to the said provisions of the law must be fully incorporated in the Articles of Association of the Company, mutatis mutandis, and as far as possible. Accordingly in order to act such that all the steps required under Israeli law and under Dutch law, will be implemented in order to comply with these two sets of laws, as applicable from time to time, the shareholders approved the revised the Articles of Association in accordance with the amendment letter of the Articles of May 19, 2017 prepared by the Dutch Civil Law Notaries Office Notariskantoor Spier & Hazenberg in Amsterdam and was available for examination on the Company's website and offices. The amendment letter includes a combination of provisions of the Israeli legislation and regulation by virtue of the Companies Law.

For further details regarding the changes and the background for the implementation of the change, see section 1 (a) of the immediate report dated May 21, 2017 [Ref. No. 2017-01-051051 .[The text of the amendment letter to the Articles of Association, which was approved by said meeting, with the marking the changes (on the English translation only) with respect to the Company's articles of association in its version prior to the said change, was attached as Appendix A to the immediate report of May 21, 2017 [Ref. 2017-01-051051).

It should be noted that the changes in the Company's Articles of Association came into force and effect on July 4, 2017. For details, see also the immediate report dated from that date [Ref. 2017-01-06985).

3) Translation of the report to English

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, Lambertus Van den Heuvel, Ulrich Tappe, Willem Van Hassel and Mrs. Liudmila Popova are not Hebrew speakers. 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.

4) Donations

On March 23, 2017, the Board of Directors approved a donations budget of EUR 85 thousand for 2017. In the reported period, the Company donated EUR 31 thousand.

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

For information regarding the skills, education and experience of the Messers, Lambertus Van Den Heuvel (external director), Willem Van Hassel (external director), Ulrich Tappe (director and manager of the development division of the Company) and Liudmila Popova (director) in respect of whom 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 periodic report and for details regarding the qualifications, education and experience of Ms. Liudmila Popova, who is considered by the Company to be as a director with accounting and financial expertise in the Company, see the immediate report dated July 26, 2017 and 2017-01-061971.

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 - Valuation of a very material investment property (a residential portfolio in Leipzig) is attached to this periodic report as a very material valuation. Valuations of a "material "real estate asset[34] (commercial property in Rostock and land I in Düsseldorf) for material investment[35] are not included in the quarterly report since they are “material” valuations but not “very material"[36].The summary of the data regarding this valuation is attached below.

[34]as defined in the reports regulations
[35]as defined in the securities regulations (periodic and immediate reports) – 1970 (the reports regulations)
[36]as defined in the reports regulations

Identification of the valuation subject	Valuation timing (validation date)	The value of the valuation subject before the valuation date (assuming the accepted accounting principles, including depreciation and amortizations would not have required the change of its value according to the valuation) (EUR in thousands)	Value of the valuation subject as determined according to its value (Euro in thousands)	Identification of the appraiser and its characteristics including education, experience in performing valuations for accounting purposes in reporting corporations in scopes similar to the reported valuation or exceeding these scopes and the dependency upon the party who ordered the valuation including reference to indemnification agreements with the appraiser	The valuation model used by the appraiser	The assumptions under which the appraiser performed the valuation according to the valuation model				
						Capitalization rate	Growth rate	Terminal rate	Prices used as a basis for comparison	Number of comparison bases.
Residential portfolio in Leipzig [37]	**Signing – August 17, 2017** **Validation date – June 30, 2017**	**131,113**	**170,900**	**Jones Lang LaSalle** **Mr. Sebastian Grim (MRICS)** **Mr. Roman Heidrich (MRICS)** **Independent appraisers with experience in appraising assets with a similar scope. No indemnification agreement.**	**DCF**	**5.80%**	**2.5%**	**209,123**	**Rental fees in assets with similar characteristics**	**Various databases mainly:** Immodaten.net Immobilienscout24

[37] It is noted that the Company's share in the asset is 68% before the Promote mechanism adjustments.

Commercial asset Rostock[38]	**Signing – August 17, 2017** **Validation date – June 30, 2017**	**103,057**	**115,492**	**DIWG** **Mr. Andreas Borota (MRICS MA in real estate studies)** **Mr. Oliver Krizer (BA in in real estate studies)** **Independent appraisers with experience in appraising assets with a similar scope. No indemnification agreement.**	**DCF**	**5.20%**	**NA**	**119,352**	**Rental fees (price range per square meter per month: € 7.00- € 11.50) and purchase prices (price range per square meter: € €1,459 – € 1,856) in assets with similar characteristics**	**6 similar transactions in the market**
Land I for investment[39] **Dusseldorf**	**Signing – August 17, 2017** **Validation date – June 30, 2017**	**66,545**	**92,300**	**Jones Lang LaSalle** **Mr. Georg Sharlier (MRICS)** **Mr. Sebastian Grim (MRICS)** **Independent appraisers with experience in appraising assets with a similar scope. No indemnification agreement.**	**Residual**	**17% ***	**NA**	**NA**	**Selling prices in residential projects in the city of Düsseldorf.** **The construction costs are based on the German Building Input Index (BKI) and on the appraiser's data**	**8 comparative projects in Dusseldorf**

*Developer’s profit as percent of total development cost

[38]It is noted that the Company's share in the asset is %73.7 before the Promote mechanism adjustments

[39]it is indicated that the Company's share in the asset is 83%.

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 securities regulations (periodic and immediate reports) – 1970 (the reports' regulations):

	Bonds (Series A)	Bonds (Series B)	Bonds (Series C)
Is the series material (as this term is defined in Regulation 10(B)(13)(a) of the Reports' Regulations ?	Yes	Yes	Yes
Date of issue	March 1, 2011	May 21, 2013	July 22, 2014
Date of expanding series	June 19, 2012, November 6, 2012	February 4, 2014	April 4, 2016
Par value on the date of issue (thousands NIS)	200,000	175,000	102,165
Par value on the date of expanding series (thousands NIS)	240,000; 400,000	240,000	160,180
Par value as at 30.6.2017(thousands NIS)	228,640	210,000	156,911
Linked par value as at 30.6.2017 (thousands NIS)	239,549	211,417	156,911
Sum of cumulative interest plus linkage differentials (thousands NIS) as at 30.6.2017	5,304	0	2,309
Value in financial statements as at 30.6.2017 including interest payable (thousands NIS)	242,498	210,844	158,010

Value at the stock exchange as at 30.6.2017 (thousands NIS)	258,546	229,005	171,111
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)[40]	
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

[40] 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) <u>Compliance with terms and liabilities according to the deed of trust</u>

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

A. The ratio of the Company's equity at the end of each quarter to its financial debt, net, according to solo reports for that date, will not be under 187.5%[42]:

The Company's equity, which is attributed to the majority shareholders as at the Report Period, namely, as at June 30, 2017, is EUR 535,595 thousand.

The financial debt, net, according to solo reports of the Company as at the same date is EUR 86,686 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 of June 30, 2017, is approximately 618%**.**

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

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

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

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

The number of charged shares of Brack Capital German Properties B.V., a subsidiary (100%) of the Company (hereinafter: "**BGP**") as of June 30, 2017– 943,804.

The total issued share capital of BGP as of June 30, 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 June 30, 2017– 47.7%.

BGP's equity which is attributed to its shareholders, as appears in the Company's financial statements as of June 30, 2017 – EUR 623,692 thousand.

The EUR/NIS representative exchange rate known, as of the signing date of the report as published by the Bank of Israel - NIS 4.2403

The value of the charged shares – NIS 1,261,726 thousand.

Net debt – NIS 244,853 thousand.

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

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

Accordingly ,the ratio between the charged share value to net debt, as at the end of the Report Period, is approximately 551% and therefore, the Company meets this ratio as well.

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

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

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

The number of charged shares of BGP as of June 30, 2017– 640,027.

The total issued share capital of BGP as of June 30, 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 June 30, 2017 - 32.4%.

BGP's equity which is attributed to its shareholders, as appears in the Company's financial statements as of June 30, 2017 – EUR 623,692 thousand.

The EUR/NIS representative exchange rate known, as of the signing date of the report, as published by the Bank of Israel – NIS 4.2403

The value of the charged shares – NIS 855,621 thousand.

Net debt – NIS 211,417 thousand.

Accordingly ,the ratio between the charged share value to net debt, as at the end of the Report Period, is approximately 405% 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 June 30, 2017 – 394,430.

The total issued share capital of BGP as of June 30, 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 June 30, 2017 - 19.9%.

BGP's equity which is attributed to its shareholders, as appears in the Company's financial statements as of June 30, 2017 – EUR 623,692 thousand.

The EUR/NIS representative exchange rate known, as of the signing date of the report, as published by the Bank of Israel - NIS 4.2403

The value of the charged shares – NIS 527,294 thousand.

Net debt – NIS 159,200 thousand.

Accordingly ,the ratio between the charged share value to net debt, as at the end of the Report Period, is approximately 331% 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 535.6 million.

b**. Restrictions on dividend distribution -** under series A deed of trust- not to distribute dividends and/or distribute equity to its shareholders and/or repurchase its treasury shares or of its convertible securities if it will result in equity attributed to the majority shareholders that is lower than EUR 80 million, pursuant to the series A deed of trust. As of the report date, the equity attributed to the majority shareholders is EUR 535.6 million.

   Under series B and C deeds of trust- not to distribute dividends and/or distribute equity to its shareholders and/or repurchase its treasury shares or its convertible securities if it will result in equity attributed to the majority shareholders that is lower than EUR 160 million and EUR 200 million, respectively, and/or the debt ratio to CAP (as defined below) that will exceed 70%. As of the report date, the equity attributed to the majority shareholders is EUR 535.6 million and the debt ratio to CAP is 49.51% (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	151,483
Financial liabilities of the subsidiaries	596,171
Net of cash, cash equivalents and deposits	(111,017)
Net of debt in respect of inventory of apartments under construction	(4,500)
Net financial debt – consolidated	632,137
CAP[43]	
Equity including non-controlling interests	644,539
Net financial debt, consolidated	632,137
CAP	1,276,676

Therefore, **this ratio is 49.51,%** 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) <u>Convening meetings of bondholders following the change in control in the Company and amending the deeds of trust</u>

a) On June 18, 2017, Reznik Paz Nevo Trusts Ltd., the trustee for the bonds (Series A, B and C), summoned meetings for reporting and consultation of the bond holders as stated on June 25, 2017, following the Company's reports of May 23, 2017 regarding a signed transaction resulting in a change in control of the Company and from June 15, 2017 regarding changes in the holdings the Company's shares, including a report that Mr. Teddy Sagi purchased 43.93% of the Company's shares (39.67% fully diluted) ("Change of Control). The reporting and consultation issues on the agenda of the meetings were discussed regarding the grounds for immediate repayment due to the change in control as detailed in the deeds of trust and a discussion regarding the options available to the bondholders, including the amendment of the deeds of trust following a change of control and discussing other issues as raised by the meeting by the trustee and/or the bondholders.

b) On June 26, 2017, the trustee for bonds (Series A, B and C) summoned voting meetings of the bondholders as aforesaid (without actual convening) to June 29, 2017, on the agenda - granting a waiver in connection with the cause for immediate repayment which was established for the bondholders for transferring the control (the majority required for the approval of the resolution is a majority of at least 75% of the participants in the vote, except abstainers). At the voting meetings, the resolution was passed by the required majority .

For the avoidance of doubt, it was clarified that this decision means granting a one-time waiver to the Company in respect of the transfer of control and that this decision does not constitute any waiver in connection with future transfers of control, if any .For further details on this matter, see the immediate reports dated July 2, 2017 (Reference No. 2017-10-055801, 2017-10-055828 and 2017-10-055837).

[43]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.

c) Further to what is stated in sub section (b) above, regarding the results of the meetings of the bondholders (Series B and C) which were held on June 29, 2017 and Company and the trustee as a trustee for the bondholders B and C of the Company, entered into amendments for the deeds of trust signed between the Company and t 2017) (Deed of Trust for B Bonds) and on July 14, 2014 (amended on January 29, 2017) (Deed of trust for C bonds) For additional details (including the amendments), see immediate report from that date [Ref. 2017-01-069039.[

6) 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).

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[44].

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.

[44] It is indicated that as of June 30, 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 194% 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 171% 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**

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.

<u>Bonds (Series B)</u>

a) <u>Charging BGP shares</u>

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

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

b) <u>Negative pledge</u>

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.

<u>Bonds (Series C)</u>

c) <u>Charging BGP shares</u>

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**).

<u>Negative pledge</u>

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.

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

According to legal position No 29-103 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 June 30, 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 June 30, 2017 (EUR in thousands)	The Company Consolidated	Assets/liabilities In the pledged investee company	Assets/liabilities In unpledged companies
Total assets	1,540,362	1,473,672	66,690
Current assets	183,790	117,100	* 66,690
Noncurrent assets	1,356,572	1,356,572	-
Total liabilities	895,823	741,036	154,787
Current liabilities	149,900	129,590	** 20,310
Noncurrent liabilities	745,923	611,446	*** 134,477
Non- controlling interests	108,944	108,944	-
Total equity	535,595	623,692	(88,097)
Rate of assets out of the total assets in the balance sheet	%100	%96	%4
Rate of liabilities out of the total liabilities in the balance sheet	%100	%83	%17
Rate of equity out of the total equity in the balance sheet	%100	%116	(%16)

*) 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;

***) mainly 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	68150,8	141,872	* 9,014
Noncurrent assets	1,222,882	1,220,736	2,146
Total liabilities	705853,	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
Bert Van Den Heuvel	Director *	___________________
Ofir Rahamim	Co-CEO	___________________

August 17, 2017

*Mr. Bert Van Den Heuvel was authorized by the Company's Board of Directors on August 17, 2017 to sign in place of the Chairman of the Board of Directors, since on July 26, 2017 - the termination of tenure of the previous Chairman, Mr. Jan Hylke Van Der Meer - does not serve in the Company as the Chairman of the Board.

Appendix A – Disclosure according to Reportable Credit Directive

Table of Compliance with Financial Covenants and Liabilities

Following the contents of the table (Loan Table) in section 1.12.9 in Chapter A: "Description of the Corporation's State of Affairs" in the periodical report of the Company for 2016; the following are data on the Company's compliance with the financial covenants as determined in its loans[45].The calculation of financial covenants: DSCR, ICR and LTV is carried out according to the definitions in the relevant loan agreements and does not necessarily comply with generally accepted accounting principles[46]

Serial number out of loan table	Date of extending the loan	The original loan amount EURO in thousands	Principal balance as of June 30, 2017 EURO in thousands	Financial liabilities/other liabilities	Financial covenants - actual ICR/DSCR, as of June 30, 2017 and as of the report signing date	Financial covenants – actual LTV, as of June 30, 2017 and as of the report signing date
4	August 31, 2015	49,480	46,216	LTV smaller than %75 DSCR greater than %130	**As of June 30, 2017** DSCR = 182% **As of the report signing date** DSCR = 182%	**As of June 30, 2017** LTV – 63% **As of the report signing date** LTV – 63%

[45]As to financial covenants in connection with debentures (Series A, B and C) of the Company see section e above, "designated disclosure for bondholders".

[46]The financial covenants are defined in the loan agreements as follows: LTV is the ratio between the debt to the bank and the fair value of the carrying amount of the property net of transaction costs and various taxes; ICR is the ratio between the cash flows for debt service and the interest payment expected in the coming year and DSCR is the ratio between the cash flows for debt service and the principal and interest payment expected in the coming year, whereas the cash flows for debt service is the income deriving from the property that is financed for 12 months ahead according to signed agreements (not agreements that are about to end in the course of the year) net of operating costs according to the bank's formula. It is indicated that the calculation of financial covenants is not necessarily as of the report date or the signing date of the report (as the case may be) but on the closest day in which the Company is required to present this calculation to the financing entity

Serial number out of loan table	Date of extending the loan	The original loan amount EURO in thousands	Principal balance as of June 30, 2017 EURO in thousands	Financial liabilities/other liabilities	Financial covenants - actual ICR/DSCR, as of June 30, 2017 and as of the report signing date	Financial covenants – actual LTV, as of June 30, 2017 and as of the report signing date
5	August 31, 2015	13,031	11,982	LTV smaller than %70 DSCR greater than %130	**As of June 30, 2017** DSCR = 169% **As of the report signing date** DSCR = 169%	**As of June 30, 2017** LTV= 57% **As of the report signing date** LTV = 57%
6	September 30, 2016	110,000	108,354	LTV smaller than %75 DSCR greater than %135	**As of June 30, 2017** DSCR = 280% **As of the report signing date** DSCR = 280%	**As of June 30, 2017** LTV= 58% **As of the report signing date** LTV = 58%

Serial number out of loan table	Date of extending the loan	The original loan amount EURO in thousands	Principal balance as of June 30, 2017 EURO in thousands	Financial liabilities/other liabilities	Financial covenants - actual ICR/DSCR, as of June 30, 2017 and as of the report signing date	Financial covenants – actual LTV, as of June 30, 2017 and as of the report signing date
8	June 20, 2013	51,500	45,161	LTV smaller than %70 DSCR greater than 140%	**As of June 30, 2017** DSCR = 211%	**As of June 30, 2017** LTV= 41%
					As of the report signing date DSCR = 211%	**As of the report signing date** LTV = 41%

Serial number out of loan table	Date of extending the loan	The original loan amount EURO in thousands	Principal balance as of June 30, 2017 EURO in thousands	Financial liabilities/other liabilities	Financial covenants - actual ICR/DSCR, as of June 30, 2017 and as of the report signing date	Financial covenants – actual LTV, as of June 30, 2017 and as of the report signing date
9	July 31, 2013	24,200	22,304	LTV smaller than %75 DSCR greater than 145%	**As of June 30, 2017**	**As of June 30, 2017**
					DSCR = 259%	LTV= 41%
					As of the report signing date	**As of the report signing date**
					DSCR = 259%	LTV = 41%
11	February 28, 2014	125,000	59,107[47]	LTV smaller than %77 DSCR greater than 130%	**As of June 30, 2017**	**As of June 30, 2017**
					DSCR = 157%	LTV= 46%

[47] It should be indicated that upon providing the loan the portfolio included 4 assets in eastern Germany that were sold at the end of November 2016 and as result part of the loan principal was paid by early repayment.

Serial number out of loan table	Date of extending the loan	The original loan amount EURO in thousands	Principal balance as of June 30, 2017 EURO in thousands	Financial liabilities/other liabilities	Financial covenants - actual ICR/DSCR, as of June 30, 2017 and as of the report signing date	Financial covenants – actual LTV, as of June 30, 2017 and as of the report signing date
					As of the report signing date	**As of the report signing date**
					DSCR = 157%	LTV = 46%

Serial number out of loan table	Date of extending the loan	The original loan amount EURO in thousands	Principal balance as of June 30, 2017 EURO in thousands	Financial liabilities/other liabilities	Financial covenants - actual ICR/DSCR, as of June 30, 2017 and as of the report signing date	Financial covenants – actual LTV, as of June 30, 2017 and as of the report signing date
18,24	December 31, 2014	10,000	14,858[48]	LTV smaller than %80 DSCR greater than 145%	**As of June 30, 2017** DSCR = 218% **As of the report signing date** DSCR = 218%	**As of June 30, 2017** LTV= 51% **As of the report signing date** LTV = 51%
22	May 30, 2016	25,000	24,458	LTV smaller than %75.5 DSCR greater than 130%	**As of June 30, 2017** DSCR = 172% **As of the report signing date** DSCR = 172%	**As of June 30, 2017** LTV= 67% **As of the report signing date** LTV = 67%

[48]Including EUR 5.5 million (original amount EUR 5.6 million) provided by the bank in early July 2016 to the asset company against pledging rights in additional asset.

Serial number out of loan table	Date of extending the loan	The original loan amount EURO in thousands	Principal balance as of June 30, 2017 EURO in thousands	Financial liabilities/other liabilities	Financial covenants - actual ICR/DSCR, as of Ju and as of the report signing date	Financial covenants – actual LTV, as of June 30, 2017 and as o signing date
29	December 31, 2016	55,800	54,963	LTV smaller than %75 DSCR greater than 160%	**As of June 30, 2017** DSCR = 196% **As of the report signing date** DSCR = 196%	**As of June 30, 2017** LTV= 64% **As of the report signing date** LTV = 64%

) it is noted that in addition, the Company has loans from banks (against real estate collaterals) with no financial covenants in a total amount of EUR 211 million at an average LTV rate of 38%.

BRACK CAPITAL PROPERTIES NV

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2017

UNAUDITED

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IN THOUSANDS OF EUROS

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Auditor Review Report to the Shareholders of Brack Capital Properties NV

Introduction

We have reviewed the accompanying financial information of Brack Capital Properties NV and its subsidiaries (hereinafter – the Group), which includes the interim condensed consolidated statements of financial position as of June 30, 2017 and the interim condensed statements of profit or loss and other comprehensive income, changes of equity and cash flows for the six- and three-month periods then ended. The Board of Directors and Management are responsible for preparing and presenting financial information for these interim periods in accordance with IAS 34, Interim Financial Reporting, and are responsible for preparing financial information for these interim periods in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express our conclusions with regard to the financial information for these interim periods, based on our review.

Scope of the Review

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

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PKF

עמית, חלפון

Conclusion

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

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

August 17, 2017 Amit, Halfon, CPAs

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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2017	June 30, 2016	December 31, 2016
	Unaudited	Unaudited	Audited
	€ in thousands		
Current Assets			
Cash and cash equivalents	109,275	66,142	89,278
Balances receivable from banks	1,653	1,237	2,221
Restricted deposits, financial assets and other receivables	12,443	9,482	10,088
Tenants and trade receivables, net	7,008	5,258	3,545
Inventory of buildings under construction	53,411	51,643	45,754
	183,790	133,762	150,886
Asset held for sale	-	10,634	-
Non-Current Assets			
Investments in companies measured at equity	8,318	8,135	8,318
Inventory of real estate	14,110	26,125	13,820
Investment property - rights to land	127,694	96,894	101,939
Investment property – income generating assets	1,202,697	1,071,866	1,089,943
Restricted deposits for investments in properties	2,635	66	2,227
Other accounts receivable, fixed assets and other financial assets	394	1,777	3,027
Deferred taxes	724	4,090	3,608
	1,356,572	1,208,953	1,222,882
	1,540,362	1,353,349	1,373,768

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2017	June 30, 2016	December 31, 2016
	Unaudited	Unaudited	Audited
	€ in thousands		
Current Liabilities			
Current maturities of loans from banks	68,372	28,004	16,164
Current maturities of debentures	18,199	16,747	17,750
Loans for financing inventory of buildings under construction	4,500	-	7,000
Current maturities of other financial liabilities	446	773	456
Accounts payable	24,359	14,901	26,270
Advances from apartment purchasers	34,024	43,365	16,073
	149,900	103,790	83,713
Non-Current Liabilities			
Loans from banks and others	523,299	573,514	568,157
Debentures	133,284	139,568	130,169
Other liabilities	3,133	3,148	3,133
Other financial liabilities	1,393	969	434
Deferred taxes	84,814	60,398	68,099
	745,923	777,597	769,992
Equity Attributable to Company Shareholders			
Share capital	73	66	67
Premium on shares	117,007	68,677	69,221
Treasury shares	(883)	(951)	(883)
Other capital reserves	7,823	5,141	6,614
Statutory capital reserve	297,978	226,389	233,463
Retained earnings	113,597	69,280	110,691
Total equity attributable to Company shareholders	535,595	368,602	419,173
Non-controlling interests	108,944	103,360	100,890
Total equity	644,539	471,962	520,063
	1,540,362	1,353,349	1,373,768

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

August 17, 2017	Bert Van den Heuvel		
Date of approval of the financial statements	Director *	Ofir Rahamim Joint CEO	Guy Priel CFO

Mr. Bert Van den Heuvel was authorized by the Company's Board of Directors on August 17, 2017 to sign in place of the Chairman of the Board of Directors, since on July 26, 2017 - the termination of tenure of the previous Chairman, Mr. Jan Hylke Van Der Meer - ,does not serve in the Company as the Chairman of the Board.

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

	Six months ended June 30,		Three months ended June 30		Year ended December 31
	2017	201	2017	201	2016
	Unaudited				Audited
	€ in thousands (except for net earnings per share data)				
Revenues from rental of properties	36,362	35,103	18,233	17,764	72,111
Revenues from property management and others	14,166	12,987	7,013	6,937	25,539
Property management expenses	(13,633)	(12,427)	(6,883)	(6,739)	(25,064)
Cost of maintenance of rental properties	(4,799)	(3,951)	(2,510)	(1,932)	(8,803)
Rental and management revenues, net	32,096	31,712	15,853	16,030	63,783
Revenues from sale of apartments	9,228	21,095	857	-	73,935
Cost of sale of apartments	(9,306)	(16,729)	(2,679)	-	(58,537)
Income (loss) from sale of apartments	(78)	4,366	(1,822)	-	15,398
Other income	2,008	-	2,008	-	-
Administrative and general expenses	(5,248)	(6,266)	(2,893)	(2,911)	(12,594)
Administrative and general expenses attributed to inventory of apartments under construction and real estate inventory	(1,184)	(1,271)	(460)	(447)	(2,222)
Selling and marketing expenses	(297)	(267)	(125)	(163)	(422)
Cost of share based payment (administrative and general expenses)	(871)	(792)	(653)	(409)	(1,227)
Operating profit before change in value of investment property	26,426	27,482	11,908	12,100	62,716
Increase in value of investment property, net	92,997	30,616	71,790	15,233	80,459
Operating income	119,423	58,098	83,698	27,333	143,175
Financial income	39	14	13	8	25
Financial expenses excluding the effect of exchange differences index and currency hedging transactions	(9,900)	(10,270)	(4,976)	(5,147)	(20,716)
Effect of exchange differences, index and currency hedging transactions, net	(5,520)	1,800	(771)	1,778	(3,399)
Change in value of loans and interest rate swap transactions, net	146	(866)	(142)	(426)	(3,793)
Income before taxes on income	104,188	48,776	77,822	23,546	115,292
Tax expenses	(20,369)	(14,557)	(18,165)	(8,994)	(26,586)
Net income	83,819	34,219	59,657	14,552	88,706
Other comprehensive income	-	-	-	-	-
Total comprehensive income	83,819	34,219	59,657	14,552	88,706
Net income and comprehensive income attributable to:					
Company shareholders	67,421	27,791	44,839	9,390	76,276
Non-controlling interests	16,398	6,428	14,818	5,162	12,430
	83,819	34,219	59,657	14,552	88,706
Net earnings per share attributable to the Company's shareholders (in Euro)					
Basic net income	9.48	4.21	6.21	1.42	11.55
Diluted net income	9.19	4.12	6.02	1.39	11.22

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

	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	-	-	-	-	-	67,421	67,421	16,398	83,819
Total comprehensive income	-	-	-	-	-	67,421	67,421	16,398	83,819
Classification as per provisions of Dutch law	-	-	-	-	64,515	(64,515)	-	-	-
Cost of share-based payment	-	-	-	871	-	-	871	-	871
Capital reserve adjustment in respect of transactions with controlling shareholder	-	-	-	338	-	-	338	-	338
Issuance of share capital, net	5	46,369	-	-	-	-	46,374	-	46,374
Exercise of stock options into shares	1	1,417	-	-	-	-	1,418	-	1,418
Distribution and payment to non controlling interests	-	-	-	-	-	-	-	(8,344)	(8,344)
Balance as of June 30, 2017 (Unaudited)	73	117,007	(883)	7,823	297,978	113,597	535,595	108,944	644,539

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 income and comprehensive income	-	-	-	-	-	27,791	27,791	6,428	34,219
Total comprehensive income	-	-	-	-	-	27,791	27,791	6,428	34,219
Classification as per provisions of Dutch law	-	-	-	-	(41,489)	41,489	-	-	-
Cost of share-based payment	-	-	-	792	-	-	792	-	792
Capital reserve adjustment in respect of transactions with controlling shareholder	-	-	-	87	-	-	87	-	87
Distribution to non-controlling interests	-	-	-	-	-	-	-	(2,647)	(2,647)
Purchase of rights from non-controlling interests	-	-	-	421	-	-	421	(8,998)	(8,577)
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)
Balance as of June 30, 2016 (unaudited)	66	68,677	(951)	5,141	226,389	69,280	368,602	103,360	471,962

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity Attributable to Company Shareholders								
	Share Capital	Premium on Shares	Treasury Shares	Other capital reserves	Statutory Capital Reserve	Retained Earnings	Total	Non-Controlling Interests	Total Equity
	Unaudited								
	€ in thousands								
Balance as of April 1, 2017 (Unaudited)	72	115,590	(883)	6,988	253,971	112,765	488,503	94,545	583,048
Net income and comprehensive income	-	-	-	-	-	44,839	44,839	14,818	59,657
Total comprehensive income	-	-	-	-	-	44,839	44,839	14,818	59,657
Classification as per provisions of Dutch law	-	-	-	-	44,007	(44,007)	-	-	-
Cost of share-based payment	-	-	-	653	-	-	653	-	653
Capital reserve adjustment in respect of transactions with controlling shareholder	-	-	-	182	-	-	182	-	182
Exercise of stock options into shares	1	1,417	-	-	-	-	1,418	-	1,418
Distribution to non-controlling interests	-	-	-	-	-	-	-	(419)	(419)
Balance as of June 30, 2017 (unaudited)	73	117,007	(883)	7,823	297,978	113,597	535,595	108,944	644,539

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

	Equity Attributable to Company Shareholders								
	Share Capital	Premium on Shares	Treasury Shares	Other capital reserves	Statutory Capital Reserve	Retained Earnings	Total	Non-Controlling Interests	Total Equity
	Unaudited								
	€ in thousands								
Balance as of April 1, 2016 (Unaudited)	66	68,640	(951)	4,317	286,279	-	358,351	107,741	466,092
Net income and comprehensive income	-	-	-	-	-	9,390	9,390	5,162	14,552
Total comprehensive income	-	-	-	-	-	9,390	9,390	5,162	14,552
Classification as per provisions of Dutch law	-	-	-	-	(59,890)	59,890	-	-	-
Cost of share-based payment	-	-	-	409	-	-	409	-	409
Capital reserve adjustment in respect of transactions with controlling shareholder	-	-	-	(6)	-	-	(6)	-	(6)
Distribution to non-controlling interests	-	-	-	-	-	-	-	(545)	(545)
Purchase of rights from non controlling interests	-	-	-	421	-	-	421	(8,998)	(8,577)
Capital distribution adjustment for treasury shares	-	37	-	-	-	-	37	-	37
Balance as of June 30, 2016 (unaudited)	66	68,677	(951)	5,141	226,389	69,280	368,602	103,360	471,962

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity Attributable to Company Shareholders								
	Share Capital	Premium on Shares	Treasury Shares	Other capital reserves	Statutory Capital Reserve	Retained Earnings	Total	Non-Controlling Interests	Total Equity
	Unaudited								
	€ in thousands								
Balance as of January 1, 2016 (audited)	66	74,689	(951)	3,841	267,878	-	345,523	108,577	454,100
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 stock options into shares	1	544	68	(466)	-	-	147	-	147
Cost of share-based payment	-	-	-	1,227	-	-	1,227	-	1,227
Capital reserve adjustment 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

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2017	2016	2017	2016	2016
	Unaudited				Audited
	€ in thousands				
Cash flows from operating activities					
Net income	83,819	34,219	59,657	14,552	88,706
Adjustments to reconcile net income to net cash provided by operating activities:					
Adjustments to profit and loss:					
Depreciation	146	93	72	43	281
Financial expenses, net	15,154	9,274	4,350	3,819	25,121
Increase in value of investment property, net	(92,997)	(30,616)	(71,790)	(15,233)	(80,459)
Deferred taxes, net	19,621	14,476	17,420	8,956	25,944
Cost of share-based payment	871	792	653	409	1,227
Capital reserve adjustment in respect of transactions with controlling shareholders	338	87	182	(6)	80
	(56,867)	(5,894)	(49,113)	(2,012)	(27,806)
Cash flows from operating activities before changes in asset and liability items	26,952	28,325	10,544	12,540	60,900
Changes in asset and liability items:					
Decrease (increase) in tenants, restricted deposits and other receivables and related parties	(3,648)	1,419	417	1,498	1,772
Increase (decrease) in accounts payable	(2,197)	(977)	(786)	(131)	4,077
	(5,845)	442	(369)	1,367	5,849
Net cash deriving from operating activities before decrease (increase) in inventory of real estate, inventory of buildings under construction and advances from apartment purchasers	21,107	28,767	10,175	13,907	66,749
Increase (decrease) in advances from apartment purchasers	17,951	7,678	11,936	18,580	(19,614)
Decrease (increase) in inventory of buildings under construction	(9,542)	3,054	(9,228)	(7,441)	12,180
Decrease (increase) in inventory of real estate	(290)	(534)	(18)	(817)	11,771
Net cash provided by operating activities	29,226	38,965	12,865	24,229	71,086

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2017	**2016**	**2017**	**2016**	**2016**
	Unaudited				**Audited**
	€ in thousands				
Cash Flows from investing activities					
Investment in investment property	(59,593)	(67,502)	(54,298)	(42,643)	(106,420)
Investment in companies measured at equity	-	(3,130)	-	(3,130)	(3,313)
Proceeds from sale of investment property	14,272	-	14,272	-	10,963
Proceeds from sale of subsidiaries, net (a)	-	-	-	-	10,708
Loans to employees, net	-	(84)	-	(12)	-
Increase in long term accounts receivable	-		-		(84)
Withdrawal (depositing) of restricted deposits, prepaid transaction costs and withdrawal (depositing) of long-term bank deposits, net	(2,147)	1,603	591	3,912	697
Interest received and realization of derivatives	436	24,964	410	236	25,174
Net cash used in investing activities	(47,032)	(44,149)	(39,025)	(41,637)	(62,275)
Cash flows from financing activities					
Interest paid	(8,274)	(9,722)	(2,999)	(4,263)	(18,567)
Exercise of stock options	965	-	965	-	147
Distribution and payment to non-controlling interests	(6,564)	(2,647)	(419)	(545)	(3,197)
Receipt of long-term loans, net	25,646	40,172	25,646	26,330	93,195
Issuance of debentures, net	-	14,127	-	14,127	14,127
Repayment of debentures	-	-	-	-	(17,117)
Repayment of long-term loans	(20,886)	(11,835)	(11,304)	(7,907)	(22,941)
Issuance of shares and stock options, net	46,916	-	-	-	-
Purchase of rights from non controlling interests	-	(8,577)	-	(8,577)	(14,988)
Capital distribution to the Company's shareholders	-	(6,012)	-	(6,012)	(6,012)
Net cash provided by financing activities	37,803	15,506	11,889	13,153	24,647
Change in cash and cash equivalents	19,997	10,322	(14,271)	(4,255)	33,458
Balance of cash and cash equivalents at the beginning of the period	89,278	55,820	123,546	70,397	55,820
Balance of cash and cash equivalents at the end of the period	109,275	66,142	109,275	66,142	89,278

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30, 2017	Six months ended June 30, 2016	Three months ended June 30, 2017	Three months ended June 30, 2016	Year ended December 31, 2016
	Unaudited				Audited
	€ in thousands				
(a) Proceeds from sale of previously consolidated subsidiaries :					
Assets and liabilities of consolidated subsidiaries as of date of sale:	-	-	-	-	61,479
Investment property	-	-	-	-	385
Working capital (excluding cash and cash equivalents)	-	-	-	-	(53,697)
Loans from banks, net	-	-	-	-	1,861
Gain from sale of subsidiaries	-	-	-	-	680
Deferred taxes, net					
	-	-	-	-	10,708

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

Note 1: - General

These Financial Statements have been prepared in a condensed format as of June 30, 2017 and for the six and three month periods then ended that date (hereinafter – the Consolidated Interim Financial Statements). These Statements should be read in accordance with the annual financial statements for 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 anticipated changes in the Company's revenue recognition policy and regarding other expected effects on matters related to the Company's business - see Note 2(n) to the Company's annual financial statements as of December 31, 2016.

Further to what is stated in Note 2(n)to the financial statements for 2016, the Company's management estimated the quantitative effect of the implementation of the standard more accurately and in its estimation:

Had the Company implemented the new standard in the current reporting period, the revenues from the sale of apartments for the six month period ended June 30, 2017 would increase in the amount of EUR 33,546 thousand and the retained earnings as of June 30, 2017 would increase in the amount of approximately EUR 5,442 thousand.

It is stressed that the information presented in this note regarding the effects of the initial implementation of the standard is an estimate of the Company and may be different from the quantitative data that will be included in the financial statements for the initial implementation period.

Note 2: - Significant accounting policies (Cont.)

Upon the elapse of time prior to the effective date of the standard, the Company will improve its understanding of its provisions and will formulate a policy regarding the applicable issues arising from them and will improve its ability to estimate the quantitative impact of its implementation more accurately .When relevant, the Company will update the disclosures regarding the effects of the implementation in the following quarterly reports and in the annual report for 2017 accordingly.

2. IFRS 9 – financial instruments:

For details regarding the expected changes in the policy for the classification and measurement of financial assets and for other expected effects on matters related to the Company's business - see Note 2(n) to 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:

	June 30, 2017		June 30, 2016		December 31, 2016	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
	Unaudited				Audited	
	€ in thousands					
Financial liabilities:						
Debentures and interest payable in respect of debentures	153,392	165,248	158,195	172,044	149,794	161,297

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

b. Financial instruments measured at fair value

Classification of the financial instruments according to fair value hierarchy

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

	June 30, 2017		
	Level 1	Level 2	Level 3
	Unaudited		
	€ in thousands		
Financial assets:			
Financial assets in respect of cash flow hedge transactions			
Foreign exchange forward contracts – dollar	103		
Financial liabilities:			
Foreign exchange forward contracts – dollar	(1,193)		
Interest swap agreements		(629)	
Loans			(67,873)

Note 3: - Financial instruments (Cont.)

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

	June 30, 2016		
	Level 1	Level 2	Level 3
		Unaudited	
		€ in thousands	
Financial assets:			
Financial assets in respect of cash flow hedge transactions	-	6	-
Foreign exchange forward contracts – dollar	512		
Financial liabilities:			
Foreign exchange forward contracts – dollar	(564)	-	-
Financial liabilities in respect of cash flow hedge transactions	-	(1,178)	-
Loans	-	-	(189,501)

For

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

b. Financial instruments measured at fair value (Cont)

Classification of the financial instruments according to fair value hierarchy

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

	December 31, 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)

Note 3: - Financial instruments (Cont.)

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 income (loss) recognized in profit or loss	569	(532)
Repayment of long term loans, net and classification of loans for measurement at amortized cost	732	56,540
Balance as of June 30 (unaudited)	(75,566)	(189,501)
Balance as of April 1(unaudited)	(76,074)	(244,208)
Total income (loss) recognized in profit or loss	274	(344)
Repayment of long term loans, net and classification of loans for measurement at amortized cost	234	55,051
Balance as of June 30 (unaudited)	(75,566)	(189,501)

	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 (audit)	(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 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 € 2.1 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 € 1.9 million in fair value

Note 4: - Operating Segments

	Income-Generating Commercial Real Estate	Income-Generating Residential Real Estate	Land for Betterment	Residential development	Total
			€ in thousands		
For the Six-Month Period Ended June 30, 2017 (Unaudited)					
Revenues from sale of apartments	-	-	-	9,228	9,228
Cost of sale of apartments	-	-	-	(9,306)	(9,306)
Loss from sale of apartments	-	-	-	(78)	(78)
Revenues from property rental	15,695	20,524	143	-	36,362
Revenues from property management and others	3,738	10,398	30	-	14,166
Property management expenses	(3,708)	(9,895)	(30)	-	(13,633)
Rental property maintenance expenses	(1,492)	(2,995)	(312)	-	(4,799)
Total rental and management revenues, net	14,233	18,032	(169)		32,096
Other income	2,008	-	-	-	2,008
Administrative and general expenses					(5,248)
Selling and marketing expenses and administrative and general expenses attributed to inventory of buildings under construction and inventory of real estate	- -	-		(1,481)	(1,481)
Cost of share based payment					(871)
Increase in value of investment property, net	11,502	56,454	25,041		92,997
Financial expenses, net					(15,235)
Income before taxes on income					104,188

Note 4: - Operating Segments (cont.)

	Income-Generating Commercial Real Estate	Income-Generating Residential Real Estate	Land for Betterment	Residential development	Total
			€ in thousands		
For the Six-Month Period Ended June 30, 2016 (Unaudited)					
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
Revenues from property rental	17,537	17,415	151	-	35,103
Revenues from property management and others	3,906	9,009	72	-	12,987
Property management expenses	(3,868)	(8,488)	(71)	-	(12,427)
Rental property maintenance expenses	(1,201)	(2,684)	(66)	-	(3,951)
Total rental and management revenues, net	16,374	15,252	86	-	31,712
Administrative and general expenses					(6,266)
Selling and marketing expenses and administrative and general expenses attributed to inventory of buildings under construction and inventory of real estate	-	-	-	(1,538)	(1,538)
Cost of share based payment					(792)
Increase in value of investment property, net	2,998	27,406	208	-	30,616
Financial expenses, net					(9,322)
Income before taxes on income					48,776

Note 4: - Operating Segments (cont.)

	Income-Generating Commercial Real Estate	Income-Generating Residential Real Estate	Land for Betterment	Residential development	Total
			€ in thousands		
For the Three-Month Period Ended June 30, 2017 (Unaudited)					
Revenues from sale of apartments	-	-	-	857	857
Cost of sale of apartments	-	-	-	(2,679)	(2,679)
Loss from sale of apartments	-	-	-	(1,822)	(1,822)
Revenues from property rental	7,812	10,325	96	-	18,233
Revenues from property management and others	1,687	5,311	15	-	7,013
Property management expenses	(1,662)	(5,206)	(15)	-	(6,883)
Rental property maintenance expenses	(834)	(1,522)	(154)	-	(2,510)
Total rental and management revenues, net	7,003	8,908	(58)		15,853
Other income	2,008	-	-	-	2,008
Administrative and general expenses					(2,893)
Selling and marketing expenses and administrative and general expenses attributed to inventory of buildings under construction and inventory of real estate	-	-	-	(585)	(585)
Cost of share based payment					(653)
Increase (decrease) in value of investment property, net	11,619	34,916	25,255	-	71,790
Financial expenses, net					(5,876)
Income before taxes on income					77,822

Note 4: - Operating Segments (cont.)

	Income-Generating Commercial Real Estate	Income-Generating Residential Real Estate	Land for Betterment	Residential development	Total
			€ in thousands		
For the Three-Month Period Ended June 30, 2016 (Unaudited)					
Revenues from sale of apartments	-	-	-	-	-
Cost of sale of apartments	-	-	-	-	-
Income from sale of apartments	-	-	-	-	-
Revenues from property rental	8,800	8,898	66	-	17,764
Revenues from property management and others	1,965	4,920	52	-	6,937
Property management expenses	(1,965)	(4,723)	(51)	-	(6,739)
Rental property maintenance expenses	(456)	(1,465)	(11)	-	(1,932)
Total rental and management revenues, net	8,344	7,630	56	-	16,030
Administrative and general expenses					(2,911)
Selling and marketing expenses and administrative and general expenses attributed to inventory of buildings under construction and inventory of real estate	-	-	-	-	(610)
Cost of share based payment					(409)
Increase (decrease) in value of investment property, net	(117)	15,142	208	-	15,233
Financial expenses, net					(3,787)
Income before taxes on income					23,546

Note 4: - Operating Segments (cont.)

	Income-Generating Commercial Real Estate	Income-Generating Residential Real Estate	Land for Betterment	Residential development	Total
			€ in thousands		
For the year ended December 31, 2016 (Unaudited)					
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. In the second quarter of 2017, 11,067 warrants (Series 1) were exercised into the Company's shares for a total consideration of EUR 965 thousand .During July, 257,067 warrants) series 1) were exercised into Company shares for a total consideration of approximately EUR 21,679 thousand, so that 268,130 warrants (Series 1) were converted into shares of the Company for a total consideration of EUR 22,644 thousand.

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. On May 31, 2017, the full consideration was paid to the seller and all of the rights in the purchased assets have been transferred to the Company.

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 1.18% per annum. On May 31, 2017, the full consideration was paid to the seller and all of the rights in the purchased assets have been transferred to the Company.

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, The transactions will be financed in the first stage by equity. In the second quarter of 2017, the full consideration was paid to the seller and all of the rights in the purchased assets have been transferred to the Company.

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

5. 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 (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.

6. Sale of an office property to the Chinese Consulate, Düsseldorf, Germany - on June 1, 2017, a notarized sale agreement was signed between the Company's sub subsidiary (100%) and the Chinese Government for the sale of an office property with a 4,316 sq.m. used as the Chinese Consulate in Dusseldorf for a consideration of € 14.8 million. The entire consideration of the sale and the completion of the transaction have been carried out on June 17, 2017.

7. Acceleration of the vesting period of the Company's employee share option plan) ESOP)– 3- as a result of the change in the control of the Company's shares) as defined in the Securities Law 1968) that occurred in June 2017 ,the vesting period of the options ,has ended and all options are available for immediate exercise. .Following the acceleration of the vesting period ,the Company recognized a one-time expense of EUR 0.4 million ,as part of the cost of a share-based payment against a capital reserve .See also Note)18 E) to the annual financial statements.

Note 6: - **Material Events after the date of statement of financial position**

Exclusivity agreement for the purchase of 802 residential units in a federal capital and two large cities ,Germany - On July ,2007 ,12 an exclusivity agreement was signed between the Company with a third party not related to the Company and/or its controlling shareholder ,and it is conducting advanced negotiations with an additional third party that is not related to the Company and/or its controlling shareholder ,for the purchase of 802 residential units for rental in a federal capital and two large cities in Germany ,for a total price of approximately 65 € million .The exclusivity agreement stipulates that due diligence will be completed by the Company within six weeks and a notarized sale agreement is expected to be signed at the end of the exclusivity period. To the best of the Company's knowledge, as of the approval date of the financial statements, the acquired properties are leased to a large number of tenants at an occupancy rate of approximately ,%92 generating a current annual rental of approximately € 3 million.