Board of Directors Report:

Corporation's State of Affairs

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

Brack Capital Properties NV (hereinafter: "the Company" or "the Corporation") hereby submits the Board of Directors' report for the six months and three months ending June 30, 2020 (hereinafter: "the Reported Period", or, "the Report Period", in accordance with the Securities Regulations (Periodic and Immediate Reports – 1970, the Reports' Regulations).

The financial statements attached to this periodic report are presented according to International Standards; the IFRS.

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

In this report:

"The report date" or "the date of the report" refers to June 30, 2020.

"Report signing date" or "the date of signing the report" refers to August 17, 2020.

"The reported quarter" or "the reporting period" refers to the second quarter of 2020.

The review presented below is limited in scope, relating to material events and changes that occurred in the state of the Company's affairs during the report period, the impact of which is material and should be reviewed together with the Company's periodic report for 2019; including the financial statements, and the Company's board of directors' report, as of December 31, 2019, published on March 18, 2020 (reference number: 2020-01-026409) (2019 Periodic Report).

Preamble

Below are the Company's principal results for six months ending June 30, 2020.

1. **Profitability** – In the second quarter of 2020, the Company's net income attributed to the Company's shareholders amounted to approximately EUR 57.6 compared to income of EUR 7.9 in the corresponding quarter last year.

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

   - **Income-producing real estate -** in the second quarter of 2020, the FFO amounted to EUR 6.4 million compared to EUR 8 million in the corresponding quarter last year; The contribution of the residential income producing activity amounted to EUR 6.2 million and the contribution of the commercial income producing activity amounted to EUR 0.2 million in the reported quarter[1].

   - **Residential development activity** - in the second quarter of 2020, the contribution of the Grafental project amounted to a profit of EUR 5.8 million (consolidated). In the reported period, the Company recognized the cumulative sale of 89 residential units in Stage E of the project, according to a weighted performance rate of 100% and a cumulative sale of all 89 residential units in Stage G at a weighted performance rate of 100% and a cumulative sale of all 96 residential units in Stage H at a weighted performance rate of 59.0%.

[1] For details on the Company's contractual agreements to sell part of the Company's commercial real estate assets and the Company's strategy in this regard, see sections 4 and 10 below. The sale of the Company's income producing commercial real estate assets is expected to reduce the Company's rental income in the operating segment, along with further improvement of its cash position and the Company's leverage ratio, as set forth in Section 4 below.

2. Operating segments – key operational data[2]

2.1 Residential development segment – Grafental project[3]

Stage	Number of flats	revenues (EUR in millions)	income (EUR in millions)	Developer's profit [4] (in percentage)	Sales (in percentage)	Revenue recognition % as of the report date
E	89	49.6	12.0	32%	100%	100%
G	89	53.7	10.4	24%	100%	100%
H	96	58.0	10.0	21%	100%	22.5%
Total	274	161.3	32.4	25%	100%	76.1%

2.2 Income-producing real estate[5]

Zoning	Area ('000 square meters)	NRI Return[6]	ERV Return[7]	Actual NOI return[8]	NOI return according to ERV[9]	Occupancy rate
Residential	712	4.8%	5.4%	4.1%	4.8%	94%
Commercial	133	7.8%	8.1%	4.7%	5.1%	88%
Total	846	5.2%	5.8%	4.2%	4.8%	93%

* Excluding an asset in associate with an area of 7,000 sqm. Excluding an asset with an area of 6.9 thousand sq.m that is not rented for renovation purposes.

Residential real estate: In the second quarter of 2020, the organic rent growth amounted to 2.5% compared to the corresponding quarter of 2019. As of the date of signing the report the average rent is 6.50 EUR per Sqm. The ERV in new rentals in the residential market is 16% higher than the average rent.

3 Balance sheet structure and financial solvency -

3.1 **Equity and NAV**: The equity attributed to the Company's shareholders amounted to approximately EUR 759.0 and the NAV[10] amounted to EUR 873.5 million, as of the report date.

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[2] As of the report date.
[3] Data according to 100%, the effective corporation's share in the project, is 80.12%.
[4] Total expected revenues from the sale of flats, minus total development cost of flats, including land cost.
[5] Assets consolidated in the Company's financial statements, including assets for which binding sale agreements were signed; see immediate report dated June 30, 2019 (Reference number 055230-01-2019) which is included by way of reference.
[6] Data from July 2020 on an annual basis, divided by the carrying value.
[7] Estimated rental value – the expected annual return, provided that all assets are leased in full occupancy in return for the rental fees prevailing in the market.
[8] Data from July 2020 on an annual basis, divided by the carrying value.
[9] Actual NOI plus the difference between actual rental fees and the ERV, divided by the carrying values.
[10] EPRA NAV – for details regarding the index and the calculation manner see section 7.4 of part A below.

3.2 **Debt ratios**: The LTV ratio[11] is 34.93% as of the report date. The EBITDA ratio to interest expenses (from only the income producing portfolio, excluding operating income from development activity) was 3.95% in the second quarter of 2020.

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

3.4 **Financing**: The Company (consolidated) has bank loans with a total balance of EUR 448.6 million, at an average annual interest of 1.57%[12] and duration of 4.67 years. The Company has bonds at a total balance of EUR 84.2 million at an average annual interest of 3.29% and duration of 3.45 years. For additional details regarding the Company's bonds see Part B, "Specific Disclosure for Bond Holders. For details regarding the loan from the controlling shareholder, see section 11.3 to this report. For details regarding early repayment initiated by the Company of bonds (Series A) after the report date, see section 11.4 to the report.

4 Concise description of the Corporation and its business environment

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

Further to that what is stated in the Company's periodic report for 2019 and the Company's previous reports[13], in connection with the Company's strategy refocus, agreement and completion of transactions for selling part of its businesses, the Company is continuing to examine, as of the report date as well, the possibilities of refocusing its business strategy in the income producing and residential development real estate segment, including selling additional assets from its commercial real estate portfolio.

For additional details regarding such activities and the Company's strategy for 2019, see sections 1.1.3.1 and 1.20 of Chapter A of the periodic report for 2019. For details regarding such activities in the reported period see section 11 below.

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[11] Net debt to total real estate assets.

[12] The average annual interest rate of the Company, as well as the average duration of the Company's loans, were calculated excluding the bank loan financing Gerresheim, following the sale transaction. See section 1.1.3.1 (c) of Chapter A of the Periodic Report for 2019 and section 11.2 regarding the agreement for selling the land in Gerresheim.

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

It should also be noted that, although the Company is not obligated by law, the Company intends to adopt activity demarcation arrangement with its controlling shareholder, ADLER Real Estate AG, and has been doing so for a long time. As of the report date, such an arrangement has not yet been adopted and the Company will update in accordance with any law

For details regarding the spread of the Corona virus and its impact on the Company's operations in the reported period, see section 11.5 below.

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

4.1 **Residential income-producing real-estate -** As of the report signing date, the Group owns 12,069 apartments with a total leasing area of approximately 712,000 m^2**.** For details regarding the spread of the Corona virus and its impact on the Company's operations in this sector, see section 11.5 below.

4.2 **Commercial income-producing real-estate -** As of the report signing date, the Group owns 10 commercial income-producing properties in the commercial segment (commercial and offices) with an overall leasing area of approximately 97,000 m^2, including assets for which the Company has entered into a binding sale contract dated June 30, 2019, as specified in section 11.1 below (excluding an asset of associate with an area of 7,000 square meters and excluding an asset with an area of 6.9 thousand sq.m that was evacuated for renovation purposes). For details regarding the spread of the Corona virus and its impact on the Company's operations in this sector, see section 11.5 below.

For details regarding the income-producing real estate, see section 1.6 to Chapter A of the periodic report for 2019.

4.3 **Residential Real Estate Under Development** - For details regarding the marketing, sales, handovers and performance of Stage E (89 units), Stage F (112 units), stage G (89 units) in the Grafental project and Stage H (96 units) in Dusseldorf, as well as for additional dedtails regarding the Company's additional projects in this sector, see Chapter A of the periodic report for 2019. It should be clarified that during the second quarter of 2020, the construction and delivery of stages E-G (inclusive) was fully completed.

For further details regarding the marketing and performance status of the project's stages under construction, see the tables below.

For details regarding the Corona virus and its impact on the Company's operations in this sector see section 11.5 below.

Project marketing										
	Stage E					Stage G				
	2020			2019	2018	2020			2019	2018
	As of the report signing date	Q2	Q1	2019	2018	As of the report signing date	Q2	Q1	2019	2018
Flats (#)	89	89	89	89	86	89	89	89	86	27
Flats – total monetary consideration (including for parking, EUR in thousands)	49,563	49,563	49,563	49,563	47,961	53,689	53,689	53,689	51,169	14,301
Flats (square meters)	9,999	9,999	9,999	9,999	9,688	9,534	9,534	9,534	9,103	2,536
Average price per sqm (EUR) (including consideration for parking)	4,957	4,957	4,957	4,957	4,951	5,631	5,631	5,631	5,621	5,639
Reservations (reservations) as of the report signing date										
Flats (#)	-					-				
Flats – total monetary consideration (including for parking, EUR in thousands)	-					-				
Flats (square meters)	-					-				
Average price per sqm (EUR)	-					-				
Signed agreements and cumulative reservations up to the report signing date:										
Flats (#)	89					89				
Flats – total monetary consideration (including for parking, EUR in thousands)	49,563					53,689				
Flats (square meters)	9,999					9,534				
Average price per sqm (EUR)	4,957					5,631				
Marketing rate of the project %										
	As of the report signing date	30.6.20	31.3.20	31.12.19	31.12.18	As of the report signing date	30.6.20	31.3.20	31.12.19	31.12.18
Marketing rate on the last date of the period - signed agreements and reservations	100%	100%	100%	100%	96.8%	100%	100%	100%	95.3%	21.2%
Advances from tenants										
	As of the report signing date	30.6.20	31.3.20	31.12.19	31.12.18	As of the report signing date	30.6.20	31.3.20	31.12.19	31.12.18
Advances from tenants (EUR in thousands)	49,563	49,563	42,720	40,648	11,657	53,689	53,689	41,297	34,150	-
Rate of Advances from tenants (%)	100%	100%	86.2%	60.1%	17.8%	100%	100%	76.9%	63.6%	-
Spaces for which agreements and reservations were not yet signed, as of the report signing date										
Flats (#)	-					-				
Flats – total expected monetary consideration (including parking, EUR in thousands)	-					-				
Flats (square meters)	-					-				

Average price per sqm (EUR)	-					-				
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)	-					-				

	Project marketing				
	Stage H				
	2020			2019	2018
	As of the report signing date	**Q2**	**Q1**	**2019**	**2018**
Flats (#)	96	96	92	58	-
Flats – total monetary consideration (including for parking, EUR in thousands)	58,029	58,029	55,604	33,957	-
Flats (square meters)	9,793	9,793	9,402	5,786	-
Average price per sqm (EUR) (including consideration for parking)	5,926	5,926	5,914	5,869	-
Reservations (reservations) as of the report signing date					
Flats (#)	-				
Flats – total monetary consideration (including for parking, EUR in thousands)	-				
Flats (square meters)	-				
Average price per sqm (EUR)	-				
Signed agreements and cumulative reservations up to the report signing date:					
Flats (#)	96				
Flats – total monetary consideration (including for parking, EUR in thousands)	58,029				
Flats (square meters)	9,793				
Average price per sqm (EUR)	5,926				
Marketing rate of the project %					
	As of the report signing date	**30.6.20**	**31.3.20**	**31.12.19**	**31.12.18**
Marketing rate on the last date of the period -signed agreements	100%	100%	95.8%	58.5%	-
Marketing rate on the last date of the period -signed agreements and reservations	100%	100%	95.8%	58.5%	-
Advances from tenants					
	As of the report signing date	**30.6.20**	**31.3.20**	**31.12.19**	**31.12.18**
Advances from tenants (EUR in thousands)	32,205	10,419	-	-	-
Rate of Advances from tenants (%)	55.5%	18.0%	-	-	-
Spaces for which agreements and reservations were not yet signed, as of the report signing date					
Flats (#)					
Flats – total expected monetary consideration (including parking, EUR in thousands)	-				
Flats (square meters)	-				
Average price per sqm (EUR)	-				

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

5. Projected revenues, costs and developer's profits for the stages in progress and stages under the approved urban planning scheme, the performance of which has not yet commenced in the Grafental residential project (EUR in thousands):

5.1 Projected revenues[14]

	Stage E	Stage F	Stage G	Stage H
Total expected revenues	49,564	28,925	53,689	58,029
Advances from apartment purchasers, as of the report date	49,564	-	53,689	10,419
Total expected cost, including land (EUR in thousands)	37,560	25,445	43,257	48,063
Completion rate (engineering/monetary), excluding land (%)	100%	100%	100%	59.0%
Total expected developer's profit[15]	12,004	3,480	10,432	9,965
Total developer's profit recognized in the Company's financial statements (consolidated) cumulatively, as of the report date	12,004	-	10,432	2,238
Rate of expected developer's profit (%)	32%	13.7%	24.1%	20.7%
Expected completion date	Construction was completed	Construction was completed	Construction was completed	Q2 2021

[14] It should be clarified that as stated in section 4.3 above, stages E-G were fully completed and therefore the data shown above are actual and not projected.

[15] with respect to Stage F, it should be indicated that upon its completion was classified as income producing asset and as of the date of this report, was fully.

5.2 Costs

		Stage E				Stage F			
		Q2 2020	Q1 2020	2019	2018	Q2 2020	Q1 2020	2019	2018
Costs invested	Cumulative costs for land, at the end of the period	9,648	9,648	9,648	9,648	3,500	3,500	3,500	3,500
	Cumulative costs for development, taxes and fees	3,173	3,079	3,007	1,828	2,276	2,276	2,250	1,610
	Cumulative construction costs	24,033	23,676	20,178	5,454	17,820	17,820	17,378	5,664
	Cumulative financing costs (capitalized)	-	-	-	-	-	-	-	-
	Total cumulative cost	**36,854**	**36,403**	**32,833**	**16,930**	**23,596**	**23,596**	**23,128**	**10,774**

		Stage G				Stage H			
		Q2 2020	Q1 2020	2019	2018	Q2 2020	Q1 2020	2019	2018
Costs invested	Cumulative costs for land, at the end of the period	11,500	11,500	11,500	10,500	14,119	14,119	14,119	14,119
	Cumulative costs for development, taxes and fees	2,864	2,677	2,317	1,249	1,393	1,373	1,236	-
	Cumulative construction costs	26,270	25,000	23,571	3,963	18,621	10,290	6,747	-
	Cumulative financing costs (capitalized)	-	-	-	-	-	-	-	-
	Total cumulative cost	**40,634**	**39,177**	**37,388**	**15,712**	**34,133**	**25,782**	**22,102**	**14,119**

		Stage E				Stage F			
		Q2 2020	Q1 2020	2019	2018	Q2 2020	Q1 2020	2019	2018
Costs not yet invested	Costs for land not yet invested (estimate)	-	-	-	-	-	-	-	-
	Costs for development, taxes and fees not yet invested (estimate)	557	651	744	1,904	1,181	1,181	1,207	1,848
	Construction costs not yet invested (estimate)	149	506	4,004	18,726	668	668	1,110	12,824
	Cumulative costs for financing expected to be capitalized in the future (estimate)	-	-	-	-	-	-	-	-
	Total costs not yet invested	**706**	**1,157**	**4,748**	**20,630**	**1,849**	**1,849**	**2,317**	**14,672**

		Stage G				Stage H			
		Q2 2020	Q1 2020	2019	2018	Q2 2020	Q1 2020	2019	2018
Costs not yet invested	Costs for land not yet invested (estimate)	-	-	-	-	-	-	-	-
	Costs for development, taxes and fees not yet invested (estimate)	582	769	1,832	2,196	2,021	2,041	2,178	3,413
	Construction costs not yet invested (estimate)	1,241	2,511	3,940	23,548	11,909	20,240	23,783	30,951
	Cumulative costs for financing expected to be capitalized in the future (estimate)	-	-	-	-	-	-	-	-
	Total costs not yet invested	**1,823**	**3,280**	**5,772**	**25,744**	**13,930**	**22,281**	**25,961**	**34,364**

In accordance with accounting principles (IFRS 15), the Company recognizes revenues, costs and gross profit according to sales rate and project completion rate.

For further details regarding stages I-L of the Grafental residential project see section 1.8.3.6 in Chapter A of the annual report of the Company for 2019.

5.3 The expected revenue, cash flow and developer's profit, not yet recognized in the Company's financial statements, from stages in progress and from stages under the approved urban scheme, in the Grafental project:

From sold apartments (EUR in thousands)

Data according to 100%. The corporation's effective portion in the project – 84.98%	Revenue not yet recognized	Cash flow not yet recognized	Developer's profit not yet recognized
Stages in progress (stage H)	44,669	16,856	7,659

6. Costs and developer's profit of Gerresheim project (EUR in thousands)

		Q2 2020	Q1 2020	2019	2018
Costs invested	Cumulative costs for land, at the end of the period	141,645	141,645	141,645	141,645
	Cumulative costs for development, taxes and fees	2,072	1,359	901	376
	Cumulative construction costs	-	-	-	-
	Cumulative financing costs (capitalized)	7,734	-	-	-
	Total cumulative cost	**151,451**	**143,004**	**142,546**	**142,021**

7. **Land in Dusseldorf for development -** The Company owns 3 land complexes in Dusseldorf, Germany, undergoing advanced procedures to change the zoning from offices/industry to residential. For details regarding the Company's progress in the land zoning changes in Dusseldorf, and for additional details, see Chapter A of the periodic report for 2019.

7.1 The following is a tabular summary of expected revenue, cash flow and developer's profit expected from the land in Dusseldorf [16]real estate inventory in Dusseldorf, and inventory of buildings under construction without the asset in a joint venture in Aachen without a parcel of land in the Gerresheim neighbourhood[17]:

Data according to 100%. The corporation's portion in Grafental project 84.98% (EUR in thousands)	Revenue not yet recognized	Cash flow not yet recognized	Developer's profit not yet recognized
Apartments for rental, under rent control, in planning stages under urban schemes of Grafental-Mitte/Ost	97,156	70,173	23,473
Condo apartments for free sale in planning stages under the urban schemes of Grafental Mitte/Ost and Grafenberg	270,681	118,175	36,555
Total	**367,837**	**188,348**	**60,028**

[16] It should be noted that a decision has not yet been made regarding the use of the land under the change of zoning from offices to residence in Grafenberg, including the development of the land complex. The decision to develop the aforementioned land complex is subject to consummating the relevant approval procedures of an urban scheme, the market conditions that shall prevail upon completion of said scheme, the ability to obtain financing for developing the project, the availability of equity resources required to realize said development plans, meeting financial ratios, and more. The data shown in the table were calculated on the assumption that the Company will elect to develop the parcel of land, and the land complex in Grafenberg, and that the rates of the developer's profit and cash flow in future stages in Grafental shall be similar to the rates of the Grafental project that is in progress as of the report date representing the best indication held by the Company for the purpose of this forecast and the profitability rates and cash flows in Grafenberg were based in accordance with the assumptions underlying the valuation of the asset.

[17] For details on the Company's agreement to sell 75% of its holdings in the Company holding the Gerresheim property, see section 1.1.3.1 (c) of Chapter A of the 2019 Periodic Report section 11.2 below and the Company's immediate reports dated May and July 27, 2020 (reference 048417-01-2020 and 079464-01-2020, respectively).

The information described above in connection with (1) stage H in progress and (2) the information in connection with Gerresheim project; and (3) the land development in Dusseldorf, inventory of buildings under construction under the urban schemes of Grafental Mitte/Grafenberg and the change of their zoning (including the expected dates of completion of Grafental Ost) regarding the total expected sales, the expected developer's profit and expected cash flow before taxes is forward looking information, not fully under the Company's control, and the actual materialization of such change of zoning, either in whole or in part, is uncertain.

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

It is uncertain whether the change of zoning will take place and/or be consummated, as said consummation is subject to the planning and construction procedures required under German law, the consummation of which is not controlled by the Company. In addition, in the event that approvals are received and the Company decides to establish the projects independently, leading to project execution, changes in circumstances (including - without derogating from the generality of the foregoing – decrease in demand for flats in Dusseldorf and/or a decrease in market prices of flats in Dusseldorf, or increase in construction (or other) costs and/or the creation of special conditions) may significantly change the Company's estimates detailed above, which may have a material impact on the expected revenues from the projects, including their overall profitability.

It should be stressed that the expected developer's profitability in respect of rent-controlled apartments is the expected profitability assuming that the asset (subsidized rental apartments and affordable housing under rent control) will be sold as an income producing asset upon completion of construction ranging around 13%-15% and is not comparable to the developer's profitability in stages in which the Condo apartments are being built for free sale in the market.

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

8. Financial Position:

Assets	June 30, 2020	June 30, 2019	December 31, 2019	Explanation for the change
	EUR in thousands			
Current assets				
Cash and cash equivalents	27,113	98,858	44,409	See details in the statement of cash flow as part of the Company's financial statements, attached to this report.
Balances receivable from banks	1,173	416	-	
Restricted deposits, financial assets, and other receivables	24,825	28,511	68,356	
Income receivable from the sale of apartments	3,869	375	7,464	
Tenants and trade receivables, net	1,896	55	505	
Inventory of buildings under construction	23,132	31,002	29,311	
Total current assets	**82,008**	**159,217**	**150,045**	
Assets of disposal groups held for sale	10,286	129,639	199,426	Decrease derives from control transfer in the sub subsidiary (see Note 11.2) and from the sale commercial assets (see Note 11.1).
Non-current assets:				
Investments and loans measured at equity	26,062	8,798	7,699	Increase derives from control transfer in the sub subsidiary (see Note 11.2).
Investments in financial assets, measured at fair value through profit or loss	34,405	40,258	42,149	Decrease in the value of the Company's holdings of its marketable shares.
Inventory of real estate	45,712	225,596	71,768	Decrease derives from classification of inventory to investment property due to commencement of rentals in Stage F.
Investment property – real estate rights	58,558	65,265	62,218	
Investment property – income-producing assets	1,220,349	1,120,265	1,123,350	Increase derives from classification of inventory to investment property due to commencement of rentals in Stage F and from appreciation of residential real estate assets.
Restricted deposits for investments in assets	6,648	5,856	6,168	

Other accounts receivable, fixed assets and other financial assets	362	3,087	328	
Deferred taxes	84	2,008	33	
Total non-current assets	**1,392,180**	**1,471,173**	**1,313,713**	
Total assets	**1,484,474**	**1,760,029**	**1,663,184**	

Liabilities	June 30, 2020	June 30, 2019	December 31, 2019	Explanation for the change
	EUR in thousands			
Current liabilities				
Current maturities of loans from banking corporations	32,584	87,842	57,275	Decrease derives from repayment of bank loans used to finance the commercial assets that were sold (see Note 11.1).
Current maturities of debentures	10,159	18,297	25,780	Decrease derives from early and full redemption of the Company's bonds (Series A) (See Note 11.4)
Loans for financing inventory of buildings under construction	16,400	4,885	5,747	
Accounts payable and other financial liabilities	36,194	23,445	23,963	
Advances from apartment purchasers	-	3,884	1,143	
Total current liabilities	**95,337**	**138,353**	**113,908**	
Liabilities of disposal groups held for sale	3,362	79,928	148,211	Decrease derives from control transfer in the sub partnership (see Note 11.2).
Non-current liabilities:				
Loans from banks and others	398,700	492,615	415,904	
Loans from the controlling shareholder	-	44,200	44,762	Loan received from the controlling shareholder and repaid in full during the first quarter of 2020. For further details, see section 11.3 below.
Debentures	74,035	96,698	74,639	
Leasing liabilities	2,990	3,041	3,010	
Other financial liabilities	379	645	404	
Deferred taxes	111,824	105,544	108,909	
Total noncurrent liabilities	**587,928**	**742,743**	**647,628**	
Total liabilities	**686,627**	**961,024**	**909,747**	
Equity				
Equity attributable to equity holders of the company	759,028	694,144	712,034	

Non-controlling interests	38,819	104,861	41,403	Decrease derives from the payment of EUR 5.7 million to non-controlling interests in the first quarter of 2020.
Total equity	**797,847**	**799,005**	**753,437**	
Total liabilities and equity	**1,484,474**	**1,760,029**	**1,663,184**	

9. Activity Results:

	Three months ending June 30		Year ending December 31	Explanation for the change
	2020	2019	2019	
	EUR in thousands			
Revenues from rental of properties	15,606	19,108	73,771	The decrease in the scope of revenues, cost of revenues and gross profit is due to the sale of assets during the years 2019-2020, as part of refocusing the Company's strategy as specified in section 4 above.
Revenues from property management and others	6,411	6,743	25,904	
Property management expenses	(6,412)	(6,744)	(25,899)	
Cost of maintenance of rental properties	(3,268)	(3,083)	(12,296)	
Rental and management revenues, net	**12,377**	**16,024**	**61,480**	
Revenues from sale of apartments	23,971	6,251	70,029	
Cost of sale of apartments	(18,216)	(6,987)	(56,999)	
Income (loss) from the sale of apartments	**5,755**	**(736)**	**13,030**	
Other income	500	-	-	
General and administrative expenses	(3,437)	(4,603)	(16,138)	
General and administrative expenses attributed to inventory of buildings under construction and inventory of real estate	(438)	(456)	(1,986)	
selling and marketing expenses	(9)	(130)	(375)	
Increase in the value of investment property, net	63,222	4,314	13,338	The profit derives mainly from revaluation of residential income generating real estate.
Operating profit	**77,930**	**14,413**	**69,349**	
Financing expenses excluding the effect of exchange rate differences, CPI, and hedging transactions, net	(3,537)	(5,151)	(19,090)	The decrease is due to a decrease in the height of the Company LTV.
Effect of exchange rate differences, CPI, and currency hedging transactions, net	(227)	(2,635)	(8,976)	
Change in fair value of financial instruments, loans	3,337		(11,291)	The profit derives mainly from increase in value of the Company's

and other (including early repayment costs of loans)		2,633		holdings in its marketable shares compared to March 31, 2020.
Equity in earnings (losses) of companies accounted at equity	-	-	(107)	
Income before taxes on income	**77,503**	**9,260**	**29,885**	
Taxes on income	(17,496)	(3,311)	(12,258)	
Net comprehensive income (loss) for the period	**60,007**	**5,949**	**17,627**	
Net and comprehensive income (loss) attributed to:				
Company shareholders	57,600	7,852	18,318	
Non-controlling interests	2,407	(1,903)	(691)	

10. Financing sources, liquidity and Cash flows:

	Six months ending June 30		Year ending December 31	Explanation for the change
	2020	2019	2019	
	EUR in thousands			
Cash flows provided by operating activities	20,680	13,636	37,508	See statement of cash flows
Cash flows provided by investing activities	26,493	43,886	89,948	The amount derives from receiving part of the consideration for its share in the sale transaction of commercial income producing asset. For additional details see section 11.1 below.
Cash flows provided by financing activities (Cash flows used in financing activities)	(59,586)	28,149	(110,185)	The amount derives mainly from repayment of bank loans and early redemption of the Company's bonds (Series A).

10.1 Access to financing sources:

10.1.1 As of the report date, the Company finances its current operations mainly from cash flows received from the Company's subsidiaries from their current activities, and from bank financing and debentures raised by the Company. In addition, the Company has the right to withdraw a loan extended to the Company by the Company's controlling shareholder, ADLER Real Estate ("ADLER"). For further details, see section 11.3 below as well as the immediate report of the Company dated May 11, 2019 and July 14, 2019 (Reference: 040008-01-2019 and 060426-01-2019, respectively) which are hereby included by way of reference (the "**Qualifying Credit Facility**"). In 2019, the Company has withdrawn EUR 44.2 million from the qualifying credit facility and in the reported period paid the entire amount as early repayment, such that as of the report publication date, the Company's unutilized balance of the qualifying credit facility is EUR 55.8 million.

10.1.2 For details regarding the transactions for selling part of its income-producing and development real estate assets, see section 1.1.3.1 of Chapter A to the 2019 periodic report.

10.1.3 For further details regarding the refinancing of the Company's loans, see section 2.13.1 of Chapter A to the 2019 periodic report.

10.1.4 For further details regarding the Company's compliance with financial covenants and liabilities, see section 9.13.1 of Chapter A to the 2019 periodic report.

10.1.5 For details regarding the agreement for selling the land in Gerresheim see section 11.2 below.

It should be noted that following the corona crisis, the Company examined several scenarios and performed Stress Testing in order to assess the Company's ability to cope with the economic consequences of the corona crisis. In the Company's opinion, the Corona crisis will not impair its ability to meet its obligations, among other things, in view of focusing the Company's activity in the field of development residential real estate and transactions in which the Company recently entered into contracts.

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

For further details regarding the financing sources of the group see section 1.12 of Chapter A to the 2019 periodic report and Note 11 to the consolidated financial statements of the group for 2019.

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

Examination of warning signs

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

The main considerations underlying the Board of Directors' decision were, among other things, as per the estimate of the Company's Board of Directors the fact that the Company, if required, has high access to additional sources of financing, including the ability to increase credit lines and use the unutilized credit lines and borrowings, raise capital (while paying attention to the Company's high access to capital markets) refinancing options under favorable terms, the right to receive proceeds in significant scope from uncompleted transactions for selling assets, the option for selling assets (including as part of the Company's actions to sell a certain portion of the Company's assets and businesses within the refocusing of the Company's strategy in accordance with section 4 above, collateral release and more. In addition, the Company holds shares of a publicly-traded company incorporated in Germany whose shares are traded on the Regulated Unofficial Frankfurt Stock Exchange, which is one of the leaders in German residential real estate development market, the value of which on the report date was EUR 27.9 million, which the Company estimates that such shares can be sold or otherwise utilized as the Company may be required.

In addition, the Company's Board of Directors considered the economic consequences of the spread of the corona pandemic (Covid-19) on the Company's operations, inter alia, in accordance with the various scenarios presented to the Company's Board of Directors regarding its ability to meet its obligations in stress conditions as well and the estimated effects on the Company's operations if said crisis continues. For further details regarding the Company's estimates and the impact of the Corona Crisis on the Company's operations, see Section 11.5 below.

After considering all of the above matters, the Company's Board of Directors has determined that, while taking into account the various financing options outlined above and the refocusing actions of the Company's businesses and agreements as specified in section 4, and in view of the projected cash flows from the Company's commitments in asset sale agreements as described in section 1.1.3 of Chapter A to the 2019 period report, the existence of warning signs do not indicate a liquidity problem in the corporation.

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

10.2 FFO (Funds from Operations):

The FFO index is calculated as the net profit (loss) attributed to the Company's shareholders **from the income generating activity, only excluding the income from the sale of apartments in the Grafental project** (for further details on this project, see section 1.8 of Chapter A in the periodic report for 2019), with certain adjustments for non-operating items, affected by the revaluation of the fair value of assets and liabilities. The main adjustments include the fair value of investment properties, miscellaneous capital profits and losses, miscellaneous amortizations, adjustment of management and marketing expenses for the residential project in Grafental (as the revenues in respects to this project are not taken into account in the FFO), changes in fair value recognized for financial instruments, deferred taxes, and non-controlling interests for the above items.

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

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

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

	Three months ending June 30, 2020	Three months ending June 30, 2019	Year ending December 31, 2019
Net profit (loss) attributed to the Company's shareholders	57,600	7,852	18,318
Adjustments for net profit			
a. Adjustments for revaluations			
Increase in the value of investment property and adjustments of liability value relating to investment property	(61,115)	(5,954)	(16,388)
Revaluation of loans and interest swap transactions at fair value	(4,025)	(5,108)	8,914
b. Adjustments for non-cash items			
Revaluation of loans, indexing, and non-cash exchange rate differences and hedging transactions	649	3,361	10,667
Interest component in hedging transactions	-	151	1,451
Deferred tax expenses and taxes for prior years	16,519	3,770	10,927
c. one-off items / new activities / ceased activities / other			
Professional services, one-off adjustments and others	1,607	1,928	5,271
Adjustments related to associates and non-controlling interests	-	378	378
Expenses relating to project management and marketing, in connection with the establishment of the residential project in Düsseldorf, and adjustments in respect of current leasing activity in the project	54	1,030	4,211
Adjustments for sale of apartments	(4,890)	627	(11,073)
Total of adjustments to net profit	(51,201)	183	14,358
F.F.O	**6,399**	**8,035**	32,676

As mentioned above, in the three months ended June 30, 2020, the FFO totalled EUR 6.4 million. As per the Company's estimate, the FFO's representative annual level, considering the events that occurred this quarter, will amount to approximately EUR 25.6 million.

It is worth noting that the sharp decline in the FFO level during the current quarter compared to the corresponding quarter of 2019 is entirely due to the sale of assets from the Company's commercial real estate portfolio in accordance with refocusing the Company's strategy to the residential development and income producing sector which contributed among others to the considerable decline in the Company's leverage.

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

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

The EPRA NAV is an index purported to show the net asset value of a real estate company according to the status paper of EPRA - European Public Real Estate Association. The EPRA NAV reflects the net asset value of the Company, assuming that the assets are held for the 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 regards to apartments under construction that were sold in the Grafental project (stage H).

The Company believes that the EPRA NAV index more accurately reflects the net asset value of the Company and its publication will allow a comparison with other real estate companies in Israel and Europe.

The Company clarifies that the EPRA NAV index data does not represent a valuation, nor does it represent a substitute of the data contained in the financial statements. It is further clarified that this data is not audited by the Company's auditors.

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

	June 30, 2020	June 30, 2019	December 31, 2019
Equity attributed to the Company's shareholders	759.0	694.1	712.0
Plus deferred taxes for EPRA adjustments	109.3	96.7	89.7
Net of the fair value of derivative financial instruments, net	0.7	0.5	0.1
Plus profits that were not yet recognized in regards to apartments that were sold and are under construction	4.5	9.1	6.7
EPRA NAV –Net Asset Value	**873.5**	**800.4**	**808.5**

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

11.1 **Entering into a transaction for selling an additional part of the Company's commercial real estate assets**: On June 28, 2019, the Company entered into a transaction to sell assets from the Company's commercial income-producing real estate portfolio. For further details regarding this transaction, see the Company's immediate report of June 30, 2019 (Reference No. 055230-01-2019) and December 31, 2019 (Reference number 000471-01-2020), which is brought herein by way of reference. As a result of the aforementioned contract, the Company recognized a loss of EUR 9 million as result of the difference between the proceeds of the sale and the value of assets and liabilities presented in the Company's reports, and an additional loss of EUR 4 million due to costs that the Company is expected to bear, mainly due to estimated transaction costs and estimated costs of repairs agreed with the property buyer; this loss was recognized in the Company's financial statements for 2019 as part of changes in the fair value of investment property, net, and as part of the tax benefit item (income taxes).

As of the report date, the transaction was not yet completed for a single asset in the city of Bad Aibling and it was recognized in the Company's financial statements as held for sale. For further details, see Section 1.1.3.1 (b) of Chapter A to the 2019 periodic report and Note 5 (2) to the Company's financial statements attached to this report.

11.2 Entering into transaction for selling a parcel of land in Gerresheim - On September 22, 2019, the Company entered into an agreement with a third-party purchaserwho is unrelated to the Company and is real estate investor focusing on real estate projects in Germany for selling 75% of its holdings in the sub- partnership, which owns the Gerresheim development project (a land with an area of 193 thousand square meters in Dusseldorf, Germany) , for a consideration reflecting a property value of € 375 million. The completion of the transaction is contingent upon acceptable prerequisites as customary in development real estate transactions.

For further details regarding the transaction, see the Company's immediate report dated September 23, 2019 (Reference # 098212-01-2019) which is included herein by way of reference.

On December 26, 2019, an amended agreement was signed, whereby the consideration payment mechanism was adjusted as follows: upon the signing date of the amended agreement, the sub-partnership was paid EUR 132 million, originating from a new bank loan the sub-partnership has taken (it should be indicated that the Company guaranteed this loan) of which EUR 90 million was used to repay the existing bank loan taken in connection with the development of the project and the balance of the transaction, (less transaction costs) of EUR 36 million was paid to the Company in cash as the first payment in respect of the sale consideration as defined in the amended agreement as aforesaid and held in a restricted account until the approval of the German competition authorities is received. The loan taken on the date of the amended agreement, bore annual interest of 4% above the Euribor interest for 3 months and was payable on June 27, 2020. This loan was refinanced during June 2020 by two loans totaling approximately EUR 147.5 million. The new loans bear a weighted average interest rate of 4.54% during the first year of the loans and a weighted average interest rate of 5.15% during the second year of loans. The loans are repayable on June 1, 2022, with the Company guaranteeing approximately 22.87% of the balance of the loans. Transaction costs incurred by the sub-partnership in respect of the two new loans amount to EUR 4.5 million and will be fully paid by the purchaser. On February 28, 2020, the Company obtained the approval of the German Anti-Trust Authority and accordingly, on March 31, 2020, the transfer of the first part of the consideration in the amount of EUR 36 million was completed (originating in a loan taken by the sub-partnership).

The consideration balance between EUR 120 and EUR 175 million will be paid to the Company in three instalments in accordance with the fulfilment of the transaction terms (the main of which is the publication of a zoning plan) and obtaining building permits as detailed in the agreement. For further details regarding the Gerresheim transaction including with respect to the purchaser and with respect to the amount of each of the instalments the terms of payment and the parties' rights to cancel the agreement, the transaction approval mechanism and the rationale for the transaction see the Company's immediate reports dated May 15, 2020 and July 27, 2020 (reference 048417-01-2020 and 079464-01-2020, respectively) which are included herein by way of reference.

In view of the fulfilment of the first condition in the above agreement - obtaining approval from the competition authorities in Germany, 75% of the sub- partnership's shares were transferred to the purchaser and the agreement for the parties' joint control came into force and therefore the Company ceased consolidating the financial statements of the sub-partnership. The investment balance in the sub-partnership is presented in the section of investments and loans in companies accounted at equity amounting to EUR 18,361 thousand as of June 30, 2020.

The payment of the consideration balance to the Company is conditional upon the occurrence of events that are not under the full control of the Company (such as obtaining building permits, etc.) and therefore the Company has not yet recognized the profit in respect of the sale transaction.

For further details, see the Company's immediate reports of December 29, 2019 and March 31, 2020 (Reference No. 114996-01-2019 and 033495-01-2020, respectively), which are included herein by way of reference.

11.3 **Receiving a loan from the controlling shareholder:** On May 9, 2019, the Company's audit committee and Board of Directors approved the obtainment of a credit facility of up to EUR 100 million from ADLER, the controlling shareholder of the Company. Out of this facility, EUR 44.2 million were drawn down. In January and March 2020, the Company repaid the entire debt to the controlling shareholder such that as of the report date, no debt balance remained to the controlling shareholder. For further details regarding the transaction approval manner, see the Company's immediate report of July 14, 2019 and May 11, 2019 (Reference No. 060426-01-2019 and 0040008-01-2019, respectively) and regulation 22 to additional details attached as Chapter D to 2019 periodic report which are included by way of reference.

11.4 **Early and full Bond Repayment (Series A):** On April 20, 2020, early and full redemption of the Company's bonds (Series A) was carried out and a consideration of NIS 61,776 thousand was paid to the Company's bondholders (Series A). The final redemption amount reflected compensation for early redemption in a total amount of approximately NIS 387 thousand. For further details regarding the transaction, see the Company's immediate reports of March 31, 2020 and April 20, 2020 (Reference No. 033975-01-2020 and 039519-01-2020, respectively).

11.5 **Outbreak of the Corona virus**

Following the outbreak of the Corona Virus (COVID-19) in China in December 2019, and spreading to many other countries in early 2020, there has been a decline in economic activity in many regions of the world and in Israel and Germany as well. The spread of the virus has, among other things, disrupted the supply chain, a decrease in the volume of global transport, traffic and employment restrictions imposed by the Israeli, German and Dutch governments and many governments worldwide, as well as declines in the value of financial assets and commodities in markets in Israel and around the world. In addition, in accordance with the directives of the governments of Germany, the Netherlands and Israel, the activity of businesses was banned or restricted, presence of manpower in workplaces was significantly restricted, education systems were shut down and restrictions were imposed on leaving homes.

<u>The Company's risks and exposures</u>

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

It should be indicated that the Corona crisis and the related economic crisis may create an exposure for the Company mainly in the income producing real estate sector, both in view of the impact of the Corona crisis on daily business activity in Germany and the ability of businesses to continue their operations and pay rental fees for commercial assets and (to a lesser extent) for residential assets in view of harm to income of private tenants, including their ability to meet their obligations to the Company and pay rental and/or the Company's ability to find tenants for vacant spaces. In addition, the Company has an exposure also in the real estate development sector since the impact of the economic crisis on global economy and on Germany in particular, may have an effect on the demand for apartments and cause a decrease in the value of the apartments for sale and/or decrease in the sales rate of apartments (although as of the report date, the Company is unaware of indications pointing at change in the prices of apartments and/or change in constructions costs). As of this date, the end of the spread of the virus cannot be expected as well as the end of the economic crisis in Germany, the Netherlands and Israel and throughout the world and its full impact on the Company's operations cannot be expected or estimated at this stage.

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

The Company's revenues were not significantly harmed, among other things, in view of recent actions taken by the Company that focused its activities on residential properties, which reduced the Company's exposure to commercial tenants as well as the German government's assistance to commercial tenants. However, during the quarter, the Company recognized a loss of EUR 11.1 million following a significant decrease in the fair value of the Company's investment in marketable securities due to the crisis in capital markets from the spread of the Corona virus which was amortized in the second quarter in which the Company recognized a profit of EUR 3.3 million following an increase in fair value of that investment in marketable securities due to recovery of capital markets. In addition, in the first half of 2020, the Company recognized a loss due to impairment of the Company's commercial real estate assets in the amount of EUR 8.4 million, as detailed below. The spread of the Corona virus had no negative impact on the Company's assets in the residential segment (see below).

The spread of the Corona virus and the decline in economic activity as described above affected the Company's operations and results as detailed below:

- During the reported period, there were significant declines in the fair value of the Company's investments in marketable securities. For information on the fair value of the Group's investments, see Note 3 to the Company's financial statements regarding financial instruments.

- During the reported period, the financial situation of various tenants in the commercial real estate was harmed, which led to difficulties in paying rent and management fees, delaying in lease agreements renewal and finding tenants for the vacant spaces. As of the report date, trade receivables balance of approximately EUR 0.3 million, which constitutes approximately 5% of the Company's revenues in the commercial real estate sector has not yet been received due to deferral of payments and/or cancellation due to the corona crisis. In the residential income generating segment the change in occupancy rate as of June 30, 2020 was insignificant compared to the average occupancy rate in 2019 and the rate of cancellations and delays in collection is negligible. It should be indicated that due to reducing the Company's exposure to the commercial real estate sector, the decline in the collection rate has no material effect on the Company's cash flows.

- In addition, during the reported period there was an increase in discount rates used to measure the fair value of certain investment properties of the Company in the commercial income generating segment at a rate of 0.3% based on indications the Company received from outside appraisers. In addition, with respect to such assets, the Company updated the expected cash flows according to the effects described in the previous section. As a result, fair value of investment properties was impaired and a loss from change in fair value of investment property in the amount of EUR 8.4 million was recognized. The Company estimates that as of June 30, 2020 there is no change in the other main parameters used for the valuations of the Company's assets in the commercial income generating segment as of December 31, 2019 as specified in Note 8(c) to the consolidated financial statements of the Company for 2019.

- The crisis had no negative impact on the Company's assets in the residential real estate segment. In the reported period discount rates used to measure the fair value of part of the Company's investment properties in the residential income producing segment were decreased at a rate of 1.28% due to change in market conditions during the period and based on valuations as of June 30, 2020 conducted by external appraisers. As a result, fair value of residential real estate assets has increased and a gain from a change in the fair value of approximately EUR 69.4 million was recognized.

- With respect to the development sector, as of June 30, 2020 and as of the approval date of the financial statements, the Company is not aware of any indications pointing at a change in the selling prices of the apartments and/or a change in construction costs.

- According to the aforesaid, up to the approval date of the financial statements, the impact of the crisis on the Company's cash flow was insignificant, partly in light of reducing the exposure to commercial real estate and proceeds received from asset realization and given the change in collection rates from tenants and slowdown in apartment sales in development projects.

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

For further details on the impact of the Corona crisis on the Company's operations see Note 5(6) of the financial statements of the Company attached to this report.

The Company's estimates in relation to the consequences of the corona crisis and the effects of the measures taken by the Company to reduce the Company's leverage and which will allow it to adequately cope with the economic crisis constitute forward-looking information as defined in the Securities Law. These estimates may not materialize or materialize other than the Company's estimates, inter alia, due to circumstances beyond the Company's control, including changes in virus infection trends, situation of global capital markets, deterioration or continuation of the economic crisis following the virus outbreak and German government assistance to individuals and companies that were affected by the virus.

11.6 For further details regarding significant events in the Company see Note 5 of the financial statements of the Company attached to this report.

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

The valuation of a very material investment property (Leipzig Residential Portfolio) is attached to this periodic report as a very material valuation. The valuations of "material" real estate [18]are not attached to this report as they are "material" [19]but not "very material"[20]. Below is the summary of the data regarding these valuations.

[18] as defined in the reports' regulations.

[19] as defined in the reports' regulations.

[20] as defined in the reports' regulations.

identification of the valuation subject	Valuation timing (validation date)	The value of the valuation subject before the valuation date (assuming the accepted accounting principles, including depreciation and amortizations would not have required the change of its value according to the valuation) (EUR in thousands)	Value of the valuation subject as determined according to its value (Euro in thousands)	Identification of the appraiser and its characteristics including education, experience in performing valuations for accounting purposes in reporting corporations in scopes similar to the reported valuation or exceeding these scopes and the dependency upon the party who ordered the valuation including reference to indemnification agreements with the appraiser	The valuation model used by the appraiser	The assumptions under which the appraiser performed the valuation according to the valuation model				
						Capitalization rate – Exit Cap rate	long term inflation rate	Terminal rate	Prices used as a basis for comparison	Number of comparison bases.
Leipzig Residential portfolio	Signing – August 12, 2020 Effective date – June 30, 2020	230,860	254,320	CBRE Michael Schlatterer (MRICS, RICS Registered valuer) Independent appraisers with experience in appraising assets of similar scale. No indemnification agreement, except indemnification with respect to liabilities arising from incorrect or inaccurate information provided by the Company.	**DCF**	3.40%	1.50%-2.00%	325,226	Comparative transactions, which include a price per square meter, for properties with similar characteristics	CBRE database regarding signed lease agreements for approximately 1,900 apartments in Leipzig
Bremen Residential portfolio	Signing – August 12, 2020 Effective date – June 30, 2020	70,280	74,290	CBRE Michael Schlatterer (MRICS, RICS Registered valuer) Independent appraisers with experience in appraising assets of similar scale. No indemnification agreement, except indemnification with respect to liabilities arising from incorrect or inaccurate information provided by the Company.	**DCF**	4.37%	1.50%-2.00%	95,135	Comparative transactions, which include a price per square meter, for properties with similar characteristics	CBRE database regarding signed lease agreements for approximately 1,300 apartments in Bremen
	Signing –	69,800	77,530	CBRE		3.93%	-1.50% 2.00%	103,801	Comparative transactions, which	CBRE database regarding signed lease agreements

Kiel Residential portfolio	August 12, 2020 Effective date – June 30, 2020			Michael Schlatterer (MRICS, RICS Registered valuer) Independent appraisers with experience in appraising assets of similar scale. No indemnification agreement, except indemnification with respect to liabilities arising from incorrect or inaccurate information provided by the Company.	**DCF**				include a price per square meter, for properties with similar characteristics	for approximately 2,300 apartments in Kiel

It should be noted that on June 23, 2020, the Company's Board of Directors decided to enter into agreement with the appraiser CBRE in lieu of the appraiser Savills and the valuations listed above were conducted by CBRE. As of June 30, 2020, the rate of assets valued by them constitutes 74.06% of the total assets in the Company's balance sheet and the identity of the organ in the corporation that decided on said engagement is the Company's Board of Directors. CBRE are not dependent on the Company. For further details, see the valuation of Leipzig attached to this report.

The decision to replace the existing appraiser with CBRE is mainly due to the level of expertise of CBRE, which is the largest and leading company in the German market in the field of real estate services.

It will be clarified that to the best of the Company's knowledge, the differences between the valuations conducted by Savills and CBRE are related to the fact that during the reporting period there was a decrease in the discount rates used to measure the fair value of some of the Company's investment properties in the residential real estate sector at a rate of 1.28% due to a change in market conditions during the period. As a result, there was an increase in the fair value of residential income-producing properties and a gain from a change in the fair value of approximately EUR 69.4 million was recognized.

12. Following are details regarding to the liability certifications issued by the Company, which are at the possession of the public at the date of the report, according to the eighth addendum of the securities regulations of the reports' regulations[21]:

	Bonds (Series B)	Bonds (Series C)
Is the series material as this term is defined in Regulation 10(B)(13)(a) of the Reports' Regulations?	Yes	Yes
Date of issue	May 21, 2013	July 22, 2014
Date of expanding series	February 4, 2014	April 4, 2016
Par value on the date of issue (thousands NIS)	175,000	102,165
Par value on the date of expanding series (thousands NIS)	240,000	160,180
Par value as at 30.06.2020 (thousands NIS)	180,000	147,104
Linked par value as at 30.06.2020 (thousands NIS)	181,937	147,104
Sum of cumulative interest plus linkage differentials (thousands NIS) as at 30.06.2020	-	2,154
Value in financial statements as at 30.06.2020 including interest payable (thousands NIS)	181,029	148,033
Value at the stock exchange as at 30.06.2020 (thousands NIS)	181,764	152,988
Type and rate of interest	3.29% (annual, linked, fixed rate), subject to adjustments in case of changes in the rating of the bonds (Series B) and/or non-compliance with the financial covenants as specified in Sections 2.8.4.12 and 2.8.4.13 of the shelf prospectus	3.30% (annual, linked, fixed rate), subject to adjustments in case of changes in the rating of the bonds (Series C) and/or non-compliance with the financial covenants as specified in Sections 2.8.4.12 and 2.8.4.13 of the shelf prospectus
Dates of paying principal	Payable in 12 unequal annual instalments on December 31 of each year 2013 to 2024 (inclusive), as such that each of the first seven instalments will constitute 4% of the principal of the total par value of the bonds (Series B),	Payable in 12 unequal annual instalments on July 20 of each year 2015 to 2026 (inclusive), as such that each of the first nine instalments will constitute 2% of the

[21] on April 20, 2020, early and full redemption of the Company's bonds (Series A) was carried out. For further details, see section 10.4 above.

	and each of the last five instalments will constitute 14.4% of the principal of the total par value of bonds (Series B); the first principal payment on December 31, 2013.	principal of the total par value of the bonds (Series C), the tenth payment will constitute 17% of the principal of the total par value of bonds (Series C), and each of the final two instalments will constitute 32.5% of the principal of the total par value of bonds (Series C); the first principal payment on July 20, 2015.
Dates of paying interest	Payable on December 31 and June 30 of each year 2013 to 2024 (inclusive), effective from December 31, 2013. The last interest instalment will be paid on December 31, 2024.	Payable on January 20 and July 20 of each year 2015 to 2026 (inclusive), effective from January 20, 2015. The last interest instalment will be paid on July 20, 2026.

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

13. Rating:

On March 30, 2020, Maalot S&P announced the ratification of the rating (ilAA- / stable). For the updated rating report see the Company's immediate report dated March 30, 2019 (reference no: 028237- 01-2020) which is included herein by way of reference.

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

To the Company's best knowledge, as of the report date and over the reported year, the Company has complied with all terms and liabilities according to the deeds of trust[22], including at the end of the Report Period, when the Company complied with all the financial covenants prescribed in the deed of trust of February 24, 2011 (as amended on October 30, 2012 and January 29, 2017) between the Company and Reznik Paz Nevo Trust Ltd, the trustee for the bond holders (series A) that were fully repaid as specified in section 11.4 above and in the deed of trust dated May 9, 2013 (as amended on January 29, 2017 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 July 3, 2017 and May 27, 2018) between the Company and Reznik Paz Nevo Trust Ltd, the trustee for the bond holders (Series C), (below and respectively: the trustee and the deeds of trust) including the following financial covenants:

A. At the end of each quarter the ratio of the Company's equity to its financial debt, net, according to solo reports for that date, will not be under 187.5%[23]:

The Company's equity, which is attributed to the majority shareholders at the Report Period, namely, as of June 30, 2020, is EUR 759.0 million.

The financial debt, net, according to solo reports of the Company, as of the same date, is EUR 81.7 million.

Therefore, the ratio of the Company's equity to the financial debt, net, according to solo reports as of the end of the Report Period, namely, as of June 30, 2020, is approximately 929.17%.

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

With respect to the bond holders (Series B):

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

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

The number of charged shares of BGP as of June 30, 2020: 640,027.

The total issued share capital of BGP as of June 30, 2020 and the signing date of the report: 1,978,261.

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

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

The rate of charged shares out of the issued capital share of BGP as of June 30, 2020: 32.4%.

BGP's equity, attributed to its shareholders, as appears in the Company's financial statements as of June 30, 2020: EUR 812,033 thousand.

The EUR/NIS representative exchange rate known, published by the Bank of Israel, as of the signing date of the report: NIS 4.0391.

The value of the charged shares: NIS 1,061,141 thousand.

Net debt: NIS 181,937 thousand.

Accordingly, the ratio between the charged shares' value to net debt, as of the end of the Report Period, is approximately 583%, therefore the Company meets this ratio as well.

With respect to the bond holders (Series C):

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

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

The number of charged shares of BGP as of June 30, 2020: 394,430.

The total issued share capital of BGP as of June 30, 2020 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, 2020: 19.9%.

BGP's equity, attributed to its shareholders, as appears in the Company's financial statements as of June 30, 2020: EUR 812,033 thousand.

The EUR/NIS representative exchange rate known, published by the Bank of Israel, as of the signing date of the report: NIS 4.0391.

The value of the charged shares: NIS 653,950 thousand.

Net debt: NIS 148,810 thousand.

Accordingly, the ratio between the charged shares' value to net debt, as at the end of the Report Period, is approximately 439%, 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 150 million and EUR 190 million, respectively. As of the report date, the equity attributed to the majority shareholders is EUR 759.0 million.

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

   As of the report date, the equity attributed to the majority shareholders is EUR 759.0 million and the debt ratio to CAP is 37.95% (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 the 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):

	EUR in Thousands
Financial liabilities according to solo reports	84,194
Financial liabilities of the subsidiaries	-
Other liabilities according to solo reports	447,684
Net of cash, cash equivalents and deposits	27,592
Net of debt in respect of inventory of apartments under construction	16,400
Net financial debt – consolidated	487,886
CAP[24]	
Equity including non-controlling interests	797,847
Net financial debt, consolidated	487,886
Deferred loans of the Company	-
CAP	1,285,733

Therefore, **this ratio is 37.95%** whereas according to the deeds of trust such a ratio should be lower than 75% for Series B and C.

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

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

For details regarding the charges for securing the Company's undertakings pursuant to the terms of the Company's bonds (Series B and Series C), which are in force pursuant to any law and the Company's incorporation instruments, as of the report date and the report signing date, see section 20 of the board of directors' report for 2019 attached as Chapter B to the periodic report of the Company for 2019 (reference number 026409-01-2020) which included herein by way of reference (2019 periodic report).

It should be noted that in the reported period and following the early and full redemption of the Company's bonds (Series A) as described in Section 11.4 above, on April 20, 2020, the Company addressed the trustee for the bondholders (Series A), requesting to release and remove the charges registered to secure the Company's liabilities in connection with the bonds (Series A), in accordance with the terms of the trust deed. The Company obtained a confirmation on the charges removal on May 7, 2020.

16. Attaching the financial statements of BGP:

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

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

The following is data as of June 30, 2020, 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, 2020 (EUR in thousands)	The Company Consolidated	Assets/liabilities In the pledged investee company	Assets/liabilities In unpledged companies
Total assets	1,484,474	1,429,929	54,545
Current assets and held for sale	92,294	88,192	* 4,102
Noncurrent assets	1,392,180	1,364,270	27,910
Total liabilities	686,627	601,610	85,017
Current liabilities and held for sale	98,699	87,717	** 10,982
Noncurrent liabilities	587,928	513,893	*** 74,035
Non- controlling interests	38,819	38,819	-
Total equity	759,028	789,500	(30,472)
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	%88	%12
Rate of equity out of the total equity in the balance sheet	%100	%104	(%4)

* Mainly cash and liquid balances held by the Company (solo);
** Mainly current maturity of principal of bonds (Series B – C) issued by the Company and interest payable for said bonds;
*** Mainly balance of bonds principal (Series B – C) issued by the Company.

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

August 17, 2020

BRACK CAPITAL PROPERTIES NV

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2020

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, 2020 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 (Israel) 2410 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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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, 2020 Amit, Halfon, CPAs

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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2020	June 30, 2019	December 31, 2019
	Unaudited	Unaudited	Audited
	€ in thousands		
Current Assets			
Cash and cash equivalents	27,113	98,858	44,409
Balances receivable from banks	1,173	416	-
Restricted deposits, financial assets and other receivables	24,825	28,511	68,356
Income receivable from the sale of apartments	3,869	375	7,464
Tenants and trade receivables, net	1,896	55	505
Inventory of buildings under construction	23,132	31,002	29,311
	82,008	159,217	150,045
Assets of disposal groups held for sale	10,286	129,639	199,426
Non-Current Assets			
Investments and loans in companies measured at equity	26,062	8,798	7,699
Investments in financial assets measured at fair value through profit or loss	34,405	40,298	42,149
Inventory of real estate	45,712	225,596	71,768
Investment property – real estate rights	58,558	65,265	62,218
Investment property – income generating assets	1,220,349	1,120,265	1,123,350
Restricted deposits for investments in assets	6,648	5,856	6,168
Other accounts receivable, fixed assets and other financial assets	362	3,087	328
Deferred taxes	84	2,008	33
	1,392,180	1,471,173	1,313,713
	1,484,474	1,760,029	1,663,184

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2020	June 30, 2019	December 31, 2019
	Unaudited	Unaudited	Audited
	€ in thousands		
Current Liabilities			
Current maturities of loans from banks	32,584	87,842	57,275
Current maturities of debentures	10,159	18,297	25,780
Loans for financing inventory of buildings under construction	16,400	4,885	5,747
Accounts payable and other financial liabilities	36,194	23,445	23,963
Advances from apartment purchasers	-	3,884	1,143
	95,337	138,353	113,908
Liabilities of disposal groups held for sale	3,362	79,928	148,211
Non-Current Liabilities			
Loans from banks	398,700	492,615	415,904
Debentures	74,035	96,698	74,639
Loans from controlling shareholder	-	44,200	44,762
Leasing liabilities	2,990	3,041	3,010
Other financial liabilities	379	645	404
Deferred taxes	111,824	105,544	108,909
	587,928	742,743	647,628
Total liabilities	686,627	961,024	909,747
Equity Attributable to Company Shareholders			
Share capital	77	77	77
Premium on shares	144,237	144,237	144,237
Treasury shares	(746)	(746)	(746)
Other capital reserves	584	1,512	584
Statutory capital reserve	413,496	349,872	359,944
Retained earnings	201,380	199,192	207,938
Total equity attributable to Company shareholders	759,028	694,144	712,034
Non-controlling interests	38,819	104,861	41,403
Total equity	797,847	799,005	753,437
	1,484,474	1,760,029	1,663,184

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

August 17, 2020			
Date of approval of the financial statements	Patrick Burke Chairman of the Board of Directors	Tomas de Vargas Machuca CEO	Thomas Stienlet CFO

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

	Six months ended June 30,		Three months ended June 30		Year ended December 31
	2020	2019	2020	2019	2019
	Unaudited				Audited
	€ in thousands (except for net earnings per share data)				
Revenues from rental of properties	31,503	39,125	15,606	19,108	73,771
Revenues from property management and others	12,599	13,263	6,411	6,743	25,904
Property management expenses	(12,566)	(13,258)	(6,412)	(6,744)	(25,899)
Cost of maintenance of rental properties	(6,278)	(6,070)	(3,268)	(3,083)	(12,296)
Rental and management revenues, net	25,258	33,060	12,337	16,024	61,480
Revenues from sale of apartments	36,307	13,010	23,971	6,251	70,029
Cost of sale of apartments	(27,670)	(12,134)	(18,216)	(6,987)	(56,999)
Gain (loss) from sale of apartments	8,637	876	5,755	(736)	13,030
Other income	500	-	500	-	-
Administrative and general expenses	(6,734)	(7,606)	(3,437)	(4,603)	(16,138)
Administrative and general expenses attributed to inventory of apartments under construction and real estate inventory	(1,143)	(1,016)	(438)	(456)	(1,986)
Selling and marketing expenses	(44)	(215)	(9)	(130)	(375)
Operating profit before change in value of investment property, net	26,474	25,099	14,708	10,099	56,011
Increase (decrease) in value of investment property, net	52,287	3,920	63,222	4,314	13,338
Operating income	78,761	29,019	77,930	14,413	69,349
Financial expenses excluding the effect of exchange differences and currency hedging transactions	(9,078)	(9,564)	(3,537)	(5,151)	(19,090)
Effect of exchange differences, CPI and currency hedging transactions, net	2,326	(6,000)	(227)	(2,635)	(8,976)
Change in fair value of financial instruments loans and others (including early repayment costs of loans)	(7,908)	(11,046)	3,337	2,633	(11,291)
Equity in losses of companies accounted at equity method of accounting	-	-	-	-	(107)
Income before taxes on income	64,101	2,409	77,503	9,260	29,885
Taxes on income	(13,991)	(3,864)	(17,496)	(3,311)	(12,258)
Total net and comprehensive income (loss) for the period	50,110	(1,455)	60,007	5,949	17,627
Net income (loss) and comprehensive income attributable to:					
Company shareholders	46,994	(500)	57,600	7,852	18,318
Non-controlling interests	3,116	(955)	2,407	(1,903)	(691)
	50,110	(1,455)	60,007	5,949	17,627
Net earnings (loss) per share attributable to the Company's shareholders (in Euro)					
Basic and diluted net income (loss)	6.08	(0.06)	7.45	1.02	2.37

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, 2020 (audited)	77	144,237	(746)	584	359,944	207,938	712,034	41,403	753,437
Total net and comprehensive income	-	-	-	-	-	46,994	46,994	3,116	50,110
Classification as per provisions of Dutch law	-	-	-	-	53,552	(53,552)	-	-	-
Distribution and payment to non-controlling interests	-	-	-	-	-	-	-	(*)(5,700)	(5,700)
Balance as of June 30, 2020 (Unaudited)	77	144,237	(746)	584	413,496	201,380	759,028	38,819	797,847

(*) Distribution to controlling shareholder of the Company holding non-controlling interest in the Company's subsidiaries.

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity Attributable to Company Shareholders								
	Share Capital	Premium on Shares	Treasury Shares	Other capital reserves	Statutory Capital Reserve	Retained Earnings	Total	Non-Controlling Interests	Total Equity
	Unaudited								
	€ in thousands								
Balance as of January 1, 2019 (audited)	77	144,237	(746)	1,512	378,756	170,808	694,644	105,816	800,460
Net income and comprehensive income	-	-	-	-	-	(500)	(500)	(955)	(1,455)
Classification as per provisions of Dutch law	-	-	-	-	(28,884)	28,884	-	-	-
Balance as of June 30, 2019 (Unaudited)	77	144,237	(746)	1,512	349,872	199,192	694,144	104,861	799,005

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity Attributable to Company Shareholders								
	Share Capital	Premium on Shares	Treasury Shares	Other capital reserves	Statutory Capital Reserve	Retained Earnings	Total	Non-Controlling Interests	Total Equity
	Unaudited								
	€ in thousands								
Balance as of April 1, 2020 (Unaudited)	77	144,237	(746)	584	360,321	196,955	701,428	36,412	737,840
Net and comprehensive income	-	-	-	-	-	57,600	57,600	2,407	60,007
Classification as per provisions of Dutch law	-	-	-	-	53,175	(53,175)	-	-	-
Balance as of June 30, 2020 (unaudited)	77	144,237	(746)	584	413,496	201,380	759,028	38,819	797,847

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

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity Attributable to Company Shareholders								
	Share Capital	Premium on Shares	Treasury Shares	Other capital reserves	Statutory Capital Reserve	Retained Earnings	Total	Non-Controlling Interests	Total Equity
	Unaudited								
	€ in thousands								
Balance as of January 1, 2019 (audited)	77	144,237	(746)	1,512	378,756	170,808	694,644	105,816	800,460
Total net and comprehensive income (loss)	-	-	-	-	-	18,318	18,318	(691)	17,627
Classification as per provisions of Dutch law, net	-	-	-	-	(18,812)	18,812	-	-	-
Purchase of rights from non-controlling interests	-	-	-	(928)	-	-	(928)	(63,722)	(64,650)
Balance as of December 31, 2019 (audited)	77	144,237	(746)	584	359,944	207,938	712,034	41,403	753,437

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, 2020	Six months ended June 30, 2019	Three months ended June 30, 2020	Three months ended June 30, 2019	Year ended December 31, 2019
	Unaudited				Audited
	€ in thousands				
Cash flows from operating activities					
Net income (loss)	50,110	(1,455)	60,007	5,949	17,627
Adjustments to reconcile net income to net cash provided by operating activities:					
Adjustments to profit and loss:					
Depreciation	51	52	24	22	100
Financial expenses, net	8,577	24,156	4,523	7,312	38,062
Decrease (increase) in fair value of financial instruments	6,247	2,572	(3,290)	(2,325)	(832)
Increase in value of investment property, net	(54,137)	(3,920)	(65,072)	(4,314)	(13,338)
Deferred taxes, net	1,542	6,608	9,593	4,125	7,685
Equity in losses of companies accounted at equity	-	-	-	-	107
	(37,720)	29,468	(54,222)	4,820	31,784
Cash flows from operating activities before changes in asset and liability items	12,390	28,013	5,785	10,769	49,411
Changes in asset and liability items:					
Decrease (increase) in tenants, restricted deposits and other receivables and related parties	(4,145)	9,550	(917)	9,244	(1,055)
Increase (decrease) in accounts payable	8,869	(9,987)	5,767	(1,550)	(2,673)
	4,724	(437)	4,850	7,694	(3,728)
Net cash provided by operating activities before activity in real estate assets and liabilities	17,114	27,576	10,635	18,463	45,683
Change in advances and income receivable from apartment purchasers	2,453	3,043	3,025	3,571	(2,688)
Decrease (increase) in inventory of buildings under construction and real estate inventory	6,424	(16,233)	7,948	(8,398)	(5,487)
Net cash provided by operating activities	25,991	14,386	20,680	13,636	37,508

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,
	2020	2019	2020	2019	2019
	Unaudited				Audited
	€ in thousands				
Cash Flows from investing activities					
Investment in investment property	(7,695)	(8,489)	(3,430)	(3,721)	(18,115)
Investment in companies measured at equity	(600)	(1,100)	(600)	(501)	(109)
Proceeds from sale of investment property, net	40,417	-	36,307	-	89,714
Proceeds from sale of subsidiaries, net (a)	-	64,094	-	64,094	64,094
Withdrawal (placement) of restricted deposits, net	44,021	(15,962)	(7,745)	(15,986)	(46,576)
Sale of derivatives	1,961	-	1,961	-	940
Net cash provided by investing activities	78,104	38,543	26,493	43,886	89,948
Cash flows from financing activities					
Interest paid	(8,520)	(8,735)	(4,030)	(4,432)	(17,069)
Purchase of rights from non-controlling interests	-	-	-	-	(64,650)
Distribution and payment to non-controlling interests	(5,700)	-	-	-	-
Receipt of long-term bank loans, net	16,400	211,428	12,527	211,428	339,279
Receipt (repayment) of long term loans from controlling shareholder, net	(44,200)	44,200	-	44,200	44,200
Repayment of debentures	(15,583)	-	(15,583)	-	(18,679)
Repayment of long-term loans	(63,788)	(228,102)	(52,500)	(223,047)	(393,266)
Net cash provided by (used in) financing activities	(121,391)	18,791	(59,586)	28,149	(110,185)
Change in cash and cash equivalents	(17,296)	71,720	(12,413)	85,671	17,271
Balance of cash and cash equivalents at the beginning of the period	44,409	27,138	39,526	13,187	27,138
Balance of cash and cash equivalents at the end of the period	27,113	98,858	27,113	98,858	44,409

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, 2020	Six months ended June 30, 2019	Three months ended June 30, 2020	Three months ended June 30, 2019	Year ended December 31, 2019
	Unaudited				Audited
	€ in thousands				
Additional information					
(a) Proceeds from sale of previously consolidated subsidiaries					
Assets and liabilities of the subsidiaries as of the date of sale:					
Inventory	143,004	-	-	-	-
Investment property	-	180,603	-	180,603	180,603
Working capital	407	663	-	663	663
Loans from banks, net	(127,512)	(97,754)	-	(97,754)	(97,754)
Deferred taxes, net	2,037	(12,924)	-	(12,924)	(12,924)
Assets, net	17,936	70,588	-	70,588	70,588
Less investment balance in companies presented as a financial asset	-	(6,494)	-	(6,494)	(6,494)
Less investment balance in a company accounted at equity	(17,936)	-	-	-	-
	-	64,094	-	64,094	64,094
(b) Taxes paid	3,403	8,103	2,069	1,452	9,010
(c) Material non cash activities					
Classification of real estate inventory to investment property	29,640	-	3,560	-	-

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

Note 1: - <u>General</u>

a. General description of the Company and its activity

Brack Capital Properties N.V (the Company) was incorporated in June 2006 and is a real estate company residing in the Netherlands engaging through investees in the purchase and management of investment property in Germany in the segment of income generating commercial real estate and income generating residential real estate. In addition, the Company is engaged in the development of a residential complex and improvement of land in Dusseldorf, Germany, see Note 4.

The Company's shares and securities are listed for trade on the Tel Aviv Stock Exchange.

In April 2018, the Company was informed that the control of the Company was purchased by ADLER Real Estate AG (ADLER). ADLER intends to use its influence as controlling shareholder subject to the provisions of any law so as to examine the option of re-focusing the Company's strategy including the option of selling a certain part of the Company's assets and businesses. As of the approval date of the financial statements, the Company continues to examine the options of focusing its business strategy including the commencement of actions for selling part of its businesses (some of which were completed in 2019 and 2020).

b. These Financial Statements have been prepared in a condensed format as of June 30, 2020 and for the six and three month periods then ended (hereinafter – the Consolidated Interim Financial Statements). These Statements should be read in conjunction with the annual financial statements as of December 31, 2019 and for the year then ended and the accompanying notes (the consolidated annual financial statements).

c. Regarding the outbreak of the Corona virus (Covid- 19) and its effect on the Company's activity and operating results see Note 5(6).

Note 2: - <u>Significant accounting policies</u>

a. <u>Preparation format of the Interim Consolidated Financial Statements</u>

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. <u>Use of estimates and judgments</u>

In preparing the condensed consolidated interim financial statements in accordance with IFRS, the Company's management is required to exercise discretion for making estimates, assessments and assumptions that affect implementation of policy and amounts of assets and liabilities, income and expenses. It should be clarified that the actual results may differ from these estimates. Management's discretion when applying the Group's accounting policies and the key assumptions used in the estimates involving uncertainty are consistent with those used in the preparation of the annual financial statements.

Note 2: - Significant accounting policies (Cont.)

In the reported period, with the entry into force of the sale agreement and the collaboration agreement in the Gerresheim project (see Note 5 (3)), the Company examined the issue of loss of control of a sub-subsidiary and deconsolidation in view of the Company's cancellation right prior to completion of payments 2 and 3 under the agreement. The Company has determined that under the special circumstances of the agreement, this right is not real (in accordance with the implementation appendix of IFRS 10), since the Company considers this right a protective right that serves as security for the performance of the agreement and said payments, where the partner to the transaction can advance such payments at any given time, thereby causing the cancellation of the Company's cancellation right, especially when exiting the transaction may harm the Company and the realization of the plan in economic and other aspects. In addition, the Company determined that as part of the accounting treatment regarding the loss of control of the sub-subsidiary and the transition to implementing the equity method, there is no need to revalue the investment balance in that company (25%) at fair value, given the terms of the transaction where an asset company is involved which is not defined as business.

c. Initial adoption of new standards, amendments to standards and interpretations

Amendment to IFRS 3 "Business Combinations" ("definition of business")

The amendment prescribes that in order to be considered a "business," the acquired assets and activities must include, at minimum, an input and a material process that together contribute significantly to the ability to generate output. The amendment omits the need to examine whether market participants are capable of replacing missing inputs or processes and continue to generate outputs and omits from the definition of "business" and "outputs" reduced costs or other economic benefits and focuses on products and services provided to customers.

The amendment also adds a fair value concentration test whereby a business is not involved if the entire fair value of the purchased assets, gross, is concentrated in a single identified asset or in a group of similar identified assets.

The amendment applies to business combinations and property acquisitions whose acquisition date is January 1, 2020.

The adoption of the amendment had no effect on the Group's financial statements.

d. New standards not yet adopted

Amendment to IAS 1, Presentation of Financial Statements: Classification of Current or Non-Current Liability

The amendment replaces certain classification requirements of current or non-current liabilities. For example, under the amendment, a liability will be classified as non-current when the entity has the right to defer payment for a period of at least 12 months after the reporting period, which is of "Substance" existing at the end of the reporting period, and this is in lieu of the requirement for an "unconditional" right.

Note 3: - Financial instruments

According to the amendment, a right exists as of the reporting date only if an entity meets the conditions for deferring payment as of that date. In addition, the amendment clarifies that the right of conversion of a liability will affect the entire classification of the instrument as current or non-current unless the conversion component is equity.

The amendment will take effect during reporting periods beginning on January 1, 2022, (as of the approval date of the statements, it is proposed to postpone such adoption for a year). Early adoption is permitted. The amendment will be applied retrospectively, including amending comparative figures.

The Company has not yet begun to examine the implications of adopting the amendment on the financial statements.

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, 2020		June 30, 2019		December 31, 2019	
	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	84,749	86,214	116,212	127,066	101,326	111,429

Management has estimated that the balance of cash, 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 maturity terms of these instruments.

Below are the methods and assumptions used in determining fair value:

The fair value of marketable debentures is based on prices quoted in the stock exchange as of the cut-off date (level 1)

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:

Note 3: - Financial instruments (Cont.)

	June 30, 2020		
	Level 1	Level 2	Level 3
		Unaudited	
		€ in thousands	
Assets:			
Financial assets measured at fair value through profit or loss	27,911	-	6,494
Liabilities:			
Interest swap agreements	-	(683)	-

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

	June 30, 2019		
	Level 1	Level 2	Level 3
		Unaudited	
		€ in thousands	
Assets:			
Derivative financial assets	879	-	-
Financial assets measured at fair value through profit or loss	33,804	-	6,494
Liabilities:			
Interest swap agreements	-	(952)	-

	December 31, 2019		
	Level 1	Level 2	Level 3
		€ in thousands	
Assets:			
Derivative financial assets	1,635	-	-
Financial assets measured at fair value through profit or loss	35,655	-	6,494
Liabilities:			
Interest swap agreements	-	(683)	-

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, 2020 (Unaudited)					
Revenues from property rental	5,230	26,162	111	-	31,503
Revenues from property management and others	1,261	11,284	54	-	12,599
Property management expenses	(1,249)	(11,261)	(56)	-	(12,566)
Rental property maintenance expenses	(2,574)	(3,533)	(171)	-	(6,278)
Total rental and management revenues, net	2,668	22,652	(62)	-	25,258
Revenues from sale of apartments	-	-	-	36,307	36,307
Cost of sale of apartments	-	-	-	(27,670)	(27,670)
Gain from sale of apartments	-	-	-	8,637	8,637
Other income	500	-	-	-	500
Administrative and general expenses	-	-	-	-	(6,734)
Selling and marketing expenses and administrative and general expenses attributed to inventory of buildings under construction and inventory of real estate	-	-	-	(1,187)	(1,187)
Increase (decrease) in value of investment property, net	(11,690)	69,377	(5,400)	-	52,287
Financial expenses, net					(14,660)
Income before taxes on income					64,101

(*) Regarding assets designated for sale and assets sold in the reported period see Notes 5 (2) and 5 (3).

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

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, 2020 (Unaudited)					
Revenues from property rental	2,557	13,026	23	-	15,606
Revenues from property management and others	821	5,577	13	-	6,411
Property management expenses	(813)	(5,581)	(18)	-	(6,412)
Rental property maintenance expenses	(1,295)	(1,945)	(28)	-	(3,268)
Total rental and management revenues, net	1,270	11,077	(10)	-	12,377
Revenues from sale of apartments	-	-	-	23,971	23,971
Cost of sale of apartments	-	-	-	(18,216)	(18,216)
Gain from sale of apartments	-	-	-	5,755	5,755
Other income	500	-	-	-	500
Administrative and general expenses	-	-	-	-	(3,437)
Selling and marketing expenses and administrative and general expenses attributed to inventory of buildings under construction and inventory of real estate	-	-	-	(447)	(447)
Increase (decrease) in value of investment property, net	(2,333)	70,955	(5,400)	-	63,222
Financial expenses, net					(427)
Income before taxes on income					77,503

(*) Regarding assets designated for sale and assets sold in the reported period see Note 5 (2) and 5 (3).

Note 4: - Operating Segments (cont.)

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

Note 4: - Operating Segments (cont.)

	Income-generating commercial real estate	Income-generating residential real estate	Land for betterment	Residential development	Total
	Euros in thousands				
For the year ended December 31, 2019					
Revenues from property rental	23,414	50,083	274	-	73,771
Revenues from property management and others	4,866	20,985	53	-	25,904
Property management expenses	(4,897)	(20,963)	(39)	-	(25,899)
Rental property maintenance expenses	(4,102)	(8,080)	(114)	-	(12,296)
Total rental and management revenues, net	19,281	42,025	174	-	61,480
Revenues from sale of apartments	-	-	-	70,029	70,029
Cost of sale of apartments	-	-	-	(56,999)	(56,999)
Gain from sale of apartments				13,030	13,030
Selling and marketing and general and administrative expenses attributed to inventory of buildings under construction and inventory of real estate	-	-	-	(2,361)	(2,361)
Increase (decrease) in value of investment property, net	(37,293)	54,810	(4,179)	-	13,338
Financial expenses, net					(39,357)
Equity in losses of companies accounted at equity	(107)	-	-	-	(107)
Income before taxes on income					29,885

Note 5: - Material Events during the Reported Period

1. On May 9, 2019, the Company's audit committee and Board of directors approved to obtain a credit facility of EUR 100 million from ADLER, the controlling shareholder of the Company. From this facility as of December 31, 2019 EUR 44.2 million were drawn down. The facility was granted for a two-year period at an interest of 2.58% per annum and the Company has early repayment right of the drawn down funds without penalty. No financial covenants were set for the loan and no collaterals were provided by the Company. In January and March 2020, the Company repaid the entire debt to the controlling shareholder such that as of the report date, no debt balance is owed by the Company to the controlling shareholder

2. On June 28, 2019, the Company entered into an agreement for selling additional assets from the Company's commercial income producing real estate portfolio for EUR 128.6 million. As a result of the agreement, in 2019, the Company recognized a loss of EUR 9 million deriving from the adjustment of the value of the net assets and liabilities presented in the Company's financial statements to sale proceeds (net of transaction costs) and an additional loss of EUR 4 million, net of tax for costs the Company is expected to bear mainly for estimated repair costs agreed with the purchaser. On December 31, 2019, April 30, 2020 and June 30, 2020, the sale of certain assets included in the transaction was finally completed. The completion of the sale of the remaining asset included in the transaction is expected to be carried out in 2020.

   Accordingly, the assets and liabilities of the subsidiary the sale of which was not yet completed finally were classified in the statement of financial position as of June 30, 2020 as assets and liabilities of disposal group held for sale as follows:

	June 30, 2020	December 31, 2019
	Unaudited	Audited
Assets classified as held for sale	EUR in thousands	
Investment property held for sale	9,905	54,155
Trade receivables and other receivables	381	688
	10,286	54,843
Liabilities classified as held for sale		
Loans from banks	-	14,886
Accounts payable	3,328	4,482
Provision for deferred tax	34	1,337
	3,362	20,705

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

3. On September 22, 2019, the Company entered into an agreement with a third-party purchaser who is unrelated to the Company and is real estate investor focusing on real estate projects in Germany to sell 75% of its holding in the sub-partnership, which holds the Gerresheim development project (a land with an area of 193 thousand square meters in Dusseldorf, Germany) for a consideration reflecting a value of EUR 375 million (for further details see Note 6b(2) to the Company's consolidated financial statements for 2019).

   On December 26, 2019, an amended agreement was signed, whereby the consideration payment mechanism was adjusted as follows: upon the signing date of the amended agreement, the sub-partnership was paid EUR 132 million, originating from a new bank loan the sub-partnership has taken (it should be indicated that the Company guaranteed this loan) of which EUR 90 million was used to repay the existing bank loan taken in connection with the development of the project and the balance of the transaction, (less transaction costs) of EUR 36 million was paid to the Company in cash as the first payment in respect of the sale consideration as defined in the amended agreement as aforesaid and held in a restricted account until the approval of the German competition authorities is received. The loan taken on the date of the amended agreement, bore annual interest of 4% above the Euribor interest for 3 months and was payable on June 27, 2020. This loan was refinanced during June 2020 by two loans totaling approximately EUR 147.5 million. The new loans bear a weighted average interest rate of 4.54% during the first year of the loans and a weighted average interest rate of 5.15% during the second year of loans. The loans are repayable on June 1, 2022, with the Company guaranteeing approximately 22.87% of the balance of the loans. Transaction costs incurred by the sub-partnership in respect of the two new loans amount to EUR 4.5 million and will be fully paid by the purchaser. On February 28, 2020, the Company obtained the approval of the German Anti-Trust Authority and accordingly, on March 31, 2020, the transfer of the first part of the consideration in the amount of EUR 36 million was completed (originating in a loan taken by the sub-partnership).

   The consideration balance of EUR 120 million to EUR 175 million will be paid to the Company in three installments accordance with the fulfillment of the transaction terms the main of which is the publication of a zoning plan and obtaining building permits in scopes as detailed in the agreement.

   It should be noted that the agreement contains provisions that allow the Company to rescind the agreement (in this regard, see Note 2b above). In addition, the parties have the right to rescind the agreement, inter alia, if the aforementioned performance conditions are not met on the dates stipulated in the agreement, as well as provisions with respect to the parties' rights to compensation in the event of breach of the agreement by the other party (and in particular provisions with respect to agreed compensation to the Company in case of breach of the agreement by the purchaser).

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

Since the first condition of the agreement as stated above – receiving the approval of the German competition authorities was fulfilled, 75% of the shares of the sub partnership were transferred to the purchaser and the agreement for joint control by the parties came into effect and therefore the Company ceased to consolidate the financial statements of the sub - partnership. The investment balance in the sub-partnership is presented in the section of investments and loans in companies accounted at equity amounting as of June 30, 2020 to EUR 18,361 thousand (see note 2b above). The payment of the consideration balance to the Company is contingent upon events that are not under the full control of the Company (such as obtaining building permits etc.) and therefore the Company has not yet recognized a profit from the sale transaction.

Below is a summary of assets and liabilities of the sub-partnership as of the date of loss of control and deconsolidation:

Inventory	143,004
Working capital, net	407
Loans from banks, net	(127,512)
Deferred taxes, net	2,037
Assets, net	17,936

4. On January 30, 2020, the Company sold an additional asset of its commercial income generating portfolio, totaling approximately EUR 4.1 million. As part of the Company's strategy of leverage reduction, the sale consideration balance was used to repay controlling shareholders' loan.

5. In the first quarter of 2020 and following the completion of the construction of stage F in the Grafental residential project and the commencement of its rental, EUR 26 million was classified from inventory to investment property.

6. Following the outbreak of the Corona Virus (COVID-19) in China in December 2019, and its spread in early 2020 to many other countries, there has been a decline in economic activity in many regions of the world including Israel and Germany. The spread of the virus has, among other things, disrupted the supply chain, a decrease in the volume of global transport, traffic and employment restrictions imposed by the Israeli, German and Dutch governments and many governments worldwide, as well as declines in financial assets and commodities in markets in Israel and around the world. In addition, in accordance with the instructions of the German, Dutch and Israeli governments, the activity of business establishments was restricted or prohibited, the presence of manpower in workplaces was significantly restricted, education systems were locked down and restrictions were imposed on the option of going out from homes.

   <u>The Company's risks and exposures</u>

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

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

It should be indicated that the Corona crisis and the related economic crisis may create an exposure for the Company mainly in the income producing real estate sector, both in view of the impact of the Corona crisis on daily business activity in Germany and the ability of businesses to continue their operations and pay rental fees for commercial assets and (to a lesser extent) for residential assets in view of harm to income of private tenants, including their ability to meet their obligations to the Company and pay rental and/or the Company's ability to find tenants for vacant spaces. In addition, the Company has an exposure also in the real estate development sector since the impact of the economic crisis on global economy and on Germany in particular, may have an effect on the demand for apartments and cause a decrease in the value of the apartments for sale and/or decrease in the sales rate of apartments (although as of the report date, the Company is unaware of indications pointing at change in the prices of apartments and/or change in constructions costs). As of this date, the end of the spread of the virus cannot be expected as well as the end of the economic crisis in Germany, the Netherlands and Israel and throughout the world and its full impact on the Company's operations cannot be expected.

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

The Company's revenues were not significantly harmed, among other things, in view of recent actions taken by the Company that focused its activities on residential properties, which reduced the Company's exposure to commercial tenants as well as the German government's assistance to commercial tenants. However, during the quarter, the Company recognized a loss of EUR 11.1 million following a significant decrease in the fair value of the Company's investment in marketable securities due to the crisis in capital markets from the spread of the Corona virus which was amortized in the second quarter in which the Company recognized a profit of EUR 3.3 million following an increase in fair value of that investment in marketable securities due to recovery of capital markets. In addition, in the first half of 2020, the Company recognized a loss due to impairment of the Company's commercial real estate assets in the amount of EUR 8.4 million, as detailed below. The spread of the Corona virus had no negative impact on the Company's assets in the residential segment (see below).

The spread of the Corona virus and the decline in economic activity as described above affected the Company's operations and results as detailed below:

- During the reported period, there were significant declines in the fair value of the Company's investments in marketable securities. For information on the fair value of the Group's investments, see Note 3 to the Company's financial statements regarding financial instruments.

- During the reported period, the financial situation of various tenants in the commercial real estate was harmed, which led to difficulties in paying rent and management fees, delaying in lease agreements renewal and finding tenants for the vacant spaces. As of the report date, trade receivables balance of approximately EUR 0.3 million, which constitutes approximately 5% of the Company's revenues in the commercial real estate sector has not yet been received due to deferral of payments and/or cancellation due to the corona crisis.

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

In the residential income generating segment the change in occupancy rate as of June 30, 2020 was insignificant compared to the average occupancy rate in 2019 and the rate of cancellations and delays in collection is negligible.

It should be indicated that due to reducing the Company's exposure to the commercial real estate sector, the decline in the collection rate has no material effect on the Company's cash flows.

- In addition, during the reported period there was an increase in discount rates used to measure the fair value of certain investment properties of the Company in the commercial income generating segment at a rate of 0.3% based on indications the Company received from outside appraisers. In addition, with respect to such assets, the Company updated the expected cash flows according to the effects described in the previous section. As a result, fair value of investment properties was impaired and a loss from change in fair value of investment property in the amount of EUR 8.4 million was recognized. The Company estimates that as of June 30, 2020 there is no change in the other main parameters used for the valuations of the Company's assets in the commercial income generating segment as of December 31, 2019 as specified in Note 8(c) to the consolidated financial statements of the Company for 2019.

- The crisis had no negative impact on the Company's assets in the residential real estate segment. In addition due to change in market conditions during the period and based on valuations as of June 30, 2020 conducted by external appraisers, fair value of residential real estate assets has increased mainly from decrease of weighted average discount rates and a gain from a change in the fair value of approximately EUR 69.4 million was recognized.

- With respect to the development sector, as of June 30, 2020 and as of the approval date of the financial statements, the Company is not aware of any indications pointing at a change in the selling prices of the apartments and/or a change in construction costs.

- According to the aforesaid, up to the approval date of the financial statements, the impact of the crisis on the Company's cash flow was insignificant, partly in light of reducing the exposure to commercial real estate and proceeds received from asset realization and given the change in collection rates from tenants and slowdown in apartment sales in development projects.

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

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

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

8. On August 12, 2020, the Company announced that following the recommendation and approval of the Company's remuneration committee, the Company's Board of Directors decided to approve the Company's new remuneration policy, stating that despite the objections of the general meeting, which was held on July 29, 2020, approval of the new remuneration policy is in the best interest of the Company and all is in accordance with section 267A (c) of the Companies Law, -1999. The approved remuneration policy also settles remuneration to directors and officers including setting fixed and variable components of the remuneration to officers, expense reimbursement, retirement terms, and insurance and indemnification. The approved remuneration policy also settles situations in which officers provide services to both the Company's parent company and the Company.

BRACK CAPITAL PROPERTIES NV

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

AS OF JUNE 30, 2020

UNAUDITED

IN THOUSANDS OF EUROS

עמית, חלפון

To the Shareholders of Brack Capital Properties NV

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

Introduction

We have reviewed the separate interim financial information according to regulation 38d of the Securities regulations (Periodic and Immediate Reports), 1970 of Brack Capital Properties N.V. (hereinafter – the Company), as of June 30, 2020 and for the six months and three months ending that date. The Board of Directors and Management are responsible for the separate interim financial information. Our responsibility is to express our conclusions with regard to the separate interim financial information for this interim period, based on our review.

Scope of the Review

We conducted our review in accordance with Review Standard 2410 (Israel) of the Institute of Certified Public Accountants in Israel, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of financial information for interim periods consists of inquiries, mainly from people responsible for finances and accounting, and of the application of analytical and other reviewing procedures. A review is significantly limited in scope relative to an audit conducted according to generally accepted Israeli auditing standards, and therefore does not allow us to achieve assurance that we have been made aware of all material issues that might have been identified in an audit. Accordingly, we are not expressing an audit opinion.

Conclusion

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

August 17, 2020 | Amit, Halfon, CPAs

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

	June 30,		December 31,
	2020	2019	2019
	Unaudited		Audited
	€ in thousands		
Current Assets			
Cash and cash equivalents	1,842	52,994	1,320
Cash and cash equivalents in trust	663	35,106	2,784
Balances receivable from banks	1,173	416	-
Restricted deposits, financial assets and other receivables	424	6,165	2,747
	4,102	94,681	6,851
Non-Current Assets			
Investment in investee	812,033	727,695	815,976
Investment in marketable financial asset measured at fair value through profit or loss	27,910	33,804	35,655
Other financial assets	-	372	-
	839,943	761,871	851,631
	844,045	856,552	858,482
Current Liabilities			
Current maturity of debentures	10,159	18,297	25,780
Accounts payable and other financial liabilities	823	3,213	1,267
	10,982	21,510	27,047
Non-Current Liabilities			
Debentures	74,035	96,698	74,639
Loans from controlling shareholder	-	44,200	44,762
	74,035	140,898	119,401
Equity			
Share Capital	77	77	77
Premium on Shares	144,237	144,237	144,237
Treasury Shares	(746)	(746)	(746)
Other capital reserves	584	1,512	584
Statutory capital reserve	413,496	349,872	359,944
Retained earnings	201,380	199,192	207,938
Total equity	759,028	694,144	712,034
	844,045	856,552	858,482

August 17, 2020			
Date of approval of the financial statements	Patrick Burke Chairman of the Board of Directors	Tomas de Vargas Machuca CEO	Thomas Stienlet CFO

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

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

	Six months ended June 30,		Three months ended June 30		Year ended December 31
	2020	2019	2020	2019	2019
	Unaudited				Audited
	€ in thousands				
Administrative and general expenses	(1,508)	(1,200)	(875)	(774)	(2,399)
Financial expenses, net	(7,125)	(11,545)	2,362	(703)	(15,284)
Equity in earnings of investess	55,627	12,245	56,113	9,329	36,001
Net and comprehensive income (loss)	46,994	(500)	57,600	7,852	18,318

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

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

	Six months ended June 30,		Three months ended June 30		Year ended December 31
	2020	2019	2020	2019	2019
	Unaudited				Audited
Cash flows from operating activities:					
Net income (loss) attributed to the Company's shareholders	46,994	(500)	57,600	7,852	18,318
Adjustments required to present net cash provided by operating activities:					
Adjustments to the profit or loss items:					
Financial expenses (income), net	6,776	11,827	(1,332)	2,467	15,122
Equity in earnings of investees	(55,627)	(12,245)	(56,113)	(9,329)	(36,001)
	(48,851)	(418)	(57,445)	(6,862)	(20,879)
Changes in assets and liabilities items:					
Decrease (increase) in other receivables and related parties	51	(829)	(225)	(783)	(630)
Increase (decrease) in accounts payable and related parties	92	356	(328)	(1,509)	1,927
	143	(473)	(553)	(2,292)	1,297
Net cash used in operating activities of the Company	(1,714)	(1,391)	(398)	(1,302)	(1,264)
Cash Flows from investing activities					
Change in investment in investee and cash and cash equivalents in trust, net	61,691	6,595	(8,703)	10,040	(25,835)
Decrease in restricted deposits	638	-	-	-	431
Interest received and exercise of derivatives	1,961	-	1,961	-	940
Net cash provided by (used in) investing activities of the Company	64,290	6,595	(6,742)	10,040	(24,464)

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

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

	Six months ended June 30,		Three months ended June 30		Year ended December 31
	2020	2019	2020	2019	2019
	Unaudited				Audited
Cash flows from financing activities					
Interest paid	(2,271)	(2,096)	(1,245)	(809)	(4,159)
Receipt (repayment) of long term loans from controlling shareholder	(44,200)	44,200	-	44,200	44,200
Repayment of debentures	(15,583)	-	(15,583)	-	(18,679)
Net cash provided by (used in) financing activities of the Company	(62,054)	42,104	(16,828)	43,391	21,362
Change in cash and cash equivalents	522	47,308	(23,968)	52,129	(4,366)
Balance of cash and cash equivalents at the beginning of the period	1,320	5,686	25,810	865	5,686
Balance of cash and cash equivalents at the end of the period	1,842	52,994	1,842	52,994	1,320

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

ADDITIONAL INFORMATION

1: - General

a. This separate financial information has been prepared in a condensed format as of June 30, 2020 and for the six month and three month periods then ended in accordance with Regulation 38d of the Securities Regulations (Periodic and Immediate Reports), 1970. This separate financial information should be read in conjunction with the annual financial statements as of December 31, 2019 and for the year then ended and the additional information.

b. Subsidiaries as defined in note 1b of the annual financial statements of the Company as of December 31, 2019.

c. The accounting policies applied in the preparation of this separate financial information is consistent with the policies applied in the preparation of the separate financial information as of December 31, 2019.

d. Regarding the outbreak of the Corona virus (COVID -19) and its effect on the Company's operations and its results, see Note 5(6) in the condensed interim consolidated financial statements.

2: - Material events in the reported period

a. On May 9, 2019, the Company's audit committee and Board of directors approved to obtain a credit facility of EUR 100 million from ADLER, the controlling shareholder of the Company. From this facility as of December 31, 2019 EUR 44.2 million were drawn down. In January and March 2020, the Company repaid the entire debt to the controlling shareholder such that as of the report date, no debt balance is owed by the Company to the controlling shareholder. The facility was granted for a two-year period at an interest of 2.58% per annum and the Company has early repayment right of the drawn down funds without penalty. No financial covenants were set for the loan and no collaterals were provided by the Company.

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

c. On August 12, 2020, the Company announced that following the recommendation and approval of the Company's remuneration committee, the Company's Board of Directors decided to approve the Company's new remuneration policy, stating that despite the objections of the general meeting, which was held on July 29, 2020, approval of the new remuneration policy is in the best interest of the Company and all is in accordance with section 267A (c) of the Companies Law, -1999. The approved remuneration policy also settles remuneration to directors and officers including setting fixed and variable components of the remuneration to officers, expense reimbursement, retirement terms, and insurance and indemnification. The approved remuneration policy also settles situations in which officers provide services to both the Company's parent company and the Company.