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") hereby submits the Board of Directors' report for a period of nine months ending on September 30, 2018 (hereinafter: "the Reported Period" or "the Report Period.

The review is limited in scope and refers to events and changes occurring in the corporation's state of affairs during the Reported Period the influence of which is material. The report was prepared assuming that the report of the Company's Board of Directors for 2017 (which is included in the Company's periodical report for 2017) (hereinafter, respectively: "2017 Board of Directors Report" and "2017 Periodic Report")[1] is available to the reader.

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

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

In this report:

"The report date or "the date of the report" – September 30, 2018.

"Report signing date" or "the date of signing the report" – November 21, 2018.

"The reported period" – the third quarter of 2018.

Preamble

Below are the Company's principal results for the nine months ended September 30, 2018.

1. **Profitability** – in the third quarter of 2018, the Company's net income attributed to the Company's shareholders amounted to approximately EUR 11.8 million compared to income of EUR 15.9 million in the corresponding period last year.

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

   - **Income producing real estate** – in the third quarter of 2018, the FFO amounted to EUR 9.2 million. The FFO in the reported quarter is grossing up an annual rate of EUR 36.8 million.

   - **Residential development activity**- In the reported period, the contribution to the profit of the Grafental project amounted to EUR 2.9 million (consolidated). As a result of the adoption of Accounting Standard No. 15, in the reported quarter, the Company recognized the cumulative sale of 119 residential units from stage D according to a weighted performance rate of 86.7% compared to 113 residential units according to a weighted performance rate of 71.5% recognized until June 30, 2018, the date of initial adoption of the standard. In addition, the Company recognized a profit from the sale of 10 residential units from Stage E according to average performance rate of 15.5%.

[1] Published on March 18, 2018 (reference 025570-01-2018) which is included by way of reference.

2. Operating segments – key operational data[2].

a. Residential development – Grafental project[3]

Stage	Number of flats	Expected revenues (EUR in millions)	Expected Gross income (EUR in millions)	Developer profit (in percentage)	Sales (in percentage)	Revenue recognition until now
D	119	67.6	16.4	32%	100%	82.6%
E	89	49.6	12.1	32%	85.6%	2.9%
G[4]	89	53.7	12.2	30%	0%	0%
Total	297	170.9	40.7	31%	61%	34%

b. Income producing real estate[25]

Zoning	Area (square meters)	Actual Return of rental fees[36]	ERV Return[7]	Actual NOI return[46]	NOI return according to ERV[8]	Occupancy rate
Residential	704	5.7%	7.1%	4.9%	6.3%	95%
Commercial	312	6.5%	6.8%	5.7%	6.0%	97%
Total	**1,016**	**6.0%**	**7.0%**	**5.2%**	**6.2%**	**95%**

- **Residential**: in the reported quarter, compared to the corresponding quarter last year rental fees increased by 3.9% from identical assets and 4.6% after adjustment of occupancy rates. At the same time, rental fees increased by 1.5% per square meter in new rentals. The rental fees in new rentals in the residential market are higher by 25% of the average rental fees.
- **Commercial**: in the reported quarter, rental fees have increased by 0.5% from identical assets compared to the corresponding quarter in 2017.

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[2] As of the beginning of November 2018.

[3] Data according to 100%, the Company's effective share in the project is 84.98%.

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

[5] Assets consolidated in the Company's financial statements

[6] Data of August 2018 on annual basis divided by the carrying value

[7] ERV - estimated rental value – the expected annual return provided that all of the assets are leased in full occupancy in return for the rental fees prevailing in the market.

[6] Data of August 2018 on annual basis divided by the carrying value

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

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

   a. **Equity and NAV**: The equity attributed to the Company's shareholders amounted to approximately EUR 639.9 million and the NAV[9] amounted to EUR 743 million as of the report date.

   b. **Debt ratios**: the LTV ratio[10] is 50.5% as of the report date. The EBITDA ratio to interest expenses (only from the income producing portfolio, excluding operating income from development activity) (excluding interest expenses in respect of development activity) is 3.93 in the third quarter of 2018.

   c. **Liquidity**: cash balances and liquid balances amounted to approximately EUR 32.7 million as of the report date.

[9] EPRA NAV – for details regarding the index and the calculation manner see section 5 of part A.
[10] Net debt to GAV.

Concise description of the Corporation and its business environment

Areas of activity

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

- **Residential income-producing real-estate** – as of the report signing date, the Group owns 11,956 apartments, with a total leasing area of approximately 704,000 m^2**.**

- **Commercial income-producing real-estate** – as of the report signing date, the Group owns 26 commercial income-producing properties[11] in the commercial segment (commerce and offices) with an overall leasing area of approximately 312,000 m^2.

- **Residential Real Estate Under Development** - for details regarding the marketing, sales, handovers and performance of Stage C (109 units) and Stage D (119 units) Stage E (89 units) and Stage F (112 units) and stage G (89 units) in the Grafental project in Dusseldorf as well as the Company's residential project in Aachen, see "Material events and others during the reported period".

- **Betterment of land in Dusseldorf -** the Company owns 3 land complexes in Dusseldorf, Germany, undergoing advanced procedures for changing the zoning from offices to residential. For details regarding the Company's progress in the zoning changes of the lands in Dusseldorf, see the section Material events and others during the reported period".

Further to what is stated in the tender offer specification published by the Company's controlling shareholder ADLER Real Estate AG ("ADLER"), on February 19, 2018 and as it has amended on March 20, 2018 (Ref. No .: 016558-09-2018 and 026776-01-2018, respectively), under which, inter alia, upon the purchasing the control in the Company, ADLER intends to use its influence as the controlling shareholder, subject to the provisions of any law, in order to examine the possibility of re-focusing the Company's strategy, including the possibility of selling a certain share of the Company's assets and business. As of the report publication date, the Company is continuing to examine the possibilities of focusing its business strategy, including the commencement of activities and actively examine the possibility of selling part of its business. It should be clarified that as of the report publication date, no final decision has been made by the Company for the sale of any asset, and there is no assurance as to whether such a transaction will be executed and when, and if such transaction is carried out, which assets will be sold what would be the consideration of the properties being sold.

[11] In addition, the Company has one asset held by an associate spanning over an area of 7,000 m^2 in the city of Chemnitz

Property financing

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

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

- Bank loans – the Company has bank loans amounting to EUR 775.4 million. As of the report date, the average rate of interest of these loans is approximately 1.61%. The average repayment date of the loans is about 3.36 years.

- Bonds – the Company has three series of bonds (non-convertible to shares) rated by S&P Maalot Ltd. (Maalot) with AA- rating as of the signing date of the report and the report date: Series A at a scope of approximately NIS 114.4 million par value with an interest (linked) of approximately 4.8% per year with an average duration of approximately 1.12 years, Series B at a scope of approximately NIS 200 million par value with an interest (linked) of approximately 3.29% per year with an average duration of approximately 3.58 years and Series C at a scope of NIS 150.3 million par value with an interest (linked) of approximately 3.3% per year with an average duration of approximately 5.86 years.

Activity environment

The German economy is the fourth in the world in terms of Gross Domestic Product (GDP). It is characterized by low unemployment rate and low and steady inflation. The German government enjoys a perfect credit rating (AAA) with a stable outlook and low financing cost of government bonds. [12]

The real estate market in Germany is characterized with high stability and positive directions as occupancy rates improve and rental prices are increasing. In 2017, the German GDP recorded an increase of 2.5% while the other large European economies recorded lower growth rate, when the GDP of the entire Eurozone increased by 2.5%. In 2017, the German GDP has grown mainly from an increase in private consumption and increase in volumes of investments in construction. The economists of the Organization for Economic Co-operation and Development (OECD) expect a steady economic activity in Germany in 2018 and 2019, which are expected to show a growth of 2.3% and 1.7%, respectively, mainly due to an additional improvement in the private consumption, which is supported among others, by low interest, low unemployment rate and increase in salary levels.

- **Material Events in the Reporting Period**

  - **Refinancing** - on January 31, 2018, the Company refinanced a loan in total amount of € 33 million for a period of 5 years. The new loan bears fixed annual interest at the rate of 1.34% with amortization rate of about 2% per annum of the amount of the new loan. On the final repayment date, which is June 30, 2023, the unpaid principal balance will be paid plus accrued interest. The total amount of the repaid loan amounted to € 22.4 million.

[12] As of the date of signing the report, the German government bonds for 10 years yield a nominal annual return of 0.37%.

This loan bears fixed annual interest at the rate of 2.67%. For further details see immediate report dated February 1, 2018 (reference 011203-01-2018) the information contained therein is brought in this report by way of reference.

On June 20, 2018, the Company refinanced a loan in a total amount of € 55 million for a period of 5 years. The new loan bears fixed annual interest at the rate of approximately 1.613% with amortization rate of 2.5% per annum of the amount of the new loan. On the final repayment date of June 20, 2023, the balance of the principal that has not yet been repaid will be paid plus accrued interest. The total amount of the repaid loan amounted to € 44 million. This loan bears fixed annual interest at the rate of 2.66%. For further details, see the immediate report dated June 21, 2018 [Ref. 054324-01-2018] which is included by way of reference.

- **Completion of the purchase of land with an area of 193 thousand square meters in the city of Dusseldorf** - On February 28, 2018 the transaction for the acquisition of all ownership rights in a land with an area of 193 thousand square meters in the Gerresheim neighborhood in Dusseldorf, Germany, was completed. The entire consideration was paid to the seller and the full rights in the real estate were transferred to the Company. The real estate was classified and presented in the financial statements as non-current inventory of real estate. For additional details see section 1.1 of the 2017 periodic report and its immediate report dated March 1, 2018 in this regard (reference number 020404-01-2018) the information in which is brought in this report by way of reference.

- **Purchase of residential units in Dortmund** - On February 26, 2018, the Company (via a wholly-owned sub subsidiary) entered into a notarized sale agreement with a third party unrelated to the Company and/or its controlling shareholder for the purchase of 43 residential units in Dortmund for € 2.4 million. The transaction was completed at the end of May 2018 and was financed by a bank loan in the amount of about € 1.8 million, bearing fixed annual interest at the rate of 1.46%, and the balance by the Company own sources.

- **Successful tender offer giving Adler Control** - on April 2, 2018, ADLER Real Estate AG (ADLER) purchased from the former controlling shareholder in the Company, Redzone Holding LTD.,[13] 3,172,910 Company shares at a price per share of NIS 440 and in total consideration of NIS 1,396 million thereby becoming the controlling shareholder of the Company which as of such date ADLER held 5,167,188 Company shares, constituting 66.57% of the Company's share capital. Consequently, under the exercise of an option granted to Messers Gal Tenenbaum, Ofir Rahamim and Fred Ganea[14](the management team), on April 12, 2018, ADLER purchased a total of 230,083 shares of the Company, at a price per share of NIS 440 and for a total consideration of NIS 101 million, so from that date and as of the report signing date, ADLER holds a total of 5,397,271 shares of the Company, constituting approximately 69.8% of the Company's share capital. For further details on the control change as above, including the option exercise see immediate reports dated April 3, 2018 and April 12, 2018 (reference no.: 2018-01-034528 and 2018-01-037270, respectively), which are included by way of reference.

[13] a company which is fully owned by Mr. Teddy Sagi to the best knowledge of the company
[14] All of the three were a part of the Company's management until June 30, 2018.

- **Motion for approval of a claim as a class action** - On April 8, 2018, a motion to approve a class action ("the motion") was filed against ADLER, Redzone Empire Holding (the former controlling shareholder in the Company) and the management team (as defined above) with the Tel Aviv District Court by a shareholder in the Company regarding the alleged violations of the provisions of the Companies Law-1999 (above and below – the companies' law) as well as Tender Offer Regulations with regard to the special tender offer submitted by ADLER to the shareholders of the Company on February 19, 2018 (which was amended on March 20, 2018) . For additional details regarding the motion, see the immediate report of the Company dated April 9, 2018 [Ref. 035494-01-2018], which is included by way of reference.

- On July 23, 2018, the Company acquired shares in a public company incorporated in Germany, whose shares are traded on the unofficial supervised Frankfurt Stock Exchange and which is one of the leaders in the German residential real estate development market, which is unrelated to the Company or its controlling shareholder, representing 4.1% of the issued and outstanding share capital of the target company, for a total consideration of € 35 million.

- **Changes in the composition of the Company's board of Directors –**
    - On April 10, 2018, Noam Sharon and Ludmila Popova, directors of the Company, announced their immediate resignation from the Company's Board of Directors, following the change in the Company's control. For further details see the Company's immediate reports dated April 11, 2018 (ref number 036796-01-2018 and 036799-01-2018, respectively, which are included by way of reference.
    - On May 7, 2018, Mr. Willem van Hassel's term as an external director of the Company has ended, without extending his term for an additional period. For further details, see the Company's immediate report dated May 7, 2018 [Ref. No.: 045022-01-2018], which is included by way of reference.
    - On June 5, 2018, Mr. Van den Heuvel announced his immediate resignation from his position as an external director on the Company's Board of Directors. For additional details, see the Company's immediate report dated June 5, 2018 (Ref. No.: 047811-01-2018), which is included by way of reference).

- **Senior officers –**
    - On June 30, 2018, Gal Tenenbaum and Ofir Rahamim ceased to serve as joint CEOs of the Company. Subsequent to the date of the report, on July 8, 2018, Mr. Tomas A. de Vargas Machuca began serving as the new CEO of the Company. For additional details, see the immediate reports of the Company dated June 30, 2018 and July 8, 2018 [Ref: 058020-01-2018, 090438-01-2017, 107445-01-2017, 117634-01-2017, 058023-01-2018, 090438-01-2017, 107445-01-2017, 117634-01-2017 and 06139-01-2018, respectively], which included by way of reference). It should be noted that the remuneration of the new CEO was not yet discussed or determined.
    - On May 24, 2018, the Company entered into an agreement with its CFO, Mr. Guy Priel, to terminate the provision of services, effective from August 31, 2018, and in a consulting agreement on a wide range of issues related to his activities as CFO of the Company, effective from September 1, 2018 which was amended and approved by the Company's competent organs. For further details, see the Company's Immediate Report of May 27, 2018 and November 4, 2018 [Ref. No.: 042798-01-2018, 103941-01-2018 and 103944-01-2018, respectively], which were included by way of reference.

- On July 2, 2018, the general meeting approved the appointment of Van Ommen Nicolaas, Dorenbos Jeron, Burke Patrick and Moser Daniel to the Company's Board of Directors. For further details, see the immediate reports of the Company dated May 24, 2018 and July 2, 2018 (Reference no.: 042231-01-2018 and 063220-01-2018, respectively), which are included by way of reference.

- On August 16, 2018, the general meeting approved the appointment of Mr. Friedrich Munsberg as an external director of the Company, the reappointment of Ms. Noa Shaham as an independent director of the Company and the appointment of Mr. Claus Jorgensen as a director of the Company. In addition, the general meeting approved the amendment of the Company's articles of association and classification of the Company's directors as Executive Director and Non-Executive Director. For additional details, see the Company's immediate reports dated July 12, 2018 and August 16, 2018 (Ref. No.: 066904-01-2018, , 076639 -01-2018-, 2018-01-076645 and 076657-01-2018), which are included by way of reference.

❑ **Sale of hotel in Hamburg, Germany** - on February 23, 2018, a notarized sale agreement was signed ("the sale agreement") between a sub- subsidiary (100%) of the Company ("the Seller") on the one hand and a third party unrelated to the Company and/or its controlling shareholder ("the Purchaser") for the sale of all of its holdings in a hotel in Hamburg ("the Sold Property") to the Purchaser for a consideration of € 11.9 million. The Sold Property with a leasable area of 5,000 square meters is a 3-star hotel with 100 rooms in Hamburg, Germany, leased to a well-known German hotel chain under a lease agreement until 2027. The Sold Property was purchased by the Seller in 2007 for € 8.5 million. The fair value of the Sold Property in the Company's consolidated financial statements as of December 31, 2017 was € 11.6 million. The transaction, the subject of said sale agreement, was completed on April 25, 2018 upon the full payment to Seller, of which € 6.2 million was used to repay the loan that financed the Sold Property.

For additional details see immediate reports dated February 25, 2018 and April 26, 2018 (reference 018520-01-2018 and 041314-01-2018) the information contained therein is brought in this report by way of reference.

❑ **Ratification of credit rating by Maalot –** on March 26, 2018, the credit rating company, Maalot, ratified for the Company the rating of ilAA- (stable outlook) and for the Company's bonds Series A B and C ratified the rating of ilAA- [15]

❑ **Progress with the development of the residential project in Düsseldorf** - below are the major developments regarding the development of the residential project in Grafental in the reported period and until the date of signing the report:

a. **Delivery of apartments and recognition of profits of Stage C** - in the first quarter of 2018, the Company delivered the remaining 16 apartments of the stage. The balance of the profit in respect of this stage in the amount of about EUR 2 million was recognized retroactively in the Company's equity as of January 1, 2018 following the initial adoption of IFRS 15. During the first quarter of 2018 the delivery of the apartments in this stage was concluded. For further details regarding the performance, marketing and handover of the apartments in connection with Stage C, see section 1.9 of the Company's periodic report for 2017.

[15] For additional information see Maalot rating activity report that was attached to the Company's immediate report dated March 26, 2018 (reference number029542-01-2018) which is brought by way of reference.

b. **Performance and marketing of Stage D –** in April 2017, upon receiving the building permit, the Company commenced the construction of Stage D which includes 109 flats and underground parking lot of 125 parking spaces with 10 townhouses (total 119 flats at a total area of 18,000 ^{m2} gross). In May 2017, the Company commenced marketing and sales of Stage D and as of the report signing date, all of the flats were marketed for a total monetary consideration of EUR 67.6 million.

As of the report date and the report signing date, advances of EUR 54.8 million and EUR 57.2 million, respectively, were received from apartment purchasers.

c. **Sale of apartments and recognition of profits of Stage D** – following the initial adoption of IFRS 15, the Company recognized the sale of 119 apartments of Stage D according to an average performance rate of 86.7% and comprehensive income of EUR 13.5 million. Profit of EUR 3.9 million from the sale of 90 apartments according to an average performance rate of 37.23% of this stage was recognized as part of amending the opening balance of the Company's equity as of January 1, 2018 and the retained earnings of EUR 9.6 million was recognized as part of the report of this period.

The selling prices in Stage D gross up an increase of 8.7% compared to the selling prices of Stage C and an increase of approximately 2% between stage D and Stage E. As a result, the entrepreneurial profitability is expected to increase from 28% in Stage C to 32% in Stage D and E (for additional information see the table in page 11-12 below).

d. **Performance and marketing of Stage E** – in April 2018, upon receipt of the building permit, the Company commenced the construction of Stage E that includes 84 flats in condominium complex construction and 5 townhouses with 86 underground parking spaces at a total area of 13,450 m^2. In May 2018, the Company commenced the marketing and sale of Stage E and as of report signing date 87 flats (signed agreements and reservations) were marketed (97.7% of this stage) for a total monetary consideration of EUR 48.5 million. As of the report date and the report signing date, advances were received from apartment purchasers in the amount of EUR 1.5 million and EUR 8.4 million, respectively.

f. **Performance of Stage F, the first stage to be built as part of the Grafental Mitte** [16]– in April 2018 upon receipt of the building permit, the construction of Stage F has commenced, which includes 112 residential units for rental (of which 70 apartments in subsidized rents and 42 apartments as affordable housing – in rent control[17]) with 57 underground parking spaces with a gross area of approximately 12,000 square meters.

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[16] The urban planning scheme applies to the complex, for addition details see section 1.8.1.5 in Chapter A "Description of the Company's Business" which is attached to this report.

[17] For additional information see section 1.8.1.5 in Chapter A "Description of the Company's business" which is attached to the periodic report for 2017.

g. **Planning performance and marketing of Stage G, the second stage to be built as part of Grafental Mitte** - a building permit for additional 89 residential units designated for free sale in the market (condo apartments) along with 106 underground parking spaces with a gross area of 12,000 sq.m. was submitted in September 2017 and received in the fourth quarter of 2018. . The Company commenced the construction of the Stage during the reported quarter and commenced the marketing of the apartments at the beginning of November 2018. As of the report signing date, reservations were received for 12 residential units, signing sale agreements and receipts are expected to be received at the beginning of 2019.

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

Project marketing							
Year	**2018**		**2018**				**2017**
Data according to 100% The effective corporation's share in the project – 83%)	**As of the date of signing the report[18]**	**Q3**	**Q2**	**Q3**	**Q2**	**Q1**	
	Stage E			**Stage D**			
Flats (#)	82	69	35	119	118	113	92
Flats – total monetary consideration (including for parking, EUR in thousands)	495,45	37,446	21,371	67,614	66,853	63,866	51,507
Flats (square meters)	9,200	7,473	4,359	14,080	13,931	13,344	10,829
Average price per sq.m (EUR) (including consideration for parking)	945,4	5,011	4,902	4,802	4,799	4,786	4,756
		Reservations as of the report signing date					
Flats (#)	5			-			
Flats – total monetary consideration (including for parking, EUR in thousands)	2,962			-			
Flats (square meters)	588			-			
Average price per sq.m (EUR)	5,040			-			
		Signed agreements and cumulative reservations up to the report signing date:					
Flats (#)	87			119			
Flats – total monetary consideration (including for parking, EUR in thousands)	48,457			67,614			
Flats (square meters)	9,787			14,080			
Average price per sq.m (EUR)	4,951			4,802			

[18] the project marketing commenced on May 1, 2018

	Marketing rate of the project %						
	2018			2018			2017
	Stage E			Stage D			
	As of the report signing date	Q3	Q2	Q3 and as of the report signing date	Q2	Q1	
Marketing rate on the last date of the period - signed agreements	67.3%	75.6%	43.1%	100%	99.5%	94.4%	76.2%
Marketing rate on the last date of the period - signed agreements	97.8%			100%			
	Advances from customers						
	As of the report signing date	Q3	Q2	Q3 as of the report signing date	Q2	Q1	2017
Advances from tenants (EUR in thousands)	8,357	1,458	1,458	54,774/ 57,218	42,413	23,483	14,691
Rate of Advances from tenants (%)	12.4%	2.2%	2.2%	81%/ 84.6%	62.7%	34.7%	21.7%
Flats (#)	2			-			
Flats – total expected monetary consideration (including for parking, EUR in thousands)	1,131			-			
Flats (square meters)	212			-			
Average price per sqm (EUR)	5,341			-			
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)	1,669			-			

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

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

	Stage D[19]	Stage E [20]	Stage F[21]	Stage G
Total expected revenues	67,614	49,654	28,925[22]	53,689
Advances from apartment purchasers as of the report date	42,413	1,458	NA	Not yet commenced
Advances from apartment purchasers as of the date of signing the report	57,218	8,357	NA	Not yet commenced
Total cumulative costs invested	45,963	13,973	9,612	12,989
Total costs remaining for investment	5,254	23,496	15,833	28,468
Total expected cost (including land (EUR in thousands)	51,217	37,469	25,445	41,457
Completion rate (engineering/monetary) (excluding land) (%)[23]	86.7%	15.5%	27.9%	8%
Total expected entrepreneurial profit	16,397	12,095	3,480	12,232
Total entrepreneurial profit recognized in the Company's financial statements (consolidated) cumulatively as of the report date	13,546	346	-	-
Rate of expected entrepreneurial profit (%)	32.0%	32.3%	13.7%	29.5%
Expected completion date*	Q4 2018	Q1 2020	Q1 2020	Q1 2021

* In accordance with the provisions of IFRS 15, the Company recognizes revenues, costs and gross profit deriving from the stages in performance in each reported quarter according to the product of the project's performance rate of the specific stage by the rate of sales of the flats of that stage. It should be stressed that the expected entrepreneurial profitability in respect of Stage F is the expected profitability assuming that the asset (subsidized rental apartments and affordable housing under controlled rental) will be sold as an income producing property upon the completion of its construction and therefore cannot be compared to entrepreneurial profitability in stages in which Condo apartments are being built for free sale in the market.

[19] Performance and marketing of Stage D commenced in April and May 2017 (respectively) upon receiving the building permit.
[20] Performance and marketing of Stage E commenced in April 2018 and May 2018 (respectively) upon receiving the building permit.
[21] Performance of Stage F commenced in April 2018 upon receiving the building permit.
[22] Represents the expected value of the stage, which is designated for rental, as an income producing asset after its completion.
[23] It should be emphasized that the engineering completion rate is not identical to the rate of delivery of the apartments and the rate of recognition of the profit from the delivery of the apartments on the date of delivery of the apartments to customers. See Note 2ff and Note 2 (C1) to the financial statements of the Company's consolidated financial statements.

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

From sold apartments (EUR in thousands)

Data according to 100%. The corporation's effective portion in the project – 84.98	Revenue not yet recognized	Cash flow not yet recognized	Development profit not yet recognized
Stages in progress (stage D and E)	31,845	13,305	8,089

From apartments not yet sold (EUR in thousands)

Data according to 100%. The corporation's effective portion in the project – 83%	Revenue not yet recognized	Cash flow not yet recognized	Development profit not yet recognized
Stages in progress – Stage E	27,406	10,883	6,537
Stages in progress – Stage G	53,689	20,206	12,502
Total	81,096	31,090	19,039

Additional information regarding the betterment of the land in Dusseldorf and rezoning to residence – the following are the main developments regarding the betterment of lands in Dusseldorf in the reported period and until the date of signing the report:

- with respect to the remaining land that includes construction rights of 124.5 thousand m^2 for offices (the parcel of land): In the reported period, the Company with Dusseldorf municipality continued to advance a new urban scheme for changing the zoning of the parcel of land from offices to residence such that it will be feasible to build, with the formal approval of the new urban scheme an additional 850 flats to the 825 flats which are included in the valid urban scheme (a total of 1,675 flats). The urban scheme for 450 residential units (Grafental Mitte (out of 850 units under rezoning the plan was approved to be published to public by the City Council of Dusseldorf on September 29, 2017 (the final stage prior to its final and binding approval) such that the land will be available to commence construction of the first stage under Section 33 of the German Planning and Building Law in Grafental Mitte and was approved by the city council and come into force in July 2018.

  The urban scheme for the remaining 400 residential units under rezoning (Grafental Ost) is in the process of planning and the Company estimates that the urban scheme will be approved and will be available for construction during 2019. [24]

[24] For additional information see section 1.8.1.5 in Chapter A "Description of the Corporation's businesses" attached to the periodic report for 2017.

- <u>Purchase of several office and residential buildings in Grafenberg neighborhood for betterment -</u> in August 2014, the Company consummated the purchase of land spanning over 20,000 m^2 erected thereon residential and office buildings (generating annual income of EUR 0.2 million) in Grafenberg – one of the luxurious neighborhoods of Dusseldorf – and adjacent to the Grafental project which is constructed by the Company in Dusseldorf[25]

  In the reported period, the Company continued to advance with the Dusseldorf municipality a new urban scheme for changing the zoning of such land to residence. Under the Company's plan, if rezoning is completed, it will be feasible to construct a residential project on the land that will include 84 flats (a constructed area of 20,000 m^2, gross) (instead of the existing buildings). The Company estimates that the urban scheme will be published for comments by the public (the last stage prior to the final and binding approval) such that the urban scheme will be available to commence construction of the first stage under section 33 of the German and planning and construction law until the end of 2018 and the land will be available for construction (with the necessary approvals) at the beginning of 2019. For additional details see section 1.2 of the Company's periodic report for 2017.

- <u>Purchase of parcel of land in Gerresheim neighborhood</u> – on February 28, 2018, the Company completed the purchase of parcel of land with an area of 193 thousand square meters (in the Gerresheim neighborhood in Dusseldorf, Germany, for a total consideration of € 141.9 million (including related transaction costs) [26]. The land is located in the Gerresheim neighborhood (with a population of 30,000 people) east of the city center of Dusseldorf adjacent and south of the luxurious neighborhood Granfenberg and close to Granfenberg forest. On the vacant land of 193 thousand square meters, 1,300 residential units and 30,000 square meters of commercial spaces, offices and kindergartens and school are planned to be constructed.

  The parcel land is the last large vacant plot of land in the city of Düsseldorf for the construction of a residential neighborhood (over 200 residential units). The urban scheme (for rezoning the real estate from its current zoning to residence) and the infrastructure agreement are in advanced stages of approval in Düsseldorf municipality. The Company anticipates that the urban scheme will be published to the public by the end of 2018, thereby allowing the Company to receive building permits and commence development of the project during 2019.

[25] For additional information regarding the above transaction see immediate report dated August 31, 2014 (reference number 146337-01-2014) the information contained therein is brought in this report by way of reference.
[26] For additional information regarding such transaction see immediate reports dated December 10, 2017 (reference 110137-01-2017), December 19, 2017 (reference (113707-01-2017) and from March 1, 2018 (reference 020404-01-2018) the information contained therein is brought in this report by way of reference.

The following is a tabular summary of expected revenue, cash flow and entrepreneurial profit expected from the betterment of the land in Dusseldorf [27]real estate inventory in Dusseldorf and inventory of buildings under construction that is not under an approved urban scheme [28]without the parcel of land in Gerresheim neighbourhood and without the project in Aachen:

Data according to 100% (EUR in thousands)	Revenue not yet recognized	Cash flow not yet recognized	Entrepreneurial profit not yet recognized
Apartments for rental under rent control in performance (Stage F) and in planning under urban schemes of Grafental Mitte / Ost	124,913	35,890	15,410
Condo apartments for free sale in planning stages under the urban schemes Grafental Mitte/Ost and Grafenberg	320,993	141,373	70,301
Total	**455,906**	**177,263**	**85,712**

The information described above in connection with (1) stages D, E , F and G in progress; (2) in connection with the betterment of the lands in Dusseldorf, inventory of buildings under construction under the urban schemes Grafental Mitte/Grafental Ost Grafenberg and the change of their zoning (including the expected dates of completion) regarding the total expected sales, the expected entrepreneurial profit and expected cash flows before taxes, is a forward looking information which is not under the full control of the Company and the actual materialization of such change of zoning, in whole or in part, is uncertain. The information is based on information possessed by the Company as of the report date, regarding: 1) demand for residential spaces in Dusseldorf; 2) market prices of residential spaces in Dusseldorf generally and in the area of the projects (including competing projects comparable with the Company's projects); 3) accumulated know how and experience of the Company's management and project managers in the segment; 4) the Company's forecasts and estimates regarding the costs of construction, development, marketing of projects based on the costs of the stages that as of the report date are in progress; and other estimates of the Company. It is uncertain whether the change of zoning will take place and/or consummated, if any, since its consummation is subject to the planning and construction procedures required under German law, the consummation of which is not controlled by the Company.

[27] It should be noted that the Company has not yet decided how to use the land under the change of zoning from offices to residence in Grafenberg, including the development of the land complex. The decision to develop the above land complex is subject to consummating the relevant approval procedures of urban scheme, the market conditions that shall prevail upon completing the urban scheme, the ability to obtain financing for developing the project, the availability of equity resources required to realize said development plans, meeting financial ratios and more. The data shown in the table below were calculated under the assumption that the Company shall elect to develop the parcel of land and the land complex in Grafenberg and the rates of entrepreneurial profit and cash flow in future stages shall be similar to the rates of the Grafental project that are in progress as of the report date (entrepreneurial profit of 32% - 34% and cash flows of 35% - 40% of the scope of sales).

[28] Stage F

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

It should be stressed that the expected entrepreneurial profitability in respect of rent control apartments is the expected profitability assuming that the asset (subsidized rental apartments and affordable housing under rent control) will be sold as an income producing property upon completion of construction, ranging between 14% - 16% and is not comparable to entrepreneurial profitability in stages in which the Condo apartments are being built for free sale in the market.

It should be emphasized that in general, the data and estimates included in this report regarding the future results of the Company's development division are presented under the assumption that this activity will continue in its current format, whereby the units developed by the Company are sold to third parties. If it is decided in the future by the Company to refocus this activity (including in a manner that units developed by the Company will be leased to third parties and will not be sold), this may materially affect said data and estimates.

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

(1) Financial Position

Assets	September 30, 2018	September 30, 2017	December 31, 2017	Explanation for the change
	EUR in thousands			
Current assets				
Cash and cash equivalents	32,738	107,241	113,129	See details in the statement of cash flows
Balances receivable from banks	408	1,340	932	
Restricted deposits, financial assets and other receivables	21,767	20,012	10,727	
Income receivable from the sale of apartments	5,508	-	-	The increase in the report period derives from initial adoption of IFRS 15.
Tenants and trade receivables, net	3,443	4,521	3,735	
Inventory of buildings under constructions	41,250	60,938	48,756	Continued development on one hand and recognition of inventory cost of sale on the other hand
Total current assets	**105,114**	**194,052**	**177,279**	
Assets held for sale	-	-	11,622	
Non-current assets:				
Investments measured at equity	6,229	8,318	8,318	
Marketable financial asset	39,941	-	-	The increase in the reported period derives from the purchase of shares in a public company and value adjustment.
Inventory of real estate	202,316	14,106	72,659	The increase in the reported period mainly derives from the completion of the transaction for purchasing the land in Gerresheim
Investment property – real estate rights	67,086	131,908	67,094	
Investment property – income producing assets	1,339,177	1,217,144	1,283,549	The increase in the reported period derived mainly from capex investments in existing assets and revaluation profits
Restricted deposits for investments in assets	6,951	2,616	7,297	
Other accounts receivable, fixed assets and other financial assets	375	462	18,023	The decrease in the reported period derives from the realization of advances for the purchase of assets.
Deferred taxes	868	1,604	1,438	
Total non-current assets	**1,662,943**	**1,376,158**	**1,458,378**	
Total assets	**1,768,057**	**1,570,210**	**1,647,279**	

Liabilities	September 30, 2018	September 30, 2017	December 31, 2017	Explanation for the change
	EUR in thousands			
Current liabilities:				
Current maturities of loans from banks	95,983	98,257	161,731	Mainly classification of loans according to their original maturity date
Current maturities of debentures	17,331	17,341	17,399	
Loans for financing inventory of buildings under construction	2,600	5,500	4,000	
Current maturities of other financial liabilities	1,145	773	941	
Accounts payable	25,822	21,800	25,424	
Advances from apartment purchasers	3,598	52,944	23,119	The decrease in the reporting period derives from the adoption of IFRS 15.
Total current liabilities	**146,479**	**196,615**	**232,614**	
Liabilities held for sale	-	-	6,710	
Non-current liabilities:				
Loans from banks and others	676,823	483,230	495,066	
Debentures	94,176	112,310	110,072	The increase in the reported period mainly derives from a loan taken to finance the purchase of the land in Gerresheim.
Other liabilities	3,095	3,133	3,095	The decrease in the reported period mainly derives from principal payment.
Other financial liabilities	732	2,970	3,779	
Deferred taxes	106,929	88,764	97,373	
	881,755	**690,407**	**709,385**	
Total liabilities	**1,028,234**	**887,022**	**948,709**	
Equity				
Equity attributable to equity holders of the company	639,858	573,309	591,168	The increase in the reported period is mainly due to profit in the period and initial adoption of IFRS 15.
Non-controlling interests	99,965	109,879	107,402	The decrease in the reported period mainly derives from payments to non-controlling interests
Total equity	**739,823**	**683,188**	**698,570**	
Total liabilities and equity	**1,768,057**	**1,570,210**	**1,647,279**	

(2) Activity Results

	Nine months ended September 30		Three months ended September 30		Year ended December 31,	Explanation for the change
	2018	2017	2018	2017	2017	
	EUR in thousands					
Revenues from rental of properties	59,267	54,898	19,837	18,536	74,124	Purchase of new assets and increase in rental fees in identical assets
Revenues from property management and others	20,258	21,110	6,815	6,944	27,022	
Property management expenses	(19,960)	(20,361)	(6,599)	(6,728)	26),513)	
Cost of maintenance of rental properties	(8,396)	(7,265)	(2,829)	(2,466)	(9,689)	
Rental and management revenues, net	**51,169**	**48,382**	**17,224**	**16,286**	**64,944**	
Revenues from sale of apartments	41,615	11,564	12,202	2,336	58,958	Sale of apartments in Stage D of the residential project
Cost of sale of apartments	(31,830)	(10,870)	(9,339)	(1,564)	47,203))	
Income (loss) from the sale of apartments	**9,785**	**694**	**2,863**	**772**	**11,755**	
Other income	-	2,008	-	-	2,008	
General and administrative expenses	(9,759)	(7,852)	(2,918)	(2,604)	11,499))	
General and administrative expenses attributed to inventory of apartments under construction and inventory of real estate	(1,844)	(1,686)	(597)	(502)	2,141))	
selling and marketing expenses	(250)	(327)	(24)	(30)	(389)	
Cost of share-based payment	-	(871)	-	-	(871)	
Increase (decrease) in the value of investment property, net	34,500	101,804	1,200	8,807	108,736	
Operating profit	**83,601**	**142,152**	**17,748**	**22,729**	**172,543**	
Financing income	-	39	-	-	39	
Financing expenses excluding the effect of exchange rate differences, CPI and hedging transactions, net	(14,831)	(15,016)	(5,003)	(5,116)	(19,529)	Mainly due to taking new loans to finance new acquisitions
Effect of exchange rate differences, CPI and currency hedging transactions, net	3,561	(1,885)	(625)	3,635	(3,005)	
Change in the value of loans investments in financial assets and interest rate swap transactions, net	4,632	274	5,234	128	685	Changes in interest curve in Europe and hedging transactions
Equity in earnings (losses) of companies accounted at equity method of accounting	(2,205)	-	-	-	-	
Income before taxes on income	**74,758**	**125,564**	**17,354**	**21,376**	**150,733**	
Taxes on income	(17,479)	(24,300)	(4,214)	(3,931)	(31,689)	
Reported net income	**57,279**	**101,264**	**13,140**	**17,445**	**119,044**	
Net income attributed to:						
Company shareholders	46,133	83,329	11,788	15,908	101,124	
Non-controlling interests	11,146	17,935	1,352	1,537	17,920	

3) Cash flows and financing sources

	Nine months ended September 30		Three months ended September 30		Year ended December 31	Explanation for the change
	2018	2017	2018	2017	2017	
EUR in thousands						
Cash flows provided by operating activities (Cash flows used in operating activities	(86,066)	54,193	14,315	24,967	74,076	Onetime adjustment of EUR 128,560 for the completion of the purchase of the land in Dusseldorf, see in material events in the reported period, that was classified as a long term inventory in the Company's financial statements and on the other hand, expansion of the Company's activity and the timing of receipts from the residential development project
Cash flows provided by investing activities (Cash flows used in investing activities)	(53,127)	(65,062)	(47,674)	(18,030)	(114,264)	
Cash flows provided by financing activities (Cash flows used in financing activities)	58,802	28,832	(22,718)	(8,971)	64,039	

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

  In view of the financial structure of the Group and the financial data specified in the Company's consolidated financial statements as reviewed by the Company's management, while taking into account the fact that if the Company needed cash flows, the Company could have withdrawn management fees or dividends from its subsidiaries, the Company's Board of Directors determined that there is nothing in the fact that the Company's solo reports indicate a continuing negative cash flow from current operations so as to indicate a liquidity problem, and therefore, as of the report date, there are no warning signs in the corporation in this regard[29].

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

The main considerations underlying the decision of the Board of Directors were, among other things: cash, cash equivalents and liquid balances in the Company, together with unlimited unrestricted liquidity balances that can be distributed immediately from subsidiaries and unutilized credit lines. the Company's Board of Directors estimates, to the extent required that the Company has high access to additional sources of financing, including the ability to expand credit lines, raise capital as well as refinancing options on favorable terms, sale of assets and more.

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

It should also be noted that during the reporting period, the Company classified five non-recourse portfolio loans taken by the Company's sub-subsidiaries in the total amount of approximately € 82 million as current maturity, in accordance with the original amortization schedule of the Company (which were taken in 2013 and 2014) and as part of the Company's ordinary course of business. As a result, as of September 30, 2018, the Company has a working capital deficiency (consolidated) of € 41 million. The Company's Board of Directors has determined at its meeting of November 21, 2018, that the above does not indicate a liquidity problem in the corporation since these are non-recourse loans in sub-subsidiaries that are repayable according to their amortization schedule, where as of the report date, these loans are in compliance with all the covenants stipulated in the loan agreements. The Company intends to refinance most of the debt as it usually does with respect to debts that have reached their maturity date. In this regard, the Company's Board of Directors also considered the following matters: (1) as of the signing date of the report, the Company is in advanced negotiations with a German bank regarding the extension of the repayment date of a non-recourse loan in the amount of € 55.9 million, which was provided to the Company on February 28, 2014 the maturity date of which is December 31, 2018. The Company estimates an agreement regarding the extension of the repayment date as aforementioned is expected to be received by the repayment date. For further details regarding the non-recourse loan see Section 1.12.9 of the Company's periodic report for 2017; (2) as part of the loan agreement to finance the purchase of the property in Gerresheim, the Company undertook that if no infrastructure development agreement is signed with the town as well as development plan is published by March 31, 2019, the Company will be required to deposit EUR 24 million in favor of the lending bank. The Company estimates that if said agreement is not signed and/or if the Company reaches other agreements with the financing bank, the Company will be able to finance the required deposit, through the unused or additional financing sources at its disposal, as detailed above. For additional details regarding the acquisition of said asset, including the Company's entry into the loan agreement to finance its acquisition, see the Company's report dated March 1, 2018 (reference no .: 020404-01-2018), which is included in this report by way of reference.

The Company's estimates regarding the extension of the repayment date of the aforementioned non-recourse loan and the alternatives available to the Company in connection with the financing of the required deposit, as described in this section, constitute forward-looking information, as this term is defined in the Securities Law, -1968, based on the Company's estimates. The factors which may affect the fact that these estimates may not materialize, in whole or in part, or may materialize differently from what is expected, are many and include, inter alia, changes in the relevant markets and the absence of agreements with third parties whose consent is required to extend the repayment date of the loan or for additional alternatives in connection with the required deposit or regarding the manner of its financing and the realization of some of the above risk factors indicated in the Company's periodic report for 2017.

FFO (Funds from Operations)

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

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

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

	Three months ended September 30, 2018	Three months ended September 30, 2017	Year ended December 31, 2017
Net profit attributed to the Company's shareholders	11,788	44,839	101,124
Adjustments for net profit:			
A. Adjustments for revaluations			
Increase in the value of investment property and adjustments of liability value relating to investment property	(1,439)	(56,854)	(101,649)
Equity in earnings (losses) of companies accounted at equity method of accounting	-	-	-
Transaction costs as part of purchasing new assets that were recognized in profit or loss	-	-	5,423
Revaluation of financial assets, loans and interest swap transactions at fair value	(5,084)	(119)	(313)
B. Adjustments for non-cash items			
Cost of share-based payment and changes in capital reserves	-	815	1,303
Amortization of financing costs, indexing and non-cash exchange rate differences and hedging transactions	1,236	1,351	5,699
Interest component in hedging transactions	294	274	1,091
Deferred tax expenses and taxes for prior years	3,428	14,873	27,133
B. Unique items / new activities / ceased activities / other			
Depreciation and contributions, professional services and onetime expenses	336	491	534
Expenses relating to project management and marketing in connection with the establishment of residential project in Düsseldorf and adjustments in respect of current leasing activity in the project	1,081	1,100	3,908
Income from the sale of apartments	(2,432)	(1,511)	(9,756)
Total of adjustments to net profit	(2,580)	(36,558)	(66,627)
F.F.O.	**9,208**	**8,281**	**34,497**

As aforesaid, the FFO in the three months ended September 30, 2018 amounted to approximately EUR 9.2 million, grossing up an annual FFO rate of EUR 36.8 million.

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

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

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

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

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

	As of September 30, 2018 EUR in millions	As of June 30, 2018 EUR in millions	December 31, 2017[30]
Equity attributed to the Company's shareholders	639.9	628.1	591.2
Plus, deferred taxes for EPRA adjustments (net of non-controlling interest)	96.6	94	89.7
Net of fair value of derivative financial instruments, net (net of non-controlling interest)	0.1	0.2	0.2
Plus, profits that were not yet recognized in respect of apartments that were sold and are under construction in stage D of the residential project	6.8	6.2	8.2
EPRA NAV –Net Asset Value	**743**	**728.5**	689.3

[30]Before initial adoption of IFRS 15.

Material events after the report date

- On November 1, 2018, the Company's Board of Directors authorized Mr. Guy Priel to serve as an independent signatory on behalf of the Company for submitting immediate reports to the Securities Authority and Tel Aviv Stock Exchange. For further details, see immediate report dated November 4, 2018 (Ref: 103944-01-2018), which is included by way of reference.

- On November 4, 2018, Mr. Thomas Stienlet began serving as the new CFO of the Company, replacing Mr. Guy Priel, who served as the Company's CFO until September 1, 2018. For further details, see the Company's immediate reports of November 4, 2018 (Reference no.: 103923-01- 2018 and 2018-01-103941), which are included by way of reference.

Part B – Corporate Governance Aspects

The Company is a Dutch company and the provisions of the Companies Law do not apply thereto, with the exception of such sections of the Companies Law which apply to a foreign company offering shares to the public in Israel, by virtue of Section 39A of the Securities Law. For further details regarding the applicable law see Part C of the Company's Board of Directors' report for 2017.

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

The Company considers the following directors, Meir Jacobson (external director), Friedrich Munsberg (external director), Burke Patrick, Dorenbos Jeroen, Van Ommen Nicolaas, and Noah Shaham as directors possessing accounting and financial expertise in the Company due to their skills, education and experience. For further details, see regulation 26 in chapter D to the periodic report for 2017 and the Company's immediate reports dated May 24, 2018, and July 12, 2018 (Ref. 025570-01-2018, 042231-01-2018, 06690-01-2018 respectively) which are included by way of reference.

The independent directors of the Company as of the report publication date are Moser Daniel, Dorenbos Jeroen, and Noah Shaham according to their classification as such by the Company's Board of Directors on July 10, 2018. I believe that in the process of preparing the minutes the part in which the Board of Directors determines their eligibility to serve as independent directors was omitted. For details regarding their skills, education and experience of the independent directors, see the Company's immediate reports dated July 12 and 29, 2018 and August 16, 2018 (reference no.: 071248-01-2018, 071245-01-2018 and 2018-01-076639 respectively), which are included by way of reference.

- Critical Accounting Estimates

  Regarding critical accounting estimates see note 2 to the annual audited consolidated financial statements for 2017 which are attached in Chapter C to the periodic report for 2017.

Part D – Specific Disclosure for Bond Holders

1) Following are details regarding the liability certifications issued by the Company which are at the possession of the public as at the date of the report according to the eighth addendum of the securities regulations (periodic and immediate reports) – 1970 (the reports' regulations):

	Bonds (Series A)	Bonds (Series B)	Bonds (Series C)
Is the series material (as this term is defined in Regulation 10(B)(13)(a) of the Reports' Regulations?	Yes	Yes	Yes
Date of issue	March 1, 2011	May 21, 2013	July 22, 2014
Date of expanding series	June 19, 2012, November 6, 2012	February 4, 2014	April 4, 2016
Par value on the date of issue (thousands NIS)	200,000	175,000	102,165
Par value on the date of expanding series (thousands NIS)	240,000; 400,000	240,000	160,180
Par value as at 30.9.2018 (thousands NIS)	114,400	200,000	150,373
Linked par value as at 30.9.2018 (thousands NIS)	120,691	202,750	150,373
Sum of cumulative interest plus linkage differentials (thousands NIS) as at 30.9.2018	1,228	1,667	971
Value in financial statements as at 30.9.2018 including interest payable (thousands NIS)	120,900	202,912	150,316
Value in the stock exchange as at 30.9.2018 payable (thousands NIS)	129,203	225,400	168,523

Type and rate of interest	4.8% (annual, linked, fixed rate), subject to adjustments in cases of changes in the rating of the bonds (Series A) and/or non-compliance with the financial covenants specified in Sections 2.7.12.8 and 2.7.12.9 of the shelf prospectus dated May 24, 2012 as amended on May 9, 2013 and as amended on July 14, 2014 (the shelf prospectus)	3.29% (annual, linked, fixed rate), subject to adjustments in cases of changes in the rating of the bonds (Series B) and/or noncompliance with the financial covenants specified in Sections 2.8.4.12 and 2.8.4.13 of the shelf prospectus	3.30% (annual, linked, fixed rate), subject to adjustments in cases of changes in the rating of the bonds (Series C) and/or non-compliance with the financial covenants specified in Sections 2.8.4.12 and 2.8.4.13 of the shelf prospectus
Dates of paying principal	Payable in 7 annual instalments on July 14 of each of the years 2014 to 2020 (inclusive) such that each of the first six instalments will constitute 14.28% of the principal of the total par value of the bonds (Series A), and the last instalment will constitute 14.32% of the total par value of bonds (Series A).	Payable in 12 unequal annual instalments on December 31 of each of the years 2013 to 2024 (inclusive) such that each of the first seven instalments will constitute 4% of the principal of the total par value of the bonds (Series B), and each of the last five instalments will constitute 14.4% of the principal of the total par value of bonds (Series B); the first principal payment will be on December 31, 2013.	Payable in 12 unequal annual instalments on July 20 of each of the years 2015 to 2026 (inclusive) such that each of the first nine instalments will constitute 2% of the principal of the total par value of the bonds (Series C), the tenth payment will constitute 17% of the principal of the total par value of bonds (Series C); and each of the last two instalments will constitute 32.5% of the principal of the total par value of bonds (Series C); the first principal payment will be on July 20, 2015.
Dates of paying interest	Payable on July 14 and January 14 of each of the years 2011 to 2020 (inclusive).	Payable on December 31 and June 30 of each of the years 2013 to 2024 (inclusive) effective December 31, 2013. The last interest instalment will be paid on December 31, 2024.	Payable on January 20 and July 20 of each of the years 2015 to 2026 (inclusive) effective January 20, 2015. The last interest 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, 2011 in respect of January 2011.	Linked (principal and interest) to the consumers' price index published on May 15, 2013 in respect of April 2013.	Linked (principal and interest) to the consumers' price index published on July 15, 2014 in respect of June 2014.
Are they convertible?	No	No	No
Company's right to perform early redemption or forced conversion	The Company may (but is not obligated to), at any time and at its sole discretion, make an early redemption of some or all of the bonds (Series A), as it chooses, until the date of the final repayment of the bonds (Series A), everything according to the decisions of the Company's Board of Directors. For further details, please see Section 2.7.3 of the shelf prospectus.	The Company may (but is not obligated to), at any time and at its sole discretion, make an early redemption of some or all of the bonds (Series B), as it chooses, until the date of the final repayment of the bonds (Series B), everything according to the decisions of the Company's Board of Directors. For further details, please see Section 2.8.15 of the shelf prospectus.	The Company may (but is not obligated to), at any time and at its sole discretion, make an early redemption of some or all of the bonds (Series C), as it chooses, until the date of the final repayment of the bonds (Series C), everything according to the decisions of the Company's Board of Directors. For further details, please see Section 2.8.15 of the shelf prospectus.
Was a guarantee provided for the payment of the Company's liabilities under the deed of trust?	No	No	No

2) Details on the trustee

Bonds (Series A)

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

Bonds (Series B)

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

Bonds (Series C)

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

3) Rating

Bond series	A	
Name of rating company	Maalot	
	Bonds' rating	**Issuer's rating**
Rating of the issuer and bonds on the date of initial issue (March 2011)	A3 (Midroog) [31]	
Rating of the issuer and bonds – April 2012	ilA	ilA, stable
Rating of the issuer and bonds on the date of expanding the series – June 2012	ilA	ilA, stable
Rating of the issuer and bonds on the date of expanding the series – November 2012	ilA	ilA, stable
Rating of the issuer and bonds – April 2013	ilA+	ilA+, stable
Rating of the issuer and bonds – June 2014	ilA+	ilA+, stable
July 2015	ilA+	ilA+, stable
March 2016	ilAA-	ilAA-, stable
March 2017	ilAA-	ilAA-, stable
Rating of the issuer and bonds as of the date of the report	ilAA-	ilAA-, stable

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

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

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

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

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

A. The ratio of the Company's equity at the end of each quarter to its financial debt, net, according to solo reports for that date, will not be under 187.5%[32]:

The Company's equity, which is attributed to the majority shareholders as at the Report Period, namely, as of September 30, 2018, is EUR 639.9 million.

The financial debt, net, according to solo reports of the Company as of the same date is EUR 99.5 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 September 30, 2018, is approximately 643%**.**

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

With respect to the bond holders (Series A):

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

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

The number of charged shares of Brack Capital German Properties B.V., a subsidiary (100%) of the Company (hereinafter: "**BGP**") as of September 30, 2018– 943,804.

The total issued share capital of BGP as of September 30, 2018 and as of the signing date of the report – 1,978,261.

The rate of charged shares out of the issued capital share of BGP as of September 30, 2018– 47.7%.

BGP's equity which is attributed to its shareholders, as appears in the Company's financial statements as of September 30, 2018– EUR 693.8 million.

The EUR/NIS representative exchange rate known, as of the signing date of the report as published by the Bank of Israel - NIS 4.2643

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

The value of the charged shares – NIS 1,412 million.

Net debt – NIS 121.9 million

Accordingly, the ratio between the charged share value to net debt, as of the end of the Report Period, is approximately 1,158% and therefore, the Company meets this ratio as well.

With respect to the bond holders (Series B):

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

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

The number of charged shares of BGP as of September 30, 2018 – 640,027.

The total issued share capital of BGP as of September 30, 2018 and the signing date of the report – 1,978,261.

The rate of charged shares out of the issued capital share of BGP as of September 30, 2018 - 32.4%.

BGP's equity which is attributed to its shareholders, as appears in the Company's financial statements as of September 30, 2018 – EUR 693.8 million.

The EUR/NIS representative exchange rate known, as of the signing date of the report, as published by the Bank of Israel – NIS 4.2643

The value of the charged shares – NIS 957 million.

Net debt – NIS 204.4million.

Accordingly, the ratio between the charged share value to net debt, as of the end of the Report Period, is approximately 468% and therefore, the Company meets this ratio as well.

With respect to the bond holders (Series C):

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

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

The number of charged shares of BGP as of September 30, 2018 – 394,430.

The total issued share capital of BGP as of September 30, 2018 and the signing date of the report – 1,978,261.

The rate of charged shares out of the issued capital share of BGP as of September 30, 2018 - 19.9%.

BGP's equity which is attributed to its shareholders, as appears in the Company's financial statements as of September 30, 2018– EUR 693.8 million.

The EUR/NIS representative exchange rate known, as of the signing date of the report, as published by the Bank of Israel - NIS 4.2643

The value of the charged shares – NIS 589.9 million.

Net debt – NIS 152.3 million

Accordingly, the ratio between the charged share value to net debt, as at the end of the Report Period, is approximately 387% and therefore, the Company meets this ratio as well.

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

a. **Minimum equity** - pursuant to the series A deed of trust -the equity attributed to the majority shareholders shall not fall below EUR 80 million and pursuant to the series B and C deeds of trust- equity shall not fall below EUR 150 million and EUR 190 million, respectively, whereas as of the report date, the equity attributed to the majority shareholders is EUR 639.8 million.

b. **Restrictions on dividend distribution -** under series A deed of trust- not to distribute dividends and/or distribute equity to its shareholders and/or repurchase its treasury shares or of its convertible securities if it will result in equity attributed to the majority shareholders that is lower than EUR 80 million, pursuant to the series A deed of trust. As of the report date, the equity attributed to the majority shareholders is EUR 639.8 million.

   Under series B and C deeds of trust - not to distribute dividends and/or distribute equity to its shareholders and/or repurchase its treasury shares or its convertible securities if it will result in equity attributed to the majority shareholders that is lower than EUR 160 million and EUR 200 million, respectively, and/or the debt ratio to CAP (as defined below) that will exceed 70%. As of the report date, the equity attributed to the majority shareholders is EUR 639.8 million and the debt ratio to CAP is 53.18% (as detailed below).

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

	EUR in Thousands
Financial liabilities according to solo reports	111,507
Financial liabilities of the subsidiaries	772,806
Net of cash, cash equivalents and deposits	(41,340)
Net of debt in respect of inventory of apartments under construction	(2,600)
Net financial debt – consolidated	840,373
CAP[33]	
Equity including non-controlling interests	739,823
Net financial debt consolidated	840,373
CAP	1,580,196

Therefore, **this ratio is 53.18%** whereas according to the deeds of trust such ratio should be lower than 90% for Series A and lower than 75% for Series B and C.

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

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

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

Bonds (Series A)

a) Charging BGP shares

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

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

b) Negative pledge

As long as the bonds (Series A) are within the cycle (namely, as long as the bonds (Series A) have not been fully repaid or settled in any way, including by way of self-acquisition and/or early redemption), the Company undertakes that it shall not charge, mortgage, assign by way of charging, or provide as another security of any kind or as another security (hereinafter together in this sub-section only: "**the Security**") to any of its charges or to the charges of others, in favour of any third party, BGP shares, if after creating the Security, the Company is left with a number of BGP shares which are free and clean, in an amount constituting 10% or less than the total number of the charged shares (for securing the bonds (Series A), as shall be from time to time. Whenever the Company provides a security as stated in this Section above, the Company will forward a confirmation to the trustee to the effect that it meets said condition, prior to providing the security[34].

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

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

[34] It is indicated that as of September 30, 2018, all BGP shares are charged in favor of the trustee for the bond holders (Series A – C) and therefore **such condition does not appear to have been met**. Nevertheless, it is clarified and stressed that the number of BGP charged shares in favor of the trustee for the bond holders (Series A) is greater by 562% than the minimum number of BGP shares the Company is required to charge to the trustee according to the basic ratio and the ratio of the charged shares to the net debt exceeds 509% the ratio required to release the collaterals (as defined in the Series A deed of trust) and therefore **the non-fulfillment of the above condition will not harm the holders**

As to the bonds (Series A), the Company warrants and represents, *inter alia*, that as long as there is a surplus of bonds (Series A) in cycle, the Company will not take credit which shall be secured by charging the shares of any of the companies held by BGP or the assets held by such companies. Without derogating from the foregoing, the creation of the charge on the charged shares will not limit any action of BGP or corporations it holds, including a limitation on charging shares which are held by BGP in other corporations for securing non-recourse credit to BGP and/or put a limitation on charging assets by corporations held by BGP for securing non-recourse credit to BGP (Non-Recourse).

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

Bonds (Series B)

a) Charging BGP shares

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

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

b) Negative pledge

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

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

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

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

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

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

Bonds (Series C)

a) Charging BGP shares

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

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

b) Negative pledge

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

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

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

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

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

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

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

6) Attaching the financial statements of BGP

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

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

The following are data as of September 30, 2018 and December 31, 2017 with respect to the assets and liabilities of the Group which are not included in the consolidated statements of the pledged investee company compared to the assets and liabilities of the pledged investee and the total consolidated balance sheet:

Data as of September 30, 2018 (EUR in thousands)	The Company Consolidated	Assets/liabilities In the pledged investee company	Assets/liabilities In unpledged companies
Total assets	1,768,057	1,707,925	60,132
Current assets and held for sale	105,114	84,923	*20,191
ncurrent assets	1,662,943	1,623,002	39,941
Total liabilities	1,028,234	914,149	114,085
Current liabilities and held for sale	146,479	127,423	**19,056
ncurrent liabilities	881,755	786,726	***95,029
Non- controlling interests	99,965	99,965	0
Total equity	639,858	693,811	(53,953)
Rate of assets out of the total assets in the balance sheet	100%	97%	3%
Rate of liabilities out of the total liabilities in the balance sheet	100%	89%	11%
Rate of equity out of the total equity in the balance sheet	100%	108%	(8%)

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

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

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

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

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

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

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

7) Holding meetings of the bondholders after the date of financial position

On April 25, 2018, The meeting of the bondholders (Series A and B) decided to **approve** by a required majority not to put the bonds for immediate repayment in respect of the cause contained in the trust deed that was established for the bond holders in respect of the transfer of control and in connection with the trust deed of Series B, the amendment of the trust deed contained in the above cause;

The meeting of the bondholders (Series C) resolved **not to approve the following**: (i) not to put the bonds for immediate repayment in respect of the cause contained in the trust deed that was established for the bondholders in respect of the transfer of control; And (ii) to amend the trust deed (Series C) in the matter of such cause as aforesaid;

For additional details see immediate reports of the trustee dated April 8, 11 and 25 (references numbers: 029091-01-2018, 029103-01-2018, 029112-01-2018, 030111-01-2018, 030114-01-2018, 030117-10-2018, 033129-10-2018, 033138-10-2018 and 033141-01-2018 respectively), which are included by way of reference.

Further to the above, it should be noted that on May 21, 2018, the meeting of the bondholders (Series C) resolved to grant a waiver in connection with the cause for immediate repayment in respect of the transfer of control in the Company and amendment of the trust deed;

For further details, see the Immediate Report of the Trustee dated May 13, 2018 and May 22, 2018 [Ref. 047578-10-2018 and 050419-10-2018, respectively], which are included by way of reference.

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

November 21, 2018

Appendix A – Disclosure according to Reportable Credit Directive

Table of Compliance with Financial Covenants and Liabilities

Following the contents of the table (Loan Table) in section 1.12.9 in Chapter A: "Description of the Corporation's State of Affairs" in the periodic report of the Company for 2017; the following are data on the Company's compliance with the financial covenants as determined in its loans[35].The calculation of financial covenants: DSCR, ICR and LTV is carried out according to the definitions in the relevant loan agreements and does not necessarily comply with generally accepted accounting principles[36]

Serial number out of loan table	Date of extending the loan	The original loan amount EURO in thousands	Principal balance as of September 30, 2018 EURO in thousands	Financial liabilities/other liabilities	Financial covenants - actual ICR/DSCR, as of September 30, 2018 and as of the report signing date	Financial covenants – actual LTV, as of September 30, 2018 and as of the report signing date
					As of September 30, 2018	**As of September 30, 2018**
4	August 31, 2015	49,480	43,798	LTV smaller than 75% DSCR greater than 130%	DSCR = 199%	LTV – 58%
					As of the report signing date	**As of the report signing date**
					DSCR = 199%	LTV – 58%

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

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

Serial number out of loan table	Date of extending the loan	The original loan amount EURO in thousands	Principal balance as of September 30, 2018 EURO in thousands	Financial liabilities/other liabilities	Financial covenants - actual ICR/DSCR, as of September 30, 2018 and as of the report signing date	Financial covenants – actual LTV, as of September 30, 2018 and as of the report signing date
5	August 31, 2015	13,031	11,233	LTV smaller than 70% DSCR greater than 130%	**As of September 30, 2018** DSCR = 185% **As of the report signing date** DSCR = 185%	**As of September 30, 2018** LTV= 51% **As of the report signing date** LTV= 51%
6	September 30, 2016	110,000	105,615	LTV smaller than 75% DSCR greater than 135%	**As of September 30, 2018** DSCR = 275% **As of the report signing date** DSCR = 275%	**As of September 30, 2018** LTV= 53% **As of the report signing date** LTV = 53%

Serial number out of loan table	Date of extending the loan	The original loan amount EURO in thousands	Principal balance as of September 30, 2018 EURO in thousands	Financial liabilities/other liabilities	Financial covenants - actual ICR/DSCR, as of September 30, 2018 and as of the report signing date	Financial covenants – actual LTV, as of September 30, 2018 and as of the report signing date
8	June 20, 2018 refinancing [37]	55,000	54,547	LTV smaller than 65% DSCR greater than 175%	**As of September 30, 2018** DSCR = 202% **As of the report signing date** DSCR = 202%	**As of September 30, 2018** LTV= 49% **As of the report signing date** LTV= 49%
11	February 28, 2014	125,000	55,968	LTV smaller than 77% DSCR greater than 130%	**As of September 30, 2018** DSCR = 155% **As of the report signing date** DSCR = 155%	**As of September 30, 2018** LTV= 45% **As of the report signing date** LTV= 45%
12	August 30, 2017-refinance	32,583	49,085	LTV smaller than 65% DSCR greater than 160%	**As of September 30, 2018** DSCR = 234%	**As of September 30, 2018** LTV= 53%

[37] For further details regarding refinancing see material events in the report period.

Serial number out of loan table	Date of extending the loan	The original loan amount EURO in thousands	Principal balance as of September 30, 2018 EURO in thousands	Financial liabilities/other liabilities	Financial covenants - actual ICR/DSCR, as of September 30, 2018 and as of the report signing date	Financial covenants – actual LTV, as of September 30, 2018 and as of the report signing date
					As of the report signing date	**As of the report signing date**
					DSCR = 234%	LTV= 53%
16,22	December 31, 2014	10,000	14,363	LTV smaller than 80% DSCR greater than 145%	**As of September 30, 2018**	**As of September 30, 2018**
					DSCR = 233%	LTV= 45%
					As of the report signing date	**As of the report signing date**
					DSCR = 233%	
20	May 30, 2016	25,000	23,833	LTV smaller than 76% DSCR greater than 130%	**As of September 30, 2018**	**As of September 30, 2018**
					DSCR = 194%	LTV= 63%
					As of the report signing date	**As of the report signing date**
					DSCR = 194%	LTV= 63%

Serial number out of loan table	Date of extending the loan	The original loan amount EURO in thousands	Principal balance as of September 30, 2018 EURO in thousands	Financial liabilities/other liabilities	Financial covenants - actual ICR/DSCR, as of September 30, 2018 and as of the report signing date	Financial covenants – actual LTV, as of September 30, 2018 and as of the report signing date
26	December 31, 2016	55,800	53, 870	LTV smaller than 75% DSCR greater than 160%	**As of September 30, 2018** DSCR = 192% **As of the report signing date** DSCR = 192%	**As of September, 30 2018** LTV= 58% **As of the report signing date** LTV= 58%
29	November 23, 2017	46,500	45,697	LTV smaller than 80% DSCR greater than 105%	**As of September 30, 2018** DSCR = 124% **As of the report signing date** DSCR = 124%	**As of September 30, 2018** LTV= 71% **As of the report signing date** LTV= 71%

It should be indicated that in addition, the Company has loans from banks (against real estate collaterals) without financial covenants in a total amount of EUR 321 million and average LTV of 36.2%.

BRACK CAPITAL PROPERTIES NV

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2018

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 September 30, 2018 and the interim condensed statements of profit or loss and other comprehensive income, changes of equity and cash flows for the nine - and three-month periods then ended. The Board of Directors and Management are responsible for preparing and presenting financial information for these interim periods in accordance with IAS 34, Interim Financial Reporting, and are responsible for preparing financial information for these interim periods in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express our conclusions with regard to the financial information for these interim periods, based on our review.

Scope of the Review

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

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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.

November 21, 2018 Amit, Halfon, CPAs

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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30, 2018	September 30, 2017	December 31, 2017
	Unaudited		Audited
	€ in thousands		
Current Assets			
Cash and cash equivalents	32,738	107,241	113,129
Balances receivable from banks	408	1,340	932
Restricted deposits, financial assets and other receivables	21,767	20,012	10,727
Income receivable from the sale of apartments (*)	5,508	-	-
Tenants and trade receivables, net	3,443	4,521	3,735
Inventory of buildings under construction	41,250	60,938	48,756
	105,114	194,052	177,279
Asset held for sale	-	-	11,622
Non-Current Assets			
Investments in companies measured at equity	6,229	8,318	8,318
Marketable financial asset (**)	39,941	-	-
Inventory of real estate	202,316	14,106	72,659
Investment property - rights to land	67,086	131,908	67,094
Investment property – income generating assets	1,339,177	1,217,144	1,283,549
Restricted deposits for investments in properties	6,951	2,616	7,297
Other accounts receivable, fixed assets and other financial assets	375	462	18,023
Deferred taxes	868	1,604	1,438
	1,662,943	1,376,158	1,458,378
	1,768,057	1,570,210	1,647,279

(*) See Note 2c regarding initial adoption of IFRS 15, revenues from contracts with customers.
(**) See Note 5(8)

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30, 2018	September 30, 2017	December 31, 2017
	Unaudited	Unaudited	Audited
	€ in thousands		
Current Liabilities			
Current maturities of loans from banks	95,983	98,257	161,731
Current maturities of debentures	17,331	17,341	17,399
Loans for financing inventory of buildings under construction	2,600	5,500	4,000
Current maturities of other financial liabilities	1,145	773	941
Accounts payable	25,822	21,800	25,424
Advances from apartment purchasers	3,598	52,944	23,119
	146,479	196,615	232,614
Liabilities held for sale	-	-	6,710
Non-Current Liabilities			
Loans from banks and others	676,823	483,230	495,066
Debentures	94,176	112,310	110,072
Other liabilities	3,095	3,133	3,095
Other financial liabilities	732	2,970	3,779
Deferred taxes	106,929	88,764	97,373
	881,755	690,407	709,385
Equity Attributable to Company Shareholders			
Share capital	77	75	77
Premium on shares	144,237	140,025	144,237
Treasury shares	(746)	(746)	(746)
Other capital reserves	1,512	6,472	2,322
Statutory capital reserve	336,864	305,779	319,337
Retained earnings	157,914	121,704	125,941
Total equity attributable to Company shareholders	639,858	573,309	591,168
Non-controlling interests	99,965	109,879	107,402
Total equity	739,823	683,188	698,570
	1,768,057	1,570,210	1,647,279

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

November 21, 2018			
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

	Nine months ended September 30,		Three months ended September 30		Year ended December 31
	2018 (*)	2017	2018	2017	2017
	Unaudited				Audited
	€ in thousands (except for net earnings per share data)				
Revenues from rental of properties	59,267	54,898	19,837	18,536	74,124
Revenues from property management and others	20,258	21,110	6,815	6,944	27,022
Property management expenses	(19,960)	(20,361)	(6,599)	(6,728)	(26,513)
Cost of maintenance of rental properties	(8,396)	(7,265)	(2,829)	(2,466)	(9,689)
Rental and management revenues, net	51,169	48,382	17,224	16,286	64,944
Revenues from sale of apartments	41,615	11,564	12,202	2,336	58,958
Cost of sale of apartments	(31,830)	(10,870)	(9,339)	(1,564)	(47,203)
Income from sale of apartments	9,785	694	2,863	772	11,755
Other income	-	2,008	-	-	2,008
Administrative and general expenses	(9,759)	(7,852)	(2,918)	(2,604)	(11,499)
Administrative and general expenses attributed to inventory of apartments under construction and real estate inventory	(1,844)	(1,686)	(597)	(502)	(2,141)
Selling and marketing expenses	(250)	(327)	(24)	(30)	(389)
Cost of share based payment (administrative and general expenses)	-	(871)	-	-	(871)
Operating profit before change in value of investment property	49,101	40,348	16,548	13,922	63,807
Increase in value of investment property, net	34,500	101,804	1,200	8,807	108,736
Operating income	83,601	142,152	17,748	22,729	172,543
Financial income	-	39	-		39
Financial expenses excluding the effect of exchange differences index and currency hedging transactions	(14,831)	(15,016)	(5,300)	(5,116)	(19,529)
Effect of exchange differences, index and currency hedging transactions, net	3,561	(1,885)	(626)	3,635	(3,005)
Change in fair value of financial assets, loans and others	4,632	274	5,235	128	685
Equity in losses of companies accounted at equity method of accounting	(2,205)	-	-	-	-
Income before taxes on income	74,758	125,564	17,354	21,376	150,733
Tax expenses	(17,479)	(24,300)	(4,214)	(3,931)	(31,689)
Net income	57,279	101,264	13,140	17,445	119,044
Other comprehensive income	-	-	-	-	-
Total comprehensive income	57,279	101,264	13,140	17,445	119,044
Net income and comprehensive income attributable to:			-		
Company shareholders	46,133	83,329	11,788	15,908	101,124
Non-controlling interests	11,146	17,935	1,352	1,537	17,920
	57,279	101,264	13,140	17,445	119,044
Net earnings per share attributable to the Company's shareholders (in Euro)					
Basic net income	5.97	11.53	1.53	2.20	13.70
Diluted net income	5.97	11.18	1.53	2.13	13.70

* See Note 2c regarding initial adoption of IFRS 15, revenues from contracts with customers.

The accompanying notes are an integral part of the interim condensed 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, 2018 (audited)	77	144,237	(746)	2,322	319,337	125,941	591,168	107,402	698,570
Effect of initial adoption of IFRS 15 (*)	-	-	-	-	-	3,367	3,367	690	4,057
Balance as of January 1, 2018	77	144,237	(746)	2,322	319,337	129,308	594,535	108,092	702,627
Net income and comprehensive income	-	-	-	-	-	46,133	46,133	11,146	57,279
Total comprehensive income	-	-	-	-	-	46,133	46,133	11,146	57,279
Classification as per provisions of Dutch law	-	-	-	-	17,527	(17,527)	-	-	-
Purchase of rights from non-controlling interests	-	-	-	(810)	-	-	(810)	(2,489)	(3,299)
Distribution and payment to non controlling interests	-	-	-	-	-	-	-	(16,784)	(16,784)
Balance as of September 30, 2018 (Unaudited)	77	144,237	(746)	1,512	336,864	157,914	639,858	99,965	739,823

* See Note 2c regarding initial adoption of IFRS 15, revenues from contracts with customers.

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity Attributable to Company Shareholders								
	Share Capital	Premium on Shares	Treasury Shares	Other capital reserves	Statutory Capital Reserve	Retained Earnings	Total	Non-Controlling Interests	Total Equity
	Unaudited								
	€ in thousands								
Balance as of January 1, 2017 (audited)	67	69,221	(883)	6,614	233,463	110,691	419,173	100,890	520,063
Net income and comprehensive income	-	-	-	-	-	83,329	83,329	17,935	101,264
Total comprehensive income	-	-	-	-	-	83,329	83,329	17,935	101,264
Classification as per provisions of Dutch law	-	-	-	-	72,316	(72,316)	-	-	-
Cost of share-based payment	-	-	-	871	-	-	871	-	871
Capital reserve adjustment in respect of transactions with controlling shareholder	-	-	-	373	-	-	373	-	373
Issuance of capital, net	5	46,369	-	-	-	-	46,374	-	46,374
Exercise of options into shares	3	24,435	137	(1,386)	-	-	23,189	-	23,189
Distribution and payment to non-controlling interests	-	-	-	-	-	-	-	(8,946)	(8,946)
Balance as of September 30, 2017 (unaudited)	75	140,025	(746)	6,472	305,779	121,704	573,309	109,879	683,188

The accompanying notes are an integral part of the interim condensed 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 July 1, 2018 (Unaudited)	77	144,237	(746)	1,512	335,468	147,522	628,070	99,301	727,371
Net income and comprehensive income	-	-	-	-	-	11,788	11,788	1,352	13,140
Total comprehensive income	-	-	-	-	-	11,788	11,788	1,352	13,140
Classification as per provisions of Dutch law	-	-	-	-	1,396	(1,396)	-	-	-
Purchase of rights from non-controlling interests	-	-	-	-	-	-	-	(329)	(329)
Distribution and payment to non-controlling interests	-	-	-	-	-	-	-	(359)	(359)
Balance as of September 30, 2018 (unaudited)	77	144,237	(746)	1,512	336,864	157,914	639,858	99,965	739,823

The accompanying notes are an integral part of the interim condensed 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 July 1, 2017 (Unaudited)	73	117,007	(883)	7,823	297,978	113,597	535,595	108,944	644,539
Net income and comprehensive income	-	-	-	-	-	15,908	15,908	1,537	17,445
Total comprehensive income	-	-	-	-	-	15,908	15,908	1,537	17,445
Classification as per provisions of Dutch law	-	-	-	-	7,801	(7,801)	-	-	-
Capital reserve adjustment in respect of transactions with controlling shareholder	-	-	-	35	-	-	35	-	35
Exercise of options into shares	2	23,018	137	(1,386)	-	-	21,771	-	21,771
Distribution to non-controlling interests	-	-	-	-	-	-	-	(602)	(602)
Balance as of September 30, 2017 (unaudited)	75	140,025	(746)	6,472	305,779	121,704	573,309	109,879	683,188

The accompanying notes are an integral part of the interim condensed 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, 2017 (audited)	67	69,221	(883)	6,614	233,463	110,691	419,173	100,890	520,063
Net income and comprehensive income	-	-	-	-	-	101,124	101,124	17,920	119,044
Total comprehensive income	-	-	-	-	-	101,124	101,124	17,920	119,044
Classification as per provisions of Dutch law, net	-	-	-	-	85,874	(85,874)	-	-	-
Cost of share-based payment	-	-	-	871	-	-	871	-	871
Capital reserve adjustment in respect of transactions with controlling shareholder	-	-	-	432	-	-	432	-	432
Increase of capital, net	5	46,369	-	-	-	-	46,374	-	46,374
Exercise of options and stock options into shares	5	28,647	137	(5,595)	-	-	23,194	-	23,194
Distribution and payment to non-controlling interests	-	-	-	-	-	-	-	(11,408)	(11,408)
Balance as of December 31, 2017 (audited)	77	144,237	(746)	2,322	319,337	125,941	591,168	107,402	698,570

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended September 30, 2018	Nine months ended September 30, 2017	Three months ended September 30, 2018	Three months ended September 30, 2017	Year ended December 31, 2017
	Unaudited				Audited
	€ in thousands				
Cash flows from operating activities					
Net income	57,279	101,264	13,140	17,445	119,044
Adjustments to reconcile net income to net cash provided by operating activities:					
Adjustments to profit and loss:					
Depreciation	48	176	6	30	289
Financial expenses, net	5,788	15,658	387	504	20,817
Increase in value of investment property, net	(34,500)	(101,804)	(1,200)	(8,807)	(106,505)
Deferred taxes, net (*)	8,191	22,696	2,704	3,075	24,413
Cost of share-based payment	-	871	-	-	871
Equity in losses of companies accounted at equity	2,205	-	-	-	-
Capital reserve adjustment in respect of transactions with controlling shareholders	-	373	-	35	432
	(18,268)	(62,030)	1,897	(5,163)	(59,683)
Cash flows from operating activities before changes in asset and liability items	39,011	39,234	15,037	12,282	59,361
Changes in asset and liability items:					
Decrease (increase) in tenants, restricted deposits and other receivables and related parties (*)	(4,562)	(649)	(599)	2,999	(1,266)
Increase (decrease) in accounts payable	4,533	(2,973)	1,726	(776)	369
	(29)	(3,622)	1,127	2,223	(897)
Net cash deriving from operating activities before decrease (increase) in inventory of real estate, inventory of buildings under construction and advances from apartment purchasers	38,982	35,612	16,164	14,505	58,464
Change in advances from apartment purchasers (*)	5,393	36,871	1,741	18,920	7,045
Decrease (increase) in inventory of buildings under construction and real estate inventory (*)	(1,881)	(18,290)	(3,590)	(8,458)	8,567
Net cash provided by operating activity before the purchase of long term inventory	42,494	54,193	14,315	24,967	74,076
Purchase of long term inventory of lands (**)	(128,560)	-	-	-	-
Net cash provided by (used in) operating activities	(86,066)	54,193	14,315	24,967	74,076

(*) see Note 2c regarding initial adoption of IFRS 15, revenues from contracts with customers.
(**) see Note 5 regarding the purchase of land in Dusseldorf.

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2018	2017	2018	2017	2017
	Unaudited				Audited
	€ in thousands				
Cash Flows from investing activities					
Investment in investment property	(17,158)	(69,638)	(6,460)	(10,045)	(91,948)
Change in investment in companies measured at equity	(116)	-	84	-	-
Investment in marketable financial asset	(35,000)	-	(35,000)	-	-
Proceeds from sale of investment property	11,900	14,272	-	-	14,272
Purchase of newly consolidated subsidiaries, net (a)	-	-	-	-	(17,279)
Withdrawal (depositing) of restricted deposits, prepaid transaction costs and withdrawal (depositing) of long-term bank deposits, net	(12,990)	(10,388)	(6,298)	(8,241)	(20,392)
Interest received and realization of derivatives	237	692	-	256	1,083
Net cash used in investing activities	(53,127)	(65,062)	(47,674)	(18,030)	(114,264)
Cash flows from financing activities					
Interest paid	(13,351)	(12,888)	(4,673)	(4,614)	(16,708)
Exercise of stock options	-	22,645	-	21,680	22,645
Distribution and payment to non-controlling interests	(16,784)	(7,165)	(359)	(601)	(11,408)
Receipt of long-term loans, net	197,772	58,144	2,287	32,498	108,052
Repayment of debentures	(14,962)	(15,621)	(14,962)	(15,621)	(18,101)
Repayment of long-term loans	(90,574)	(63,199)	(4,682)	(42,313)	(67,357)(
Issuance of shares and stock options, net	-	46,916	-	-	46,916
Purchase of rights from non controlling interests	(3,299)	-	(329)	-	-
Net cash provided by (used in) financing activities	58,802	28,832	(22,718)	(8,971)	64,039
Change in cash and cash equivalents	(80,391)	17,963	(56,077)	(2,034)	23,851
Balance of cash and cash equivalents at the beginning of the period	113,129	89,278	88,815	109,275	89,278
Balance of cash and cash equivalents at the end of the period	32,738	107,241	32,738	107,241	113,129

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended September 30, 2018	Nine months ended September 30, 2017	Three months ended September 30, 2018	Three months ended September 30, 2017	Year ended December 31, 2017
	Unaudited				Audited
	€ in thousands				
(a) Proceeds from sale of previously consolidated subsidiaries :					
Assets and liabilities of consolidated subsidiaries as of date of sale:					
Investment property	-	-	-	-	(46,950)
Working capital (excluding cash and cash equivalents)	-	-	-	-	(1,905)
Loans from banks, net	-	-	-	-	34,250
Loss in respect of transaction costs	-	-	-	-	(2,674)
	-	-	-	-	(17,279)
(b) Additional information					
Taxes paid	3,113	775	488	95	2,407
(c) Non cash activities					
Dividend to non-controlling interests	-	1,781	-	-	-

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

Note 1: - **General**

These Financial Statements have been prepared in a condensed format as of September 30, 2018 and for the nine and three month periods then ended that date (hereinafter – the Consolidated Interim Financial Statements). These Statements should be read in accordance with the annual financial statements for 2017 and for the year then ended and the accompanying notes (the consolidated annual financial statements).

Note 2: - **Significant accounting policies**

a. Preparation format of the Interim Consolidated Financial Statements

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

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

c. New standards adopted in the reported period.

1. IFRS 9 – Financial Instruments:

As explained in Note 2 (AE) of the Company's annual financial statements, effective from January 1, 2018, the Company adopts IFRS 9, Financial Instruments. The adoption of the standard had no material effect of the company's financial statements.

2. IFRS 15 - Revenue from Contracts with Customers

Commencing from January 1, 2018, the Group adopts for the first time the International Financial Reporting Standard 15, which prescribes guidelines regarding revenue recognition.

The Company chose to apply the Standard in the cumulative effect approach while adjusting the retained earnings as at January 1, 2018 "and without restating the comparative figures.

Note 2: - **Significant accounting policies (Cont.)**

IFRS 15 - Revenue from Contracts with Customers (Cont.)

The changes and effects of the initial adoption on the Company's financial statements are as follows mainly in revenue recognition from the sale of residential units as below:

Income from sale of residential units

The Company operates in the real estate sector in the construction and sale of residential apartments in Germany. Until December 31, 2017, the Company recognized income from the sale of residential apartments upon delivery of the apartment to the purchaser. According to the new standard, upon entering into agreement with the customer, the Company identifies the residential apartment as a performance obligation. Regarding this activity, based on the examination of the Company's contracts with its customers and on the basis of the relevant provisions of the law and regulations, the Company estimates that under the contracts with its customers, no asset with alternative use has been created for the Company and it has an enforceable right to pay for the performance completed up to that date, accordingly, under the new standard, the Company recognized revenue from these contracts over time, according to the contract performance rate.

In addition, the Company implemented the following regarding revenue from the sale of residential apartments:

1. Measurement unit - the Company determined that the measurement unit for revenue recognition is the residential apartment that is the subject of the sales contract with the customer.

2. Determining the transaction price – the company determined the transaction price separately for each contract with a customer.

3. Measurement of performance progress - in order to measure the progress of performance, the Company implemented the input method without taking into account costs that do not reflect the progress of performance, such as land, levies and credit costs. Typically, it is not possible to deliver a specific residential apartment before the construction of the entire building has been completed. Therefore, the Company has determined the performance progress rate, according to which revenue is recognized for each specific sales contract, in accordance with the progress rate of the entire project. In order to implement the input method, the Company estimated the costs required to complete the project in order to determine the amount of revenue to be recognized. These estimates include the direct costs relating to the contract performance and are allocated on the basis of a reasonable burden key.

Note 2: - **Significant accounting policies (Cont.)**

IFRS 15 - Revenue from Contracts with Customers (Cont.)

4. The existence of a significant financing component in the contract - for the purpose of examining the existence of a significant financing component in the contract, the Company chose the practical relief in the new standard according to which the amount of the consideration in respect of the financing component cannot be adjusted where upon entering into agreement it is expected that the period between receiving the consideration and the revenue recognition time shall not exceed one year.

d. Estimates and assumptions

The estimates and assumptions used in the interim consolidated financial statements are identical to those used in the Company's consolidated financial statements.

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

As of January 1, 2018 (EUR in thousands)	According to previous policy	Effect of change	According to IFRS 15
Inventory	48,756	(19,015)	29,741
Income receivable from the sale of apartments	-	8,672	8,672
Advances from apartment purchasers	(23,119)	16,242	(6,877)
Accounts payable	(25,424)	(1,842)	(27,266)
Non controlling interests	(107,402)	(690)	(108,092)
Equity attributed to the Company	(591,168)	(3,367)	(594,535)

b. The table below summarizes the effects on the statement of financial position as of September 30, 2018 assuming that the previous revenue recognition policy would have continued during this period:

As of September 30, 2018 (EUR in thousands)	According to previous policy	Effect of change	According to IFRS 15
Inventory	79,574	(38,324)	41,250
income receivable from the sale of apartments	-	5,508	5,508
Advances from apartment purchasers	(47,589)	43,991	(3,598)
Accounts payable	(22,387)	(3,435)	(25,822)
Non controlling interests	(98,811)	(1,154)	(99,965)
Equity attributed to the Company	(633,327)	(6,531)	(639,858)

Note 2: - Significant accounting policies (Cont.)

The table below summarizes the effects on the comprehensive income or loss for the 9 months period ended on September 30, 2018, assuming that the previous revenue recognition policy would have continued during this period:

	According to previous policy	Effect of change	According to IFRS 15
Revenues from rental of properties	59,267	-	59,267
Revenues from property management and others	20,258	-	20,258
Property management expenses	(19,960)	-	(19,960)
Cost of maintenance of rental properties	(8,396)	-	(8,396)
Rental and management revenues, net	51,169	-	51,169
Revenues from sale of apartments			
Cost of sale of apartments	13,884	27,731	41,615
Income from sale of apartments	(9,473)	(22,357)	(31,830)
	4,411	5,374	9,785
Administrative and general expenses	(9,759)	-	(9,759)
Administrative and general expenses attributed to the inventory of apartments under construction and inventory of real estate	(1,844)	-	(1,844)
Selling and marketing expenses	(250)	-	(250)
Operating income before change in investment property value	43,727	5,374	49,101
Increase in value of investment property, net	34,500	-	34,500
Operating income	78,227	5,374	83,601
Finance income			-
Finance expenses excluding the effect of exchange rate differences, CPI and currency hedging transactions	(14,831)	-	(14,831)
Exchange rate differences, CPI and currency hedging transactions, net	3,561	-	3,561
Change in fair value of financial assets, loans and others	4,632	-	4,632
Equity in earnings (losses) of companies accounted at equity method of accounting	(2,205)	-	(2,205)
Income before taxes on income	69,384	5,374	74,758
Taxes on income	(15,801)	(1,678)	(17,479)
Net income	53,583	3,696	57,279
Other comprehensive income	-	-	-
Total other comprehensive income	53,583	3,696	57,279
Total comprehensive income attributable to:			
Company shareholders	42,992	3,141	46,133
Non-controlling interests	10,591	555	11,146
	53,583	3,696	57,279
Net earnings per share attributable to the Company's shareholders (in Euro)			
Basic net income	5.56	0.41	5.97
Diluted net income	5.56	0.41	5.97

Note 2: - Significant accounting policies (Cont.)

The table below summarizes the effects on the comprehensive income or loss for the 3 months period ended on September 30, 2018, assuming that the previous revenue recognition policy would have continued during this period:

	According to previous policy	Effect of change	According to IFRS 15
Revenues from rental of properties	19,837	-	19,837
Revenues from property management and others	6,815	-	6,815
Property management expenses	(6,599)	-	(6,599)
Cost of maintenance of rental properties	(2,829)	-	(2,829)
Rental and management revenues, net	17,224	-	17,224
Revenues from sale of apartments	-	12,202	12,202
Cost of sale of apartments	-	(9,339)	(9,339)
Income from sale of apartments	-	2,863	2,863
Administrative and general expenses	(2,918)	-	(2,918)
Administrative and general expenses attributed to the inventory of apartments under construction and inventory of real estate	(597)	-	(597)
Selling and marketing expenses	(24)	-	(24)
Operating income before change in investment property value	13,685	2,863	16,548
Increase in value of investment property, net	1,200	-	1,200
Operating income	14,885	2,863	17,748
Finance income	-	-	-
Finance expenses excluding the effect of exchange rate differences, CPI and currency hedging transactions	(5,003)	-	(5,003)
Exchange rate differences, CPI and currency hedging transactions, net	(626)	-	(626)
Change in fair value of financial assets, loans and others	5,235	-	5,235
Equity in earnings (losses) of companies accounted at equity method of accounting	-	-	-
Income before taxes on income	14,491	2,863	17,354
Taxes on income	(3,320)	(894)	(4,214)
Net income	11,171	1,969	13,140
Other comprehensive income	-	-	-
Total other comprehensive income	11,171	1,969	13,140
Total comprehensive income attributable to:			
Company shareholders	10,114	1,674	11,788
Non-controlling interests	1,057	295	1,352
	11,171	1,969	13,140
Net earnings per share attributable to the Company's shareholders (in Euro)			
Basic net income	1.31	0.22	1.53
Diluted net income	1.31	0.22	1.53

Note 3: - Financial instruments

a. Financial instruments not measured at fair value

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

	September 30, 2018		September 30, 2017		December 31, 2017	
	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	112,423	124,093	130,769	143,659	129,003	142,868

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

b. Financial instruments measured at fair value

Classification of the financial instruments according to fair value hierarchy

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

	September 30, 2018		
	Level 1	Level 2	Level 3
	Unaudited		
	€ in thousands		
Financial assets:			
Marketable financial asset	39,941	-	-
Financial liabilities:			
Foreign exchange forward contracts – dollar	(1,643)	-	-
Interest swap agreements	-	(234)	-

Note 3: - Financial instruments (Cont.)

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

Classification of the financial instruments according to fair value hierarchy

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

	September 30, 2017		
	Level 1	Level 2	Level 3
		Unaudited	
		€ in thousands	
Financial liabilities:			
Foreign exchange forward contracts – dollar	(3,172)	-	-
Interest swap agreements	-	(571)	-
Loans	-	-	67,356

	December 31, 2017		
	Level 1	Level 2	Level 3
		€ in thousands	
Liabilities:			
Foreign currency forward contracts – dollar	(4,271)	-	-
Interest swap agreements	-	(449)	-

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

In the reported period there were no reconciliations for Level 3.

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

d. Valuation techniques

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

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

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

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

	Valuation technique	**unobservable material data**	**Range (weighted average)**	**Sensitivity of fair value to change in data as of September 30, 2018**
Interest swap transactions	DCF	Payment curve	Euribor curve for the transaction period	2 % increase/decrease in Euribor curve will result in increase/decrease of up to EUR 2.9 million in fair value and EUR (3.7) million, respectively.

Note 4: - Operating Segments

	Income-Generating Commercial Real Estate	Income-Generating Residential Real Estate	Land for Betterment	Residential development (*)	Total
			€ in thousands		
For the nine-Month Period Ended September 30, 2018 (Unaudited)					
Revenues from sale of apartments	-	-	-	41,615	41,615
Cost of sale of apartments	-	-	-	(31,830)	(31,830)
Loss from sale of apartments	-	-	-	9,785	9,785
Revenues from property rental	22,649	36,482	136	-	59,267
Revenues from property management and others	4,000	16,152	106	-	20,258
Property management expenses	(3,995)	(15,864)	(101)	-	(19,960)
Rental property maintenance expenses	(2,959)	(5,336)	(101)	-	(8,396)
Total rental and management revenues, net	19,695	31,434	40	-	51,169
Net revenues before administrative and financial expenses					60,954
Administrative and general expenses					(9,759)
Selling and marketing expenses and administrative and general expenses attributed to inventory of buildings under construction and inventory of real estate	-	-	-	(2,094)	(2,094)
Increase in value of investment property, net	1,408	39,144	(6,052)	-	34,500
Financial expenses, net					(6,638)
Equity in earnings (losses) of companies accounted at equity method of accounting	(2,205)	-	-	-	(2,205)
Income before taxes on income					74,758

(*)See Note 2c regarding initial adoption of IFRS 15, revenues from contracts with customers.

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 Nine-Month Period Ended September 30, 2017 (Unaudited)					
Revenues from sale of apartments	-	2,302	-	9,262	11,564
Cost of sale of apartments	-	(1,530)	-	(9,340)	(10,870)
Income (loss) from sale of apartments	-	772	-	(78)	694
Revenues from property rental	23,265	31,485	148	-	54,898
Revenues from property management and others	4,910	16,130	70	-	21,110
Property management expenses	(4,841)	(15,452)	(68)	-	(20,361)
Rental property maintenance expenses	(2,498)	(4,411)	(356)	-	(7,265)
Total rental and management revenues (expenses), net	20,836	27,752	(206)	-	48,382
Net revenues before administrative and financial expenses					49,076
Other income	2,008	-	-	-	2,008
Administrative and general expenses					(7,852)
Selling and marketing expenses and administrative and general expenses attributed to inventory of buildings under construction and inventory of real estate	-	-	-	(2,013)	(2,013)
Cost of share based payment					(871)
Increase in value of investment property, net	12,474	61,503	27,827	-	101,804
Financial expenses, net					(16,588)
Income before taxes on income					125,564

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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 September 30, 2018 (Unaudited)					
Revenues from sale of apartments	-	-	-	12,202	12,202
Cost of sale of apartments	-	-	-	(9,339)	(9,339)
Income from sale of apartments	-	-	-	2,863	2,863
Revenues from property rental	7,555	12,234	48	-	19,837
Revenues from property management and others	1,367	5,419	29	-	6,815
Property management expenses	(1,364)	(5,205)	(30)	-	(6,599)
Rental property maintenance expenses	(1,166)	(1,656)	(7)	-	(2,829)
Total rental and management revenues, net	6,392	10,792	40	-	17,224
Net revenues before administrative and financial expenses					20,087
Administrative and general expenses					(2,918)
Selling and marketing expenses and administrative and general expenses attributed to inventory of buildings under construction and inventory of real estate	-	-	-	(621)	(621)
Increase (decrease) in value of investment property, net	(214)	1,851	(437)	-	1,200
Financial expenses, net					(394)
Income before taxes on income					17,354

(*)See Note 2c regarding initial adoption of IFRS 15, revenues from contracts with customers.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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 September 30, 2017 (Unaudited)					
Revenues from sale of apartments	-	2,302	-	34	2,336
Cost of sale of apartments	-	(1,530)	-	(34)	(1,564)
Income from sale of apartments	-	772	-	-	772
Revenues from property rental	7,570	10,961	5	-	18,536
Revenues from property management and others	1,172	5,732	40	-	6,944
Property management expenses	(1,133)	(5,557)	(38)	-	(6,728)
Rental property maintenance expenses	(1,006)	(1,416)	(44)	-	(2,466)
Total rental and management revenues, net	6,603	9,720	(37)	-	16,286
Net revenues before administrative and financial expenses					17,058
Administrative and general expenses	-	-	-	-	(2,604)
Selling and marketing expenses and administrative and general expenses attributed to inventory of buildings under construction and inventory of real estate	-	-	-	(532)	(532)
Increase (decrease) in value of investment property, net	972	5,049	2,786	-	8,807
Financial expenses, net	-	-	-	-	(1,353)
Income before taxes on income					21,376

Note 4: - Operating Segments (cont.)

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

Note 5: - Material Events during the Reported Period

1. Refinancing **–**

   a. On January 31, 2018, the Company refinanced with another bank a loan in a total amount of € 33 million for a period of 5 years. The new loan bears fixed annual interest at the rate of 1.34% with repayment of an annual principal, paid quarterly, at the rate of about 2% per annum of the amount of the new loan. On the final repayment date, which is June 30, 2023, the unpaid principal balance will be paid plus accrued interest. The total amount of the repaid loan amounted to € 22.4 million. This loan bears fixed annual interest at the rate of 2.67%.

   b. On June 20, 2018, the Company refinanced a loan in the amount of € 44 million (which its maturity date is due) in a total amount of € 55 million for a period of 5 years. The new loan bears fixed annual interest at the rate of approximately 1.613% with annual principal payment rate of 2.5%, paid quarterly, of the amount of the new loan. On the final repayment date of June 20, 2023, the balance of the principal that has not yet been repaid will be paid plus accrued interest. The previous loan bore fixed annual interest at the rate of 2.66%.

   c. As of the report signing date, the company conducts advanced negotiations with a German bank regarding the extension of a non recourse loan in the amount of € 55.9 million which was extended to the Company on February 28, 2014 the repayment date of which is December 31, 2018.

2. Completion of the purchase of land with an area of 193 thousand square meters in the city of Dusseldorf - On December 28, 2017, the Company entered into a notarized sale agreement with a third party unrelated to the Company and or its controlling shareholder, for the acquisition of all ownership rights in a land with an area of 193 thousand square meters in the Gerresheim neighborhood in Dusseldorf, Germany, for a total consideration of € 141.9 million (including related transaction costs). On the land, 1,300 residential units and 30,000 square meters of commercial spaces, offices and kindergartens and school designated for sale are planned to be constructed. It should be indicated that the Company intends to develop the complex. In order to finance the acquisition, the Company (through a wholly-owned sub-subsidiary) entered into an agreement with a German bank to obtain a loan in the amount of approximately € 90 million under recourse terms (to the Company), the final repayment date of which is 3 years from the date of receiving the loan, bearing interest at a margin of 2% per annum above Euribor's 3 month period. The purchase cost balance plus related costs were financed from the Company's own sources. On February 28, 2018 the transaction was completed - the entire consideration was paid to the seller and the full rights in the real estate were transferred to the Company. The real estate was classified and presented in the financial statements as non-current real estate inventory.

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

3. Purchase of residential units in Dortmund - On February 26, 2018, the Company (via a wholly-owned subsidiary) entered into a notarized sale agreement with a third party unrelated to the Company and/or its controlling shareholder for the purchase of 43 residential units for rental in Dortmund for € 2.4 million. The completion of the transaction is expected to take place at the end of May 2018 and will be financed by a bank loan in the amount of about € 1.8 million, bearing fixed annual interest at the rate of 1.46%, and the balance by the shareholders' equity of the Company.

4. Sale of hotel in Hamburg, Germany – On February 23, 2018, a notarized sale agreement was signed ("the sale agreement") between a sub- subsidiary (100%) of the Company ("the Seller") on the one hand and a third party unrelated to the Company and/or its controlling shareholder ("the Purchaser") for the sale of all of its holdings in a hotel in Hamburg ("the Sold Property") to the Purchaser for a consideration of € 11.9 million (plus adjustments to working capital). The Sold Property with a leasable area of 5,000 square meters is a 3-star hotel with 100 rooms in Hamburg, Germany, leased to a well-known German hotel chain under a lease agreement until 2027. The Sold Property was purchased by the Seller in 2007 for € 8.5 million. The fair value of the Sold Property in the Company's consolidated financial statements as of December 31, 2017 was € 11.6 million. The transaction, the subject of said sale agreement, was completed on April 25, 2018 upon the full payment to Seller, of which € 6.2 million was used to repay the loan that financed the Sold Property.

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

6. On April 25, 2018, the meetings of the bondholders (Series A and B) determined to approve by a required majority not to put the bonds for immediate repayment in respect of the cause contained in the trust deed that was established for the bond holders in respect of the transfer of control; and in connection with the trust deed of Series B the amended trust deed on the above cause of action. The meeting of the bondholders (Series C) decided not to approve the following issues: (i) not to put the bonds for immediate repayment in respect of the cause contained in the trust deed that was established for the bondholders in respect of the transfer of control and (ii) amend the trust deed (Series C) in the matter of such cause as aforesaid. Further to the above, it should be noted that on May 21, 2018, the bondholders (Series C) resolved to grant a waiver in connection with the cause for immediate repayment in respect of the transfer of control of the Company and amending the trust deed.

7. On July 23, 2018, the Company acquired shares in a public company incorporated in Germany, whose shares are traded on the unofficial supervised Frankfurt Stock Exchange and which is one of the leaders in the residential real estate development market in Germany, which is not related to the Company or its controlling shareholder representing 4.1% of issued and outstanding equity of the target company, for a total consideration of € 35 million. The Company classified the above investment as a financial asset presented at fair value through profit or loss.

BRACK CAPITAL PROPERTIES NV

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

AS OF SEPTEMBER 30, 2018

UNAUDITED

IN THOUSANDS OF EUROS

<u>To the Shareholders of Brack Capital Properties NV</u>

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

Introduction

We have reviewed the separate interim financial information according to regulation 38d of the Securities regulations (Periodic and Immediate Reports), 1970 of Brack Capital Properties NV (hereinafter – the Company), as of September 30, 2018 and for the nine-month and three-month periods ending that date. The Board of Directors and Management are responsible for the separate interim financial information. Our responsibility is to express our conclusions with regard to the separate interim financial information for this interim period, based on our review.

Scope of the Review

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

Conclusion

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

November 21, 2018 Amit, Halfon, CPAs

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

	September 30, 2018(*)	September 30, 2017	December 31, 2017
	Unaudited	Unaudited	Audited
	€ in thousands		
Current Assets			
Cash and cash equivalents	7,959	46,955	41,382
Cash and cash equivalents in trust	4,046	7,044	24,554
Balances receivable from banks	408	1,340	932
Restricted deposits and other receivables	7,778	119	89
	20,191	55,458	66,957
Non-Current Assets			
Investment in investee	693,811	651,867	657,608
Marketable financial asset (**)	39,941	-	-
	733,752	651,867	657,608
	753,943	707,325	724,565
Current Liabilities			
Other accounts payable	935	1,193	1,655
Current maturity of debentures	17,331	17,341	17,399
Other financial liabilities	790	323	492
	19,056	18,857	19,546
Non-Current Liabilities			
Debentures	94,176	112,310	110,072
Other financial liabilities	853	2,849	3,779
	95,029	115,159	113,851
Equity			
Share Capital	77	75	77
Premium on Shares	144,237	140,025	144,237
Treasury Shares	(746)	(746)	(746)
Other capital reserves	1,512	6,472	2,322
Statutory capital reserve	336,864	305,779	319,337
Retained earnings	157,914	121,704	125,941
	639,858	573,309	591,168
Total equity	753,943	707,325	724,565

*) See Note 2c to the interim consolidated financial statements regarding initial adoption of IFRS 15, revenues from contracts with customers.

**) See Note 2c regarding the purchase of shares in a public company.

November 21, 2018			
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

	Nine months ended September 30,		Three months ended September 30		Year ended December 31
	2018	2017	2018	2017	2017
	Unaudited				Audited
	€ in thousands				
Administrative and general expenses	(1,324)	(2,840)	(298)	(551)	(3,542)
Financial income (expenses), net	4,686	(6,537)	3,561	2,452	(9,395)
Equity in earnings of investees	42,771	92,706	8,525	14,007	114,061
Net income	46,133	83,329	11,788	15,908	101,124
Other comprehensive income:	-	-	-	-	-
Total other comprehensive income	46,133	83,329	11,788	15,908	101,124

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

	Nine months ended September 30,		Three months ended September 30		Year ended December 31
	2018	2017	2018	2017	2017
	Unaudited				Audited
Cash flows from operating activities:					
Net income attributed to the Company's shareholders	46,133	83,329	11,788	15,908	101,124
Adjustments required to present net cash provided by operating activities:					
Adjustments to the profit or loss items:					
Financial expenses, net	(4,915)	6,880	(2,150)	(3,040)	9,799
Cost of share-based payment	-	871	-	-	871
Capital reserve adjustment in respect of transactions with controlling shareholder	-	373	-	35	432
Equity in earnings of investees	(42,771)	(92,706)	(8,525)	(14,007)	(114,061)
	(47,686)	(84,582)	(10,675)	(17,012)	(102,959)
Changes in assets and liabilities items:					
Decrease (increase) in other receivables and related parties	10	(22)	20	17	8
Increase (decrease) in accounts payable and related parties	(108)	(64)	(101)	(18)	11
	(98)	(86)	(81)	(1)	19
Net cash used in operating activities of the Company	(1,651)	(1,339)	1,032	(1,105)	(1,816)
Cash Flows from investing activities					
Change in investment in investee, net	29,737	-	30,034	8,940	(8,146)
Investment in financial assets	(35,000)	-	(35,000)	-	-
Decrease (increase) in restricted deposits	(7,690)	(5,973)	2,286	-	-
Interest received and exercise of derivatives	237	692	-	256	1,083
Net cash provided by (used in) investing activities of the Company	(12,716)	(5,281)	(2,680)	9,196	(7,063)

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

	Nine months ended September 30,		Three months ended September 30		Year ended December 31
	2018	2017	2018	2017	2017
	Unaudited				Audited
Cash flows from financing activities					
Interest paid	(4,094)	(5,019)	(1,634)	(2,071)	(5,853)
Issuance of debentures, net	-	-	-	-	46,916
Issuance of shares and stock options, net	-	46,916	-	-	-
Repayment of debentures	(14,962)	(15,621)	(14,962)	(15,621)	(18,101)
Exercise of stock options	-	22,645	-	21,680	22,645
Net cash provided by (used in) financing activities of the Company	(19,056)	48,921	(16,596)	3,988	45,607
Change in cash and cash equivalents	(33,423)	42,301	(18,244)	12,079	
Balance of cash and cash equivalents at the beginning of the period	41,382	4,654	26,203	34,876	4,654
Balance of cash and cash equivalents at the end of the period	7,959	46,955	7,959	46,955	41,382

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 September 30, 2018 and for the nine 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, 2017 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, 2017.

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, 2017.

2: - Material events in the reported period

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

b. On April 25, 2018, the meetings of the bondholders (Series A and B) determined to approve by a required majority not to put the bonds for immediate repayment in respect of the cause contained in the trust deed that was established for the bond holders in respect of the transfer of control and in connection with the trust deed of Series B the amended trust deed on the above cause of action. The meeting of the bondholders (Series C) decided not to approve the following issues (i) not to put the bonds for immediate repayment in respect of the cause contained in the trust deed that was established for the bondholders in respect of the transfer of control and (ii) amend the trust deed (Series C) in the matter of such cause as aforesaid;

Further to the above, it should be noted that on May 21, 2018, the bondholders (Series C) resolved to grant a waiver in connection with the cause for immediate repayment in respect of the transfer of control of the Company and amending the trust deed.

c. On July 23, 2018, the Company acquired shares in a public company incorporated in Germany, whose shares are traded on the unofficial supervised Frankfurt Stock Exchange and which is one of the leaders in the residential real estate development market in Germany, which is not related to the Company or its controlling shareholder representing 4.1% of issued and outstanding equity of the target company, for a total consideration of € 35 million. The Company classified the above investment as a financial asset presented at fair value through profit or loss.