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

Brack Capital Properties NV (hereinafter: "the Company") hereby submits the Board of Directors' report for a period of three months ending on March 31, 2019 (hereinafter: "the Reported Period" or "the Report Period in accordance with the Securities Regulations (Periodic and Immediate Reports – 1970 (the Reports' Regulations).

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

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

In this report:

"The report date or "the date of the report" – March 31, 2019.

"Report signing date" or "the date of signing the report" – May 13, 2019.

"The reported quarter" – the first quarter of 2019.

The review presented below is limited in scope and relates to material events and changes that occurred in the state of the Company's affairs during the period of the report, the impact of which is material and should be reviewed together with the Company's periodic report for 2018, including the financial statements, the Company's board of directors report as of December 31, 2018, published on March 15, 2019 (reference number: 2019-01-021453) (Periodic Report 2018).

Preamble

Below are the Company's principal results for the three months ended March 31, 2019.

1. **Profitability** – in the first quarter of 2019, the Company's net loss attributed to the Company's shareholders amounted to approximately EUR 8.4 million compared to income of EUR 11.7 million in the corresponding quarter last year.

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

   - **Income producing real estate** – in the first quarter of 2019, the FFO amounted to EUR 9.2 million compared to EUR 9.4 million in the corresponding quarter last year.

   - **Residential development activity**- in the first quarter of 2019, the contribution to the profit of the Grafental project amounted to EUR 1.6 million (consolidated). In the reported period, the Company recognized the cumulative sale of 89 residential units of Stage E of the project according to a weighted performance rate of 36.7% compared to a sale of 74 residential units at a weighted performance rate of 27% as of December 31, 2018.

2. **Operating segments – key operational data**[1].

2.1 Residential development segment – Grafental project[2]

Stage	Number of flats	Expected revenues (EUR in millions)	Expected income (EUR in millions)	Entrepreneurial profit (in percentage)	Sales (in percentage)	Revenue recognition % as of the report date
E	89	49.6	12.0	32%	100%	33.9%
G*	89	53.7	12.2	30%	56.9%	0%
Total	**178**	**103.3**	**24.2**	**31%**	**76%**	**17%**

*) the marketing of Stage G commenced in November 2018. It is indicated that Stage F includes apartments for rental the Company intends to hold. For additional information see section 4.3 below.

2.2 Income producing real estate[3]

Zoning	Area (square meters)	Actual Return of rental fees[4]	ERV Return[5]	Actual NOI return[6]	NOI return according to ERV[7]	Occupancy rate
Residential	704	5.4%	6.8%	4.5%	5.8%	94%
Commercial*	216	6.5%	6.6%	5.4%	5.5%	96%
Total	**920**	**5.7%**	**6.7%**	**4.7%**	**5.7%**	**94%**

*) excluding an asset in associate with an area of 7 thousand sq.m.

The following is the contribution of income producing real estate segment to the Company's results:

- **Residential**: in the first quarter of 2019, rental fees increased by 2.4 % from identical assets and 1.4% in rental fees an increase of 2.9% in rental fees from identical assets after occupancy rate adjustment and 0.7% per square meter in new rentals compared to the corresponding quarter of 2018. The rental fees in new rentals in the residential market are higher by 19% of the average rental fees.

- **Commercial**: in the first quarter of 2019, rental fees have increased by 2.1% compared to the corresponding quarter in 2018. Most of the increase derives from development of construction rights in these assets.

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

[1] As of the report date
[2] Data according to 100%, the effective corporation's share in the project,) is 84.98%;
[3] Assets consolidated in the Company's financial statements excluding assets for which binding sale agreements were signed, see below.
[4]Data of May 2019 on annual basis divided by the carrying value
[5]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 May 2019 on annual basis divided by the carrying value
[7]Actual NOI plus the difference between actual rental fees and the ERV divided by the carrying values

3.1 **Equity and NAV**: The equity attributed to the Company's shareholders amounted to approximately EUR 686.3 million and the NAV [8] amounted to EUR 799.1 million as of the report date.

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

** excluding an asset in associate with an area of 7,000 square meters.

3.2 **Debt ratios**: the LTV ratio[9] is 48.62% as of the report date. The EBITDA ratio to interest expenses (only from the income producing portfolio, excluding operating income from development activity) is 4.12 in the first quarter of 2019.

3.3 **Liquidity**: cash balances (consolidated) amounted to approximately EUR 13.2 million as of the report date.

3.4 **Financing of assets**: The Company has bank loans with a total balance of EUR 758.4 million at an average annual interest of 1.73% and duration of 4.7. For details regarding bonds see Part B" Specific Disclosure for Bond Holders below.

4. Concise description of the Corporation and its business environment

The Company, its subsidiaries and associate's 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, (collectively: income producing segment), Development residential real estate in Dusseldorf and betterment of land in Dusseldorf (collectively – the group's areas of activity).

Further to what is stated in the Company's periodic report for 2018 the Company continues 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. Further to what is stated in the Company's immediate report dated March 23, 2019 (Ref. 023952-01-2019) in connection with the Company's agreement for selling part of its commercial assets, as of the report date, the Company is continuing to examine possibilities of re- focusing its business strategy, including selling additional assets. For additional details see section 8 below.

Below are the details on the major developments in the group's areas of activity (as occurred) in the reported period and until the signing date of the report:

4.1 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**.**

4.2 Commercial income-producing real-estate – as of the report signing date, the Group owns 23 commercial income-producing properties in the commercial segment (commerce and offices) with an overall leasing area of approximately 216,000 m^2 including assets for which the company has entered into a binding sale contract, as specified in section 8 above (excluding an asset in associate with an area of 7,000 square meters).

For details regarding the income producing real estate see Chapter A of the Company's periodic report for 2018.

[8]EPRA NAV – for details regarding the index and the calculation manner see section 5 of part A.
[9]Net debt to total real estate assets

4.3 Residential Real Estate Under Development - for details regarding the marketing, sales, handovers and performance 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 additional projects, see Chapter A of the periodic report for 2018.

For additional information on the performance and marketing status of the stages under construction of the project, see the tables below. For additional details regarding the other projects see Chapter A of the periodic report for 2018.

	Project marketing					
Data according to 100% The effective corporation's share in the project – 84.98%)	**2019**			**2019**		**2018**
	As of the report signing date	**Q1**	**2018**	**As of the report signing date**	**Q1**	
	Stage G			**Stage E**		
Flats (#)	54	51	27	89	89	86
Flats – total monetary consideration (including for parking, EUR in thousands)	30,574	28,553	14,301	49,563	49,563	47,961
Flats (square meters)	5,450	5,089	2,536	9,999	9,999	9,688
Average price per sq.m (EUR) (including consideration for parking)	5,610	5,607	5,639	4,957	4,957	4,951
	Reservations (reservations) *as of the report signing date					
Flats (#)	0			Marketing is concluded		
Flats – total monetary consideration (including for parking, EUR in thousands)	0			Marketing is concluded		
Flats (square meters)	0			Marketing is concluded		
Average price per sq.m (EUR)	0			Marketing is concluded		
	Signed agreements and cumulative reservations up to the report signing date:					
Flats (#)	54			89		
Flats – total monetary consideration (including for parking, EUR in thousands)	30,574			49,563		
Flats (square meters)	5,450			9,999		
Average price per sq.m (EUR)	5,610			4,957		
	Marketing rate of the project %					
	As of the report signing date	**March 31, 2019**	**December 31, 2018**	**As of the report signing date**	**As of March 31, 2019**	**As of December 31, 2018**
Marketing rate on the last date of the period - signed agreements	56.9%	53.1%	21.2%	100%	100%	96.8%
Marketing rate on the last date of the period - signed agreements and reservations	56.9%			100%		
	Advances from customers					
	As of the report signing date	**March 31, 2019**	**December 31, 2018**	**As of the report signing date**	**As of March 31, 2019**	**As of December 31, 2018**
Advances from tenants (EUR in thousands)	0	0	0	14,542	14,142	11,657

Rate of Advances from tenants (%)	0.0%			21.5%	20.9%	17.2%
	Spaces for which agreements and reservations were not yet signed as of the report signing date					
Flats (#)	35			0		
Flats – total expected monetary consideration (including for parking, EUR in thousands)	23,116			0		
Flats (square meters)	4,084			0		
Average price per sqm (EUR)	5,660			0		
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)	8,381			0		

4.3.1 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 E	Stage F	Stage G
Total expected revenues	49,654	28,925[10]	53,689
Advances from apartment purchasers as of the report date	14,142	-	-
Advances from apartment purchasers as of the date of signing the report	14,542	-	-
Total expected cost (including land (EUR in thousands)	37,560	25,445	41,457
Completion rate (engineering/monetary) (excluding land) (%)[11]	36.7%	49.7%	29.0%
Total expected entrepreneurial profit	12,004	3,480	12,232
Total entrepreneurial profit recognized in the Company's financial statements (consolidated) cumulatively as of the report date	4,073	-	-
Rate of expected entrepreneurial profit (%)	32%	13.7%	29.5%
Expected completion date*	Q1 2020	Q1 2020	Q2 2020

[10]The construction of stage f commenced in April 2018 upon receiving the building permit.

[11]Represents the expected value of the stage, which is designated for rental, as an income producing asset after its completion.

		Stage E		Stage F		Stage G	
		Q1 2019	2018	Q1 2019	2018	Q1 2019	2018
Costs invested	Cumulative costs for land at the end of the period	9,649	9,649	3,500	3,500	10,500	10,500
	Cumulative costs for development, taxes and fees	2,255	1,827	1,744	1,610	1,381	1,249
	Cumulative costs for construction	7,994	5,454	9,153	5,664	7,586	3,963
	Cumulative costs for financing (capitalized)	0	0	0	0	0	0
	Total cumulative cost	**19,898**	**16,930**	**14,397**	**10,773**	**19,467**	**15,713**
	Total cumulative cost in the books	**19,898**	**16,930**	**14,397**	**10,773**	**19,467**	**15,713**
Costs not yet invested	Costs for land not yet invested (estimate)	0	0	0	0	0	0
	Costs for development, taxes and fees not yet invested (estimate)	1,475	1,904	1,714	1,848	2,065	2,076
	Costs for construction not yet invested (estimate)	16,188	18,726	9,334	12,824	19,925	23,548
	Cumulative costs for financing expected to be capitalized in the future (estimate)	0	0	0	0	0	0
	Total cumulative cost in the books	**17,663**	**20,630**	**11,048**	**14,672**	**21,990**	**25,744**

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

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.

4.3.2 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	Entrepreneurial profit not yet recognized
Stages in progress (stage E and G)	40,141	16,335	10,205

From apartments not yet sold (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	Entrepreneurial profit not yet recognized
Stage G	45,425	16,875	9,958
Total	45,425	16,875	9,958

4.4 Betterment of land in Dusseldorf to development real estate - the Company owns 3 land complexes in Dusseldorf, Germany, undergoing advanced procedures for changing the zoning from offices/industry to residential. For details regarding the Company's progress in the zoning changes of the lands in Dusseldorf and for additional details see Chapter A of the periodic report for 2018.

4.4.1 The following is a tabular summary of expected revenue, cash flow and entrepreneurial profit expected from the betterment of the land in Dusseldorf [12]real estate inventory in Dusseldorf and inventory of buildings under construction without the asset in an associate in Aachen and without a parcel of land in Gerresheim neighborhood:

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 planning stages 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	**445,906**	**177,263**	**85,712**

The information described above in connection with (1) stages E 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 of Grafental Ost) 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.

[12]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).

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.

<u>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;</u>

(5) <u>Financial Position</u>

Assets	March 31, 2019	March 31, 2018	December 31, 2018	Explanation for the change
	EUR in thousands			
Current assets				
Cash and cash equivalents	13,187	82,510	27,138	See details in the statement of cash flows as part of the Company's financial statements attached to this report.
Balances receivable from banks	422	723	414	
Restricted deposits, financial assets and other receivables	19,210	8,047	21,249	The increase mainly derives from classifying deposits from tenants to restricted cash
Income receivable from the sale of apartments	3,863	13,051	4,474	
Tenants and trade receivables, net	1,685	3,249	1,523	
Inventory of buildings under construction	26,640	21,518	25,496	The increase in the reported period derives from continued development on one hand and recognition of inventory cost of sale on the other hand
<u>Total current assets</u>	**65,007**	**129,098**	**80,294**	
<u>Assets held for sale</u>	183,702	11,900	-	The increase in the reported period stems from the Company's agreement to sell 89.9% of the Company's holdings in three companies, which constitute 40% of the Company's commercial real estate portfolio. For additional details see section 8.2 below.

Non-current assets:				
Investments measured at equity	8,297	8,518	7,698	
Marketable financial asset	30,687	-	37,019	
Inventory of real estate and real estate inventory under construction	220,188	214,584	216,061	
Investment property – real estate rights	64,683	67,094	64,683	
Investment property – income producing assets	1,232,791	1,296,841	1,410,282	The decrease in the reported period derives mainly from the classification of the investment property of the three companies, for which the Company entered into the sale agreement, as assets held for sale.
Restricted deposits for investments in assets	5,798	7,408	5,381	
Other accounts receivable, fixed assets and other financial assets	1,153	374	426	
Deferred taxes	2,225	526	1,231	
Total non-current assets	**1,565,822**	**1,595,345**	**1,742,781**	
Total assets	**1,814,531**	**1,736,343**	**1,823,075**	

Liabilities	March 31, 2019	March 31, 2018	December 31, 2018	Explanation for the change
	EUR in thousands			
Current liabilities:				
Current maturities of loans from banks	91,208	139,768	101,485	The decrease in the reported period derives mainly from classification of long term loans following refinancing according to the original amortization schedules of the loans
Current maturities of debentures	17,929	16,654	17,066	
Loans for financing inventory of buildings under construction	-	2,500	2,098	

Accounts payable and other financial liabilities	20,936	20,778	30,066	
Advances from apartment purchasers	312	1,069	841	
Total current liabilities	**130,385**	**180,769**	**151,556**	
Liabilities held for sale	125,640	6,997	-	
Non-current liabilities:				
Loans from banks and others	561,661	629,300	659,614	The decrease in the reported period derives mainly from the classification of loans, for which the Company entered into the sale agreement, as assets held for sale as liabilities held for sale. For additional details see section 8.2 below.
Debentures	94,819	105,263	90,349	The decrease in the reported period derives from principal payment
Leasing liabilities	3,041	3,095	3,041	
Other financial liabilities	406	5,352	384	
Deferred taxes	105,523	104,045	117,671	
Total noncurrent liabilities	**765,450**	**847,055**	**871,059**	
Total liabilities	**1,021,475**	**1,034,821**	**1,022,615**	
Equity				
Equity attributable to equity holders of the company	686,292	605,424	694,644	
Non controlling interests	106,764	96,098	105,816	
Total equity	**793,056**	**701,522**	**800,460**	
Total liabilities and equity	**1,814,531**	**1,736,343**	**1,823,075**	

(6) Activity Results

	Three months Ended March 31	Three months Ended March 31	Year ended December 31,	Explanation for the change
	2019	2018	2018	
EUR in thousands				
Revenues from rental of properties	20,017	19,762	79,168	Purchase of new assets and increase in rental fees in identical assets
Revenues from property management and others	6,520	6,574	26,980	
Property management expenses	(6,514)	(6,558)	(27,870)	
Cost of maintenance of rental properties	(2,987)	(2,879)	(12,717)	
Rental and management revenues, net	**17,036**	**16,899**	**65,561**	
Revenues from sale of apartments	6,759	18,575	62,753	Timing of recognition in the handover of apartments
Cost of sale of apartments	(5,147)	(14,175)	(47,771)	
Income from the sale of apartments	**1,612**	**4,400**	**14,982**	
other income	-	-	-	
General and administrative expenses	(3,003)	(4,082)	(12,520)	
General and administrative expenses attributed to inventory of apartments under construction and inventory of real estate	(560)	(807)	(2,329)	
selling and marketing expenses	(85)	(94)	(365)	
Cost of share based payment	-	-	-	
Increase in the value of investment property, net	(394)	5,525	95,499	
Operating profit	**14,606**	**21,841**	**160,828**	
Financing income	-	-	-	
Financing expenses excluding the effect of exchange rate differences, CPI and hedging transactions, net	(4,413)	(4,615)	(19,646)	
Effect of exchange rate differences, CPI and currency hedging transactions, net	(3,365)	2,820	6,509	
Change in fair value of financial instruments, loans and others (including early repayment costs of loans)	(13,679)	(250)	1,580	An amount of € 7.2 million derives from the estimated costs of breaking the loans expected to be repaid upon the completion of a transaction for

				the sale of part of the Company's commercial real estate assets, see section 8.2 below, an amount of € 6.3 million derives from an update of the value of a marketable financial asset, In accordance with the share price as of March 31, 2019. The amount of € 5.1 million derives from adoption of IFRS 9 as part of refinancing, see below.
Equity in losses of companies accounted at equity	-	-	(723)	
Income before taxes on income	**(6,851)**	19,796	**148,548**	
Taxes on income	(553)	(6,874)	(29,505)	
Reported net income	**(7,404)**	**12,922**	**119,043**	
Net income attributed to:				
Company shareholders	**(8,352)**	**11,699**	**100,919**	
Non-controlling interests	948	1,223	18,124	

7) Financing sources, liquidity and Cash flows

	Three months Ended March 31	Three months Ended March 31	Year ended December 31,	Explanation for the change
	2019	2018	2018	
	EUR in thousands			
Cash flows provided by operating activities (Cash flows used in operating activities)	750	(118,798)	(68,059)	In 2018, real estate purchase costs were included.
Cash flows provided by investing activities (Cash flows used in investing activities)	(5,343)	(4,166)	(56,394)	See cash flow statement
Cash flows provided by financing activities (Cash flows used in financing activities)	(9,358)	92,345	38,462	See cash flow statement

7.1 Access to financing sources – as of the report date, the Company finances its current operations mainly from cash flows received from the Company's subsidiaries from their current activities and from bank financing and debentures raised by the Company. In addition, the Company has the right to withdraw a loan extended to the Company under qualifying conditions by the Company's controlling shareholder, ADLER Real Estate ("ADLER") (for further details, see section 21 below, as well as the immediate report of the Company dated May 11, 2019) Reference: 2019-01-040008 (which is hereby included by way of reference) (the "Qualifying Credit Facility").For further details regarding the Group's financing sources, see Note 11 to the Group's consolidated financial statements for 2018. For details regarding the transaction in which the Company has entered for selling part of its income producing real estate assets which in its estimate it may positively affect the Company's cash balances see the Company's immediate report dated March 23, 2019 (Ref 2019-01-023952) **(activity sale transaction)** The Company evaluates its accessibility to financing sources as very high in light of its financial strength, the stability of core activity, and the good relationships it has created with the banks financing real-estate projects in Germany as well as high accessibility to the capital market in Israel and the Company's high debt rating.

For additional details regarding the refinancing of the Company's loans, see section 8.3 below.

For additional details regarding the Company's compliance with financial covenants and liabilities, see Appendix A of Chapter B of the periodic report for 2018.

7.2 Examining the existence of warning signs

In the meeting of the Board from May 13, 2019, the Company's Board has determined that the negative working capital (consolidated and solo) and the negative cash flows (solo) does not indicate liquidity problem in the Company so as establish warning signs in the corporation for the following reasons:

1. The financial structure of the Group and the fact that if the Company needed cash flows, the Company could have withdrawn management fees or dividends from its subsidiaries.
2. The Company's financial statements (consolidated and solo) indicate negative working capital as of March 31, 2019 including from reclassification Non- recourse loans the Company's sub-subsidiaries have taken as current liabilities according to the original amortization schedules of such loans and in the ordinary course of business.[13] ,
3. The Company's high access to financing as detailed above including the expected completion of the activity sale transaction.
4. The qualifying credit facility granted by ADLER to the Company.

In addition, the Company's Board of directors considered the following events that are expected to occur in the near future:

a. As part of exercising the right of offer to acquire the rights from non-controlling interests, the Company and the holders of rights commenced negotiations for the acquisition of the rights, the total consideration is expected to amount to € 91 million. It is indicated that in order to carry out the above transaction and improve the transaction structure, the Company entered into an agreement with ADLER's subsidiary such that ADLER's subsidiary will purchase 10.1% of the rights in the relevant asset companies. For further details, see the Company's immediate report dated January 29, 2019 (Ref. No. 2019-01-010509), which is included herein by way of reference and the Company's immediate report dated may 11, 2019 (Ref. No. 2019-01-04000) which is included herein by way of reference.

b. As part of the recourse loan agreement, to finance the acquisition of the property in Gerresheim, the Company undertook that if no infrastructure development agreement is signed with the town and the development plan is published by March 31, 2019, the Company will deposit EUR 24 million in favor of the lending bank (the deposit). As of the report date, the Company received a verbal confirmation from the lending bank that it would agree to postpone said deposit until the end of 2019. For additional details regarding the acquisition of said

[13]The Company expects that after withdrawing the loan from the controlling shareholder (as specified in section 8.4 below) the working capital of the Company (consolidated) will return to be positive.

property, including the Company's loan agreement to finance its acquisition, see the Company's report dated March 1, 2018 (Ref. 2018-01-020404), which is included herein by way of reference.

c. Payment (principal and interest) holders of bonds issued by the Company according to their original amortization schedule in an amount of EUR 18 million which is expected toward the end of the second quarter and the beginning of the third quarter of 2019;

d. As detailed in Section 19 of Chapter A of the Company's periodic report for 2018, the Company holds shares in a public company incorporated in Germany whose shares are traded on the unofficial Frankfurt Stock Exchange and which is one of the leaders in the residential real estate development market in Germany. The value of the shares as of the report signing date is € 38.6 million, which at the Company's estimate may be sold or utilized in a different manner as required from the Company.

The Company's estimates regarding the extension of the repayment date of the aforementioned non-recourse loan, expected improvement of the Company's working capital (consolidated and financing the purchase of rights from non controlling interests as described in this section, constitute forward-looking information, as this term is defined in the Securities Law, 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 included in this report.

7.3 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** (for further details on this project, see section 1.9 of Chapter A of the periodic report for 2018) 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 Grafental (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 effect of the entrepreneurial segment and its publication will provide a more correct basis for comparing the Company's operating results in a certain period with prior periods, and will enable the comparison of the operating results with other real-estate companies in Israel and in Europe.

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

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

	Three months ended March 31, 2019	**Three months ended March 31, 2018**	**Year ended December 31, 2018**
Net profit attributed to the Company's shareholders	(8,352)	11,699	100,919
Adjustments for net profit:			
A. Adjustments for revaluations			
Increase in the value of investment property and adjustments of liability value relating to investment property	188	(5,705)	(81,055)
Transaction costs as part of purchasing new assets recognized in profit or loss	-	-	-
Revaluation of loans and interest swap transactions at fair value	13,679	291	(1,438)
b. adjustments for non cash items			
Cost of share-based payment and changes in capital reserves	-	-	-
Revaluation of loans, indexing and non cash exchange rate differences and hedging transactions	3,581	(2,427)	(4,640)
Interest component in hedging transactions	264	328	1,055
Deferred tax expenses and taxes for prior years	(477)	5,686	23,895
B. Unique items / new activities / ceased activities / other			
Professional services onetime expenses and others	524	1,457	5,119
Adjustments related to associates and non controlling interests	-	569	1,292
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	1,161	1,233	4,651
Adjustments for sale of apartments	(1,371)	(3,739)	(12,731)
Total of adjustments to net profit	17,549	(2,307)	(63,852)
F.F.O	**9,197**	**9,392**	37,067

As aforesaid, the FFO in the three months ended March 31, 2019 amounted to approximately EUR 9.2 million, grossing up an annual FFO rate of EUR 36.8 million.

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

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

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

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

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

	March 31, 2019	**March 31, 2018**	**December 31, 2018**
Equity attributed to the Company's shareholders	686.3	605.4	694.6
Plus deferred taxes for EPRA adjustments (net of non controlling interest)	104.2	91.3	104.9
Net of fair value of derivative financial instruments, net (net of non controlling interest)	0.2	0.2	0.2
Plus profits that were not yet recognized in respect of apartments that were sold and are under construction in stages E and F of the residential project	8.4	4.3	7.1
EPRA NAV –Net Asset Value	**799.1**	**701.2**	**806.8**

(8) Material events in the reporting period and thereafter until the publication date of this report

8.1 **<u>Offers for the purchase of assets from JV partners</u>** –

As detailed in the immediate report of the Company dated January 29, 2019 (Reference No. 2019-01-010509), which is included herein by way of reference ("ROFO Report"), on January 28, 2019, the Company's Board of Directors approved that the Company will submit proposals to the JV Partners (as defined in the ROFO report) for the acquisition of the share of the JV partners in the relevant JV agreements (as defined in the ROFO report), in accordance with the Company's right to offer the first offer.

. The consideration of the transaction is expected to amount to EUR 91 million, and to the best of the Company's knowledge is based on the value of the assets that are the object of the transaction, in the Company's books as of the date on which the investors received the offer, with the addition of certain adjustments, which were determined under the agreement for the acquisition of the control in the Company by the former controlling shareholder in the Company from the preceding controlling shareholder. In order to carry out the transaction and improve the structure of the transaction, the Company entered into an agreement with ADLER's subsidiary such that ADLER's subsidiary will purchase 10.1% of the rights in the relevant asset companies. As a result of such agreement, ADLER's subsidiary will bear part of the consideration for the transaction in an estimated amount of EUR 21 -25 million. The agreement between the Company and ADLER was approved by the Company's audit committee and Board of Directors on May 9, 2019 pursuant to regulation 1(4) of the Companies Regulations (Relieves in Transactions with Interested Parties) 2000 (the Relieves Regulations). It is indicated that until the report publication date, the transactions, the object of the above notices were not yet completed.

The Company's estimates in connection with the transaction described above, including in connection with the expected consideration, are forward-looking information, as this term is defined in the Securities Law, 1968. These estimates may not materialize or materialize differently from the Company's expectations, inter alia, due to the failure to obtain the consent of third parties as required completing the transaction.

8.2 **<u>Agreement for selling part of the Company's commercial real estate assets</u>** - for further details regarding said transaction, see the Company's immediate report dated March 23, 2019 (reference no. 2019-01-023952), which is included herein by way of reference. It should be noted that as of the report publication date, the transaction was not yet completed. As a result of said agreement, the Company recognized a gain of € 1.3 million as a result of the difference between the proceeds of the sale, net of transaction costs, and the value of the net assets and liabilities presented in the Company's financial statements; the gain was recognized in the Company's financial statements in the reported quarter in changes in fair value of investment property, net. In addition, the Company recognized a loss of NIS 7.2 million as part of changes in the fair value of loans as a result of the estimated cost of breaking the bank loans expected to be paid upon completion of the transaction (For further details regarding the loans, see section 4 of the Company's immediate report indicated in this section).

8.3 **Refinancing** - during January 2019, the Company through sub -subsidiaries entered into a refinancing transaction with a German bank for 16 non-recourse loans taken from the same German banking corporation entered into force in April 2019 under the following conditions:

	New conditions	Previous conditions
Loan amount	EUR 205 million	Final repayment date
Final repayment date	9.84 years	3.78 weighted average
Weighted interest rate per year	1.73% - 1.88% where all loans are at fixed interest	1.29% - weighted, according to the previous conditions a loan of EUR 157 million bore fixed interest and a loan of EUR 48 million bore variable interest
Current principal rate per year	2.5%	2% - 2.5%

The loans are not subject to financial covenants for the loans and the remaining asset balance used as collateral for these loans amounted to EUR 498.8 million as of March 31, 2019.

8.4 **Receiving a loan from the controlling shareholder** - On May 9, 2019, the Company's audit committee and Board of directors approved to obtain a credit facility of EUR 100 million from ADLER, the controlling shareholder of the Company, as a qualifying transaction for the Company according to regulation 1(2) of the Relieves Regulations. For further details regarding said loan and its conditions see the Company's immediate report dated May 11, 2019 (Ref. 2019-01-040008) which is included herein by way of reference.

Part B – Specific Disclosure for Bond Holders

9. 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 of the reports' regulations:

	Bonds (Series A)	Bonds (Series B)	Bonds (Series C)
Is the series material (as this term is defined in Regulation 10(B)(13)(a) of the Reports' regulations?	Yes	Yes	Yes
Date of issue	March 1, 2011	May 21, 2013	July 22, 2014
Date of expanding series	June 19, 2012, November 6, 2012	February 4, 2014	April 4, 2016
Par value on the date of issue (thousands NIS)	200,000	175,000	102,165
Par value on the date of expanding series (thousands NIS)	240,000; 400,000	240,000	160,180
Par value as at 31.3.2019(thousands NIS)	114,400	190,000	150,372
Linked par value as at 31.3.2019 (thousands NIS)	120,456	192,236	150,372
Sum of cumulative interest plus linkage differentials (thousands NIS) as at 31.3.2019	1,214	1,572	958
Value in financial statements as at 31.3.2019 including interest payable (thousands NIS)	121,041	192,444	150,068

Value at the stock exchange as at 31.3.2019 (thousands NIS)	127,373	213,636	168,327
Type and rate of interest	4.8% (annual, linked, fixed rate), subject to adjustments in cases of changes in the rating of the bonds (Series A) and/or non compliance with the financial covenants specified in Sections 2.7.12.8 and 2.7.12.9 of the shelf prospectus dated May 24, 2012 as amended on May 9, 2013 and as amended on July 14, 2014 (the shelf prospectus)	3.29% (annual, linked, fixed rate), subject to adjustments in cases of changes in the rating of the bonds (Series B) and/or non compliance with the financial covenants specified in Sections 2.8.4.12 and 2.8.4.13 of the shelf prospectus	3.30% (annual, linked, fixed rate), subject to adjustments in cases of changes in the rating of the bonds (Series C) and/or non compliance with the financial covenants specified in Sections 2.8.4.12 and 2.8.4.13 of the shelf prospectus
Dates of paying principal	Payable in 7 annual installments on July 14 of each of the years 2014 to 2020 (inclusive) such that each of the first six installments will constitute 14.28% of the principal of the total par value of the bonds (Series A), and the last installment will constitute 14.32% of the total par value of bonds (Series A).	Payable in 12 unequal annual installments on December 31 of each of the years 2013 to 2024 (inclusive) such that each of the first seven installments will constitute 4% of the principal of the total par value of the bonds (Series B), and each of the last five installments will constitute 14.4% of the principal of the total par value of bonds (Series B); the first principal payment will be on December 31, 2013.	Payable in 12 unequal annual installments on July 20 of each of the years 2015 to 2026 (inclusive) such that each of the first nine installments will constitute 2% of the principal of the total par value of the bonds (Series C), the tenth payment will constitute 17% of the principal of the total par value of bonds (Series C); and each of the last two installments will constitute 32.5% of the principal of the total par value of bonds (Series C); the first principal payment will be on July 20, 2015.
Dates of paying interest	Payable on July 14 and January 14 of each of the years 2011 to 2020 (inclusive).	Payable on December 31 and June 30 of each of the years 2013 to 2024 (inclusive) effective December 31, 2013. The last interest installment will be paid on December 31, 2024.	Payable on January 20 and July 20 of each of the years 2015 to 2026 (inclusive) effective January 20, 2015. The last interest installment will be paid on July 20, 2026.

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

10. Rating

On March 25, 2019, Maalot S & P announced the ratification of the rating (ilAA- / stable) (reference no .: 2019-01-024789 and 2019-15-02612)

11. 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[14], 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%[15]:

The Company's equity, which is attributed to the majority shareholders as at the Report Period, namely, as of March 31, 2019, is EUR 686.3 thousand.

The financial debt, net, according to solo reports of the Company as of the same date is EUR 111.6 thousand.

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 March 31, 2019, is approximately 615%.

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 March 31, 2019– 943,804 shares.

The total issued share capital of BGP as of March 31, 2019 and as of the signing date of the report – 1,978,261.

The rate of charged shares out of the issued capital share of BGP as of March 31, 2019 – 47.7%.

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

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

BGP's equity which is attributed to its shareholders, as appears in the Company's financial statements as of March 31, 2019 – EUR 761,934 thousand.

The EUR/NIS representative exchange rate known, as of the signing date of the report as published by the Bank of Israel - NIS 4.0089

The value of the charged shares – NIS 1,457,,273 thousand.

Net debt – NIS 121,670 thousand.

Accordingly ,the ratio between the charged share value to net debt, as of the end of the Report Period, is approximately 1,198% 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 March 31, 2019 – 640,027.

The total issued share capital of BGP as of March 31, 2019 and the signing date of the report - 1,978,261.

The rate of charged shares out of the issued capital share of BGP as of March 31, 2019 – 32.4%.

BGP's equity which is attributed to its shareholders, as appears in the Company's financial statements as of March 31, 2019 – EUR 761,934 thousand.

The EUR/NIS representative exchange rate known, as of the signing date of the report, as published by the Bank of Israel – NIS 4.0089

The value of the charged shares – NIS 988,288 thousand.

Net debt – NIS 193,809 thousand.

Accordingly ,the ratio between the charged share value to net debt, as of the end of the Report Period, is approximately 510% and therefore, the Company meets this ratio as well.

With respect to the bond holders (Series C):

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

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

The number of charged shares of BGP as of March 31, 2019: 394,430.

The total issued share capital of BGP as of March 31, 2019 and the signing date of the report - 1,978,261 .

The rate of charged shares out of the issued capital share of BGP as of March 31, 2019 - 19.9%

BGP's equity which is attributed to its shareholders, as appears in the Company's financial statements as of March 31, 2019 – EUR 761,934 thousand.

The EUR/NIS representative exchange rate known, as of the signing date of the report, as published by the Bank of Israel - NIS 4.0089

The value of the charged shares – NIS 609,016 thousand.

Net debt – NIS 153,268 thousand.

Accordingly ,the ratio between the charged share value to net debt, as at the end of the Report Period, is approximately 397% 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 686.3 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 686.3 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 686.3 million and the debt ratio to CAP is 48.51% (as detailed below).

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

Financial liabilities according to solo reports	112,748
Financial liabilities of the subsidiaries	652,869
Net of cash, cash equivalents and deposits	18,555
Net of debt in respect of inventory of apartments under construction	-
Net financial debt – consolidated	747,062
CAP[16]	
Equity including non controlling interests	793,056
Net financial debt, consolidated	747,062
CAP	1,540,118

Therefore ,**this ratio is 48.51%** whereas according to the deeds of trust such ratio should be lower than 90% for Series A and lower than 75% for Series B and C.

[16]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.

12. 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 of the date of issuing the report see chapter A of the periodic report

13. 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, 100% investee company held by the Company whose shares are pledged to bondholders is the amount of cash held by the Company itself on the part of the assets and the bonds issued by the Company on the liabilities' part (as reflected in the Company's solo reports), and as a result, the consolidated financial statements of the Company are virtually identical to those of the pledged investee company (excluding cash held by the Company and the bonds it issued) ,and therefore the Company does not attach separate financial statements of the pledged investee company.

The following are data as of March 31, 2019 and March 31, 2018 with respect to the assets and liabilities of the Group which are not included in the consolidated statements of the pledged investee company compared to the assets and liabilities of the pledged investee and the total consolidated balance sheet:

Data as of March 31, 2019 (EUR in thousands)	The Company Consolidated	Assets/liabilities In the pledged investee company	Assets/liabilities In unpledged companies
Total assets	1,814,531	1,776,085	38,446
Current assets and held for sale	248,709	241,823	* 6,886
Noncurrent assets	1,565,822	1,534,262	31,560
Total liabilities	1,021,475	907,387	114,088
Current liabilities and held for sale	256,025	236,756	** 19,269
Noncurrent liabilities	765,450	670,631	*** 94,819
Non- controlling interests	106,764	106,764	-
Total equity	686,292	761,934	(75,642)
Rate of assets out of the total assets in the balance sheet	100%	98%	2%
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%	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;

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

Data as of March 31, 2018 (EUR in thousands)	The Company Consolidated	Assets/liabilities In the pledged company	Assets/liabilities In unpledged companies
Total assets	1,736,343	1,680,498	55,845
Current assets and held for sale	140,998	85,153	55,845*
Noncurrent assets	1,595,345	1,595,345	-
Total liabilities	1,034,821	906,125	128,696
Current liabilities and held for sale	187,766	169,595	18,171**
Noncurrent liabilities	847,055	736,530	110,525***
Non- controlling interests	96,098	96,098	0
Total equity	605,424	678,275	(72,851)
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%	88%	12%
Rate of equity out of the total equity in the balance sheet	100%	112%	(12%)

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

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

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

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

May 13, 2019

BRACK CAPITAL PROPERTIES N.V.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2019

UNAUDITED

IN THOUSANDS OF EUROS

Table of Contents

BRACK CAPITAL PROPERTIES N.V.

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

AS OF MARCH 31, 2019

UNAUDITED

IN THOUSANDS OF EUROS

To the Shareholders of Brack Capital Properties N.V.

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

Introduction

We have reviewed the separate interim financial information according to regulation 38d of the Securities regulations (Periodic and Immediate Reports), 1970 of Brack Capital Properties N.V. (hereinafter – the Company), as of March 31, 2019 and for the three-month period ending that date. The Board of Directors and Management are responsible for the separate interim financial information. Our responsibility is to express our conclusions with regard to the separate interim financial information for this interim period, based on our review.

Scope of the Review

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

Conclusion

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

Givataim
May 13, 2019 Amit, Halfon, CPAs

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

	March 31,		December 31,
	2019	2018	2018
	Unaudited		Audited
	€ in thousands		
Current Assets			
Cash and cash equivalents	865	37,520	5,686
Cash and cash equivalents in trust	294	17,516	1,940
Balances receivable from banks	422	723	414
Restricted deposits and other receivables	5,305	86	4,874
	6,886	55,845	12,914
Non-Current Assets			
Investment in investee	761,934	678,275	755,917
Investment in marketable financial asset measured at fair value through profit or loss	30,687	-	37,019
Other financial assets	873	-	-
	793,494	678,275	792,936
	800,380	734,120	805,850
Current Liabilities			
Other accounts payable	1,340	1,113	3,428
Current maturity of debentures	17,929	16,654	17,066
Other financial liabilities	-	404	196
	19,269	18,171	20,690
Non-Current Liabilities			
Debentures	94,819	105,263	90,349
Other financial liabilities	-	5,262	167
	94,819	110,525	90,516
Equity			
Share Capital	77	77	77
Premium on Shares	144,237	144,237	144,237
Treasury Shares	(746)	(746)	(746)
Other capital reserves	1,512	1,512	1,512
Statutory capital reserve	379,154	326,111	378,756
Retained earnings	162,058	134,233	170,808
Total equity	686,292	605,424	694,644
	800,380	734,120	805,850

May 13, 2019			
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

	Three months ended March 31,		Year ended December 31,
	2019	2018	2018
	Unaudited		Audited
	€ in thousands		
Administrative and general expenses	(426)	(537)	(1,925)
Financial income (expenses), net	(10,842)	1,159	3,696
Equity in earnings of investess	2,916	11,077	99,148
Net income	(8,352)	11,699	100,919
Other comprehensive income (loss):	-	-	-
Total comprehensive income (loss)	(8,352)	11,699	100,919

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

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

	Three months ended March 31, 2019	Three months ended March 31, 2018	Year ended December 31, 2018
	Unaudited		Audited
	€ in thousands		
Cash flows from operating activities:			
Net income (loss) attributed to the Company's shareholders	(8,352)	11,699	100,919
Adjustments required to present net cash provided by operating activities:			
Adjustments to the profit or loss items:			
Financial expenses, net	9,360	(2,252)	(3049)
Equity in earnings of investees	(2,916)	(11,077)	(99,148)
	6,444	(13,329)	(102,197)
Changes in assets and liabilities items:			
Decrease (increase) in other receivables and related parties	(46)	3	(15)
Increase (decrease) in accounts payable and related parties	1,865	(40)	(2,160)
	1,819	(37)	(2,175)
Net cash used in operating activities of the Company	(89)	(1,667)	(3,453)
Cash Flows from investing activities			
Change in investment in investee and in cash and cash equivalents in trust, net	(3,445)	(297)	29,391
Investment in marketable financial asset measured at fair value through profit or loss	-	-	(35,000)
Decrease (increase) in restricted deposits	-	-	(4,688)
Interest received and exercise of derivatives, net	-	(238)	237
Net cash used in investing activities of the Company	(3,445)	(535)	(10,060)

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

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

	Three months ended March 31, 2019	Three months ended March 31, 2018	Year ended December 31, 2018
	Unaudited		Audited
	€ in thousands		
Cash flows from financing activities			
Interest paid	(1,287)	(1,660)	(4,874)
Repayment of debentures	-	-	(17,309)
Net cash provided by (used in) financing activities of the Company	(1,287)	(1,660)	(22,183)
Change in cash and cash equivalents	(4,821)	(3,862)	(35,696)
Balance of cash and cash equivalents at the beginning of the period	5,686	41,382	41,382
Balance of cash and cash equivalents at the end of the period	865	37,520	5,686

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

ADDITIONAL INFORMATION

Note 1: - General

a. This separate financial information has been prepared in a condensed format as of March 31, 2019 and for the three month period then ended in accordance with Regulation 38d of the Securities Regulations (Periodic and Immediate Reports), 1970. This separate financial information should be read in conjunction with the annual financial statements as of December 31, 2018 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, 2018.

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, 2018.

Note 2: Material Events during the Reported Period

1. Further to Note 17C of the annual financial statements, in January and February 2019, as part of the exercise of the refusal right/offer to acquire the rights of the investors, the Company notified the investors of the exercise of the refusal right, and as a result the Company and the holders of rights began negotiations for the acquisition of the rights of the investors. The consideration of the transaction is expected to amount to EUR 91 million, and to the best of the Company's knowledge is based on the value of the assets that are the object of the transaction, in the Company's books as of the date on which the investors received the offer, with the addition of certain adjustments, which were determined under the agreement for the acquisition of the control in the Company by the former controlling shareholder in the Company from the preceding controlling shareholder.. In order to carry out the transaction and improve the structure of the transaction, the Company entered into agreement with ADLER's subsidiary such that ADLER's subsidiary will purchase 10.1% of the rights in the relevant asset companies. As a result of such agreement, ADLER's subsidiary will bear part of the consideration for the transaction in an estimated amount of EUR 21 -25 million. The agreement between the Company and ADLER was approved by the Company's audit committee and Board of Directors on May 9, 2019 pursuant to regulation 1(4) of the Companies Regulations (Relieves in Transactions with Interested Parties) 2000 (the Relieves Regulations). It is indicated that until the report publication date, the transactions, the object of the above notices were not yet completed.

2. On May 9, 2019, the Company's audit committee and Board of directors approved to obtain a credit facility of EUR 100 million from ADLER, the controlling shareholder of the Company, as a qualifying transaction for the Company according to regulation 1(2) of the Relieves Regulations. The loans from the controlling shareholder will be extended to the Company for two years at an interest rate of 2.58% with no collaterals with no transaction costs with early repayment option at the Company's initiative at no cost.

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Auditor Review Report to the Shareholders of Brack Capital Properties N.V.

Introduction

We have reviewed the accompanying financial information of Brack Capital Properties N.V. and its subsidiaries (hereinafter – the Group), which includes the condensed consolidated statement of financial position as of March 31, 2019 and the condensed consolidated statements of profit or loss and other comprehensive income, changes of equity and cash flows for the three-month period ending that date. The Board of Directors and Management are responsible for preparing and presenting financial information for these interim periods in accordance with IAS 34, Interim Financial Reporting, and are responsible for preparing financial information for these interim periods in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.Our responsibility is to express our conclusions with regard to the financial information for these interim periods, based on our review.

Scope of the Review

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

Conclusion

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

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

May 13, 2019 Amit, Halfon, CPAs

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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31, 2019	March 31, 2018	December 31, 2018
	(Unaudited)		(Audited)
	€ in thousands		
Current Assets			
Cash and cash equivalents	13,187	82,510	27,138
Balances receivable from banks	422	723	414
Restricted deposits, financial assets and other receivables	19,210	8,047	21,249
Income receivable in respect of sale of apartments	3,863	13,051	4,474
Tenants and trade receivables, net	1,685	3,249	1,523
Inventory of buildings under construction	26,640	21,518	25,496
	65,007	129,098	80,294
Assets held for sale	183,702	11,900	-
Non-Current Assets			
Investments in companies accounted at equity	8,297	8,518	7,698
Investment in marketable financial asset measured at fair value through profit or loss	30,687	-	37,019
Inventory of real estate and real estate under construction	220,188	214,584	216,061
Investment property – real estate rights	64,683	67,094	64,683
Investment property – income generating assets	1,232,791	1,296,841	1,410,282
Restricted deposits for investments in assets	5,798	7,408	5,381
Other accounts receivable, fixed assets and other financial assets	1,153	374	426
Deferred taxes	2,225	526	1,231
	1,565,822	1,595,345	1,742,781
	1,814,531	1,736,343	1,823,075

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31, 2019	March 31, 2018	December 31, 2018
	(Unaudited)		(Audited)
	€ in thousands		
Current Liabilities			
Current maturities of loans from banks	91,208	139,768	101,485
Current maturities of debentures	17,929	16,654	17,066
Loans for financing inventory of buildings under construction	-	2,500	2,098
Accounts payable and other financial liabilities	20,936	20,778	30,066
Advances from apartment purchasers	312	1,069	841
	130,835	180,769	151,556
Liabilities held for sale	125,640	6,997	-
Non-Current Liabilities			
Loans from banks and others	561,661	629,300	659,614
Debentures	94,819	105,263	90,349
Leasing liabilities	3,041	3,095	3,041
Other financial liabilities	406	5,352	384
Deferred taxes	105,523	104,045	117,671
	765,450	847,055	871,059
Equity Attributable to Company Shareholders			
Share capital	77	77	77
Premium on shares	144,237	144,237	144,237
Treasury shares	(746)	(746)	(746)
Other capital reserves	1,512	1,512	1,512
Statutory capital reserve	379,154	326,111	378,756
Retained earnings	162,058	134,233	170,808
Total equity attributable to Company shareholders	686,292	605,424	694,644
Non-controlling interests	106,764	96,098	105,816
Total equity	793,056	701,522	800,460
	1,814,531	1,736,343	1,823,075

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

May 13, 2019			
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

	Three months ended March 31, 2019	Three months ended March 31, 2018	Year ended December 31, 2018
	(Unaudited)	(Unaudited)	(Audited)
	€ in thousands (except per share amounts)		
Revenues from rental of properties	20,017	19,762	79,168
Revenues from property management and others	6,520	6,574	26,980
Property management expenses	(6,514)	(6,558)	(27,870)
Cost of maintenance of rental properties	(2,987)	(2,879)	(12,717)
Rental and management revenues, net	17,036	16,899	65,561
Revenues from sale of apartments	6,759	18,575	62,753
Cost of sale of apartments	(5,147)	(14,175)	(47,771)
Gain from sale of apartments	1,612	4,400	14,982
General and administrative expenses	(3,003)	(4,082)	(12,520)
General and administrative expenses relating to inventory of buildings under construction and real estate inventory	(560)	(807)	(2,329)
Selling and marketing expenses	(85)	(94)	(365)
Operating profit before change in value of investment property	15,000	16,316	65,329
Appreciation (impairment) of investment property, net	(394)	5,525	95,499
Operating income	14,606	21,841	160,828
Finance income		-	
Finance expenses net of exchange rate effect, CPI and currency hedging transactions	(4,413)	(4,615)	(19,646)
Exchange rate effect, CPI and currency hedging transactions, net	(3,365)	2,820	6,509
Change in value of financial instruments loans and others (including early repayment costs of loans)	(13,679)	(250)	1,580
Equity in losses of companies accounted at equity	-	-	(723)
Income (loss) before taxes on income	(6,851)	19,796	148,548
Taxes on income	(553)	(6,874)	(29,505)
Net income (loss) for the period	(7,404)	12,922	119,043
Other comprehensive income:	-	-	-
Total comprehensive income (loss) for the period	(7,404)	12,922	119,043
Comprehensive income (loss) attributable to:	(8,352)	11,699	100,919
Equity holders of the Company	948	1,223	18,124
Non-controlling interests			
	(7,404)	12,922	119,043
Net earnings(loss) per share attributable to equity holders of the Company (in Euro):			
Basic	(1.08)	1.51	13.05
Diluted	(1.08)	1.51	13.05

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity Attributable to Company Shareholders								
	Share Capital	**Premium on Shares**	**Treasury Shares**	**Other capital reserves**	**Statutory Capital Reserve**	**Retained Earnings**	**Total**	**Non-Controlling Interests**	**Total Equity**
	Unaudited								
	€ in thousands								
Balance as of January 1, 2019 (audited)	77	144,237	(746)	1,512	378,756	170,808	694,644	105,816	800,460
Net income (loss) and comprehensive income	-	-	-	-	-	(8,352)	(8,352)	948	(7,404)
Total comprehensive income (loss)	-	-	-	-	-	(8,352)	(8,352)	948	(7,404)
Classification as per provisions of Dutch law	-	-	-	-	398	(398)	-	-	-
Balance as of March 31, 2019 (unaudited)	77	144,237	(746)	1,512	379,154	162,058	686,292	106,764	793,056

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	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	-	-	-	-	-	11,699	11,699	1,223	12,922
Total comprehensive income	-	-	-	-	-	11,699	11,699	1,223	12,922
Classification as per provisions of Dutch law	-	-	-	-	6,774	(6,774)	-	-	-
Purchase of rights from non-controlling interests	-	-	-	(810)	-	-	(810)	(2,160)	(2,970)
Distribution and payment to non controlling interests	-	-	-	-	-	-	-	(11,057)	(11,057)
Balance as of March 31, 2018 (unaudited)	77	144,237	(746)	1,512	326,111	134,233	605,424	96,098	701,522

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity Attributable to Company Shareholders								
	Share Capital	Premium on Shares	Treasury Shares	Other capital reserves	Statutory Capital Reserve	Retained Earnings	Total	Non-Controlling Interests	Total Equity
	Unaudited								
	€ in thousands								
Balance as of January 1, 2018 – as previously reported	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 (audited)	77	144,237	(746)	2,322	319,337	129,308	594,535	108,092	702,627
Total net income and comprehensive income	-	-	-	-	-	100,919	100,919	18,124	119,043
Total comprehensive income	-	-	-	-	-	100,919	100,919	18,124	119,043
Classification as per provisions of Dutch law, net	-	-	-	-	59,419	(59,419)	-	-	-
Purchase of rights from non-controlling interests	-	-	-	(810)	-	-	(810)	(2,489)	(3,299)
Distribution and payment to non-controlling interests	-	-	-	-	-	-	-	(17,911)	(17,911)
Balance as of December 31, 2018 (audited)	77	144,237	(746)	1,512	378,756	170,808	694,644	105,816	800,460

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended March 31, 2019	Three months ended March 31, 2018	Year ended December 31, 2018
	Unaudited	Unaudited	Audited
	€ in thousands		
Cash flows from operating activities:			
Net income	(7,404)	12,922	119,043
Adjustments required to present net cash provided by operating activities:			
Adjustments to profit or loss:			
Depreciation	30	30	75
Financial expenses, net	16,844	(1,099)	16,322
Decrease (Increase) in value of financial instruments	4,897	1,878	(5,693)
Decrease (Increase) in value of investment property, net	394	(5,525)	(96,912)
Deferred taxes, net	2,483	5,760	18,491
Equity in losses of companies accounted at equity	-	-	723
	24,648	1,044	(66,994)
Cash flows from operating activities before changes in asset and liability items	17,244	13,966	52,049
Changes in assets and liabilities items:			
Decrease (increase) in tenants, restricted deposits and other receivables and related parties, net	306	(3,609)	(1,294)
Increase (decrease) in accounts payable	(8,437)	(2,001)	6,769
	(8,131)	(5,610)	5,475
Net cash provided by operating activities before activity in real estate assets and liabilities	9,113	8,356	57,524
Change in advances from apartment purchasers and income receivable	(528)	(4,520)	2,635
Decrease (increase) in inventory of buildings under construction and real estate inventory	(7,835)	5,926	405
Net cash provided by operating activities before the purchase of long term inventory	750	9,762	60,564
Purchase of long term inventory of lands	-	(128,560)	(128,623)
Net cash provided by (used in) operating activities	750	(118,798)	(68,059)

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended March 31,		Year ended December 31,
	2019	2018	2018
	Unaudited		Audited
	€ in thousands		
Cash Flows from investing activities			
Investment in investment property	(4,768)	(3,827)	(23,446)
Investment in companies measured at equity	(599)	(200)	(103)
Investment in marketable financial asset measured at fair value through profit or loss	-	-	(35,000)
Proceeds from sale of investment property	-	-	11,900
Withdrawal (placement) of restricted deposits, prepaid transaction costs and withdrawal (placement) of long-term deposits in banks, net	24	99	(9,982)
Interest received and sale of derivatives	-	(238)	237
Net cash used in investing activities	(5,343)	(4,166)	(56,394)
Cash flows from financing activities			
Interest paid	(4,303)	(4,303)	(17,701)
Distribution and payment to non controlling interests	-	(11,057)	(17,911)
Receipt of long-term loans, net	-	138,983	197,772
Repayment of debentures	-	-	(17,309)
Repayment of long-term loans	(5,055)	(28,308)	(103,090)
Purchase of rights from non-controlling interests	-	(2,970)	(3,299)
Net cash provided by (used in) financing activities	(9,358)	92,345	38,462
Change in cash and cash equivalents	(13,951)	(30,619)	(85,991)
Balance of cash and cash equivalents at the beginning of the period	27,138	113,129	113,129
Balance of cash and cash equivalents at the end of the period	13,187	82,510	27,138
Additional information			
Taxes paid	6,651	2,080	4,357

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

Note 1: - **General**

a. General description of the Company and its activity

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

In 2010, the Company issued shares through IPO in Israel.

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

b. These Financial Statements have been prepared in a condensed format as of March 31, 2019 and for the three month period then ended (hereinafter – the Consolidated Interim Financial Statements). These Statements should be read in conjunction with the annual financial statements as of December 31, 2018 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 the following:

IFRS 16, "Leases":

In January 2016, the IASB issued IFRS 16, "Leases" ("the new Standard"). According to the new Standard, a lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration. The Standard came into effect effective from January 1, 2019.

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

The effects of the adoption of the new Standard are as follows:

- Lessees are required to recognize an asset and a corresponding liability in the statement of financial position in respect of all leases (except in certain cases, see below) similar to the accounting treatment of finance leases according to the existing IAS 17, "Leases".

  Lessees are required to initially recognize a lease liability for the obligation to make lease payments and a corresponding right-of-use asset. Lessees will also recognize interest and depreciation expense separately.

- Variable lease payments that are not dependent on changes in the Consumer Price Index ("CPI") or interest rates, but are based on performance or use (such as a percentage of revenues) are recognized as an expense by the lessees as incurred and recognized as income by the lessors as earned.

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

- In the event of change in variable lease payments that are CPI-linked, lessees are required to remeasure the lease liability and the effect of the remeasurement is an adjustment to the carrying amount of the right-of-use asset.

- The accounting treatment by lessors remains substantially unchanged, namely classification of a lease as a finance lease or an operating lease.

- The new Standard includes two exceptions according to which lessees are permitted to elect to apply a method similar to the current accounting treatment for operating leases. These exceptions are leases for which the underlying asset is of low value and leases with a term of up to one year.

  The initial adoption of the standard did not have a material impact on the financial statements.

IFRIC 23, "Uncertainty over Income Tax Treatments":

Effective from January 1, 2019 the Company adopts IFRIC 23, "Uncertainty over Income Tax Treatments" ("the Interpretation"). The Interpretation clarifies the rules of recognition and measurement of assets or liabilities in keeping with the provisions of IAS 12, "Taxes on Income", in situations of uncertainty involving taxes on income. The Interpretation provides guidance for determining whether some tax treatments should be considered collectively, addresses the position of the tax authorities, measures the implications of uncertainty involving income taxes on the financial statements and prescribes the accounting treatment of changes in facts and circumstances underlying the uncertainty.

The initial adoption of the interpretation did not have a material impact on the financial statements.

Amendment to IAS 28, "Investments in Associates and Joint Ventures":

Effective from January 1, 2019 the Company adopts the amendment to IAS 28, "Investments in Associates and Joint Ventures" ("the Amendment"). The Amendment clarifies that long-term interests in associates and joint ventures (such as loans receivable or investments in preferred shares) which form part of the net investment in an associate or joint venture are initially be accounted for according to the provisions of IFRS 9 (both regarding measurement and impairment) and subsequently those interests are subject to the provisions of IAS 28. In view of the provisions of the amendment the application of the "layers method" as reflected in the accounting enforcement resolution 11-2 of ISA is no longer relevant.

The initial adoption of the standard did not have a material impact on the financial statements.

Note 3: - Financial instruments

a. Financial instruments not measured at fair value

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

	March 31, 2019		March 31, 2018		December 31, 2018	
	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	113,664	124,892	122,945	135,062	108,555	115,940

Management has estimated 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.

Note 3: - Financial instruments (Cont.)

b. Financial instruments measured at fair value

Classification of the financial instruments according to fair value hierarchy

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

	March 31, 2019		
	Level 1	Level 2	Level 3
		Unaudited	
		€ in thousands	
Assets:			
Investment in marketable financial asset	30,687	-	-
Foreign currency forward contracts– dollar	1,332	-	-
Liabilities:			
Interest swap agreements	-	(655)	-

	March 31, 2018		
	Level 1	Level 2	Level 3
		Unaudited	
		€ in thousands	
Liabilities:			
Foreign currency forward contracts– dollar	(5,666)	-	-
Interest swap agreements	-	(431)	-

Note 3: - Financial instruments (Cont.)

	December 31, 2018		
	Level 1	Level 2	Level 3
	€ in thousands		
Assets:			
Investment in marketable financial asset	37,019	-	-
Liabilities:			
Foreign currency forward contracts – dollar	(363)	-	-
Interest swap agreements	-	(460)	-

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 3: - Financial instruments (Cont.)

c. 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.

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

	Valuation technique	**unobservable material data**	**Range (weighted average)**	**Sensitivity of fair value to change in data**
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 € 3.7 million in fair value

Note 4: - Operating Segments

	Income-Generating Commercial Real Estate	Income-Generating Residential Real Estate	Land for Betterment	Residential development	Adjustments	Total
	€ in thousands					
For the Three-Month Period Ended March 31, 2019 (unaudited)						
Revenues from sale of apartments	-	-	-	6,759	-	6,759
Cost of sale of apartments	-	-	-	(5,147)	-	(5,147)
Income from sale of apartments	-	-	-	1,612	-	1,612
Revenues from property rental	7,538	12,434	45	-	-	20,017
Revenues from property management and others	1,366	5,139	15	-	-	6,520
Property management expenses	(1,377)	(5,128)	(9)	-	-	(6,514)
Rental property maintenance expenses	(830)	(2,096)	(61)	-	-	(2,987)
Total rental and management revenues, net	6,697	10,349	(10)	-	-	17,036
Administrative and general expenses						(3,003)
Selling and marketing expenses and administrative and general expenses attributed to inventory of buildings under construction and inventory of real estate	-	-	-	(645)	-	(645)
Increase (decrease) in value of investment property, net	739	(886)	(247)	-	-	(394)
Financial expenses, net						(21,457)
Loss before taxes on income						(6,851)

(*) Regarding assets designated for sale see Note 5(3).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 4: - Operating Segments (Cont.)

	Income-Generating Commercial Real Estate	Income-Generating Residential Real Estate	Land for Betterment	Residential development	Adjustments	Total
	€ in thousands					
For the Three-Month Period Ended March 31, 2018 (unaudited)						
Revenues from sale of apartments	-	-	-	18,575	-	18,575
Cost of sale of apartments	-	-	-	(14,175)	-	(14,175)
Income from sale of apartments	-	-	-	4,400	-	4,400
Revenues from property rental	7,616	12,097	49	-	-	19,762
Revenues from property management and others	1,402	5,119	53	-	-	6,574
Property management expenses	(1,403)	(5,102)	(53)	-	-	(6,558)
Rental property maintenance expenses	(841)	(1,966)	(72)	-	-	(2,879)
Total rental and management revenues, net	6,774	10,148	(23)	-	-	16,899
Administrative and general expenses						(4,082)
Selling and marketing expenses and administrative and general expenses attributed to inventory of buildings under construction and inventory of real estate	-	-	-	(901)	-	(901)
Increase in value of investment property, net	646	4,879	-	-	-	5,525
Financial expenses, net						(2,045)
Income before taxes on income						19,796

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 4: - Operating Segments (Cont.)

	Income-generating commercial real estate	Income-generating residential real estate	Land for betterment	Residential development	Total
	Euros in thousands				
For the year ended December 31, 2018					
Revenues from sale of apartments	-	-	-	62,753	62,753
Cost of sale of apartments	-	-	-	(47,771)	(47,771)
Gain from sale of apartments	-	-	-	14,982	14,982
Revenues from property rental	30,067	48,918	183		
Revenues from property management and others	5,146	21,762	72	-	79,168
Property management expenses	(6,130)	(21,669)	(71)	-	26,980
Rental property maintenance expenses	(3,692)	(8,906)	(119)	-	(12,717)
Total rental and management revenues (expenses), net	25,391	40,105	65	-	65,561
Net revenues before management and finance expenses					80,543
General and administrative expenses					(12,520)
Selling and marketing and general and administrative expenses attributed to inventory of buildings under construction and inventory of real estate	-	-	-	(2,694)	(2,694)
Appreciation of investment property, net	14,360	83,333	(2,694)	-	94,499
Financial expenses, net					(11,557)
Equity in losses of companies accounted at equity	(723)	-	-	-	(723)
Income before taxes on income					148,548

Note 5: - Material Events during the Reported Period and thereafter

1. Further to Note 17C of the annual financial statements, in January and February 2019, as part of the exercise of the refusal right/offer to acquire the rights of the investors, the Company notified the investors of the exercise of the refusal right, and as a result the Company and the holders of rights began negotiations for the acquisition of the rights of the investors. The consideration of the transaction is expected to amount to EUR 91 million, and to the best of the Company's knowledge is based on the value of the assets that are the object of the transaction, in the Company's books as of the date on which the investors received the offer, with the addition of certain adjustments, which were determined under the agreement for the acquisition of the control in the Company by the former controlling shareholder in the Company from the preceding controlling shareholder. In order to carry out the transaction and improve the structure of the transaction, the Company entered into an agreement with ADLER's subsidiary such that ADLER's subsidiary will purchase 10.1% of the rights in the relevant asset companies. As a result of such agreement, ADLER's subsidiary will bear part of the consideration for the transaction in an estimated amount of EUR 21 -25 million. The agreement between the Company and ADLER was approved by the Company's audit committee and Board of Directors on May 9, 2019 pursuant to regulation 1(4) of the Companies Regulations (Relieves in Transactions with Interested Parties) 2000 (the Relieves Regulations). It is indicated that until the report publication date, the transactions, the object of the above notices were not yet completed.

2. During January 2019, the Company through sub -subsidiaries entered into a refinancing transaction with a German bank for 16 non-recourse loans taken from the same German banking corporation entered into force in April 2019 under the following conditions:

	New conditions	Previous conditions
Loan amount	EUR 205 million	Final repayment date
Final repayment date	9.84 years	3.78 weighted average
Weighted interest rate per year	1.73% - 1.88% where all loans are at fixed interest	1.29% - weighted, according to the previous conditions a loan of EUR 157 million bore fixed interest and a loan of EUR 48 million bore variable interest
Current principal rate per year	2.5%	2% - 2.5%

The loans are not subject to financial covenants for the loans and the remaining asset balance used as collateral for these loans amounted to EUR 498.8 million as of March 31, 2019.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

3. On March 22, 2019, the Company entered into an agreement with a third party unrelated to the Company or its controlling shareholder (the "Buyer"), which to the best of the Company's knowledge is a leading global venture capital fund, for the sale of 89.9% of its holdings in three companies (indirectly held by the Company through certain subsidiaries of the Company) representing 40% of the Company's commercial real estate portfolio, which owns properties in the cities of Rostock, Celle and Castrop. The proceeds of the transaction will be paid to the Company in cash including the necessary adjustments and will represent a gross asset value of € 175 million as defined in the sale agreement. It should be noted that as of the approval date of the financial statements, the said transactions have not yet been completed. As a result of the transaction, the Company recognized a gain of € 1.3 million as a result of the difference between the proceeds of the sale, net of transaction costs, and the value of the net assets and liabilities presented in the Company's financial statements; The gain was recognized in the financial statements of the Company in the reported quarter as part of changes in the fair value of investment property, net. In addition, the company recognized a loss of approximately € 7.2 million as a result of the estimated costs for the early repayment of the bank loans, that are expected to be paid upon the transaction's closing. The assets and liabilities of such subsidiaries were classified in the statement of financial position as of March 31, 2019 as assets and liabilities held for sale:

Assets classified as held for sale	EUR in thousands
Investment property held for sale	181,862
Trade receivables and other receivables	1,840
	183,702

Liabilities classified as held for sale	
Current maturity of loans from banks	3,049
Long term loans from banks less current maturities (including additional loans for other assets that are not a part of the sale transaction)	102,435
Accounts payable	7,592
Provision for deferred tax	12,564
	125,640

Total revenues from rental and management, net of the assets designated for sale in the three months ended March 31, 2019 amounted to EUR 2.2 million and in 2018 amounted to EUR 8 million.

4. On May 9, 2019, the Company's audit committee and Board of directors approved to obtain a credit facility of EUR 100 million from ADLER, the controlling shareholder of the Company, as a qualifying transaction for the Company according to regulation 1(2) of the Relieves Regulations. The loans from the controlling shareholder will be extended to the Company for two years at an interest rate of 2.58% with no collaterals with no transaction costs with early repayment option at the Company's initiative at no cost.

BRACK CAPITAL PROPERTIES N.V.

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

AS OF MARCH 31, 2019

UNAUDITED

IN THOUSANDS OF EUROS

To the Shareholders of Brack Capital Properties N.V.

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

Introduction

We have reviewed the separate interim financial information according to regulation 38d of the Securities regulations (Periodic and Immediate Reports), 1970 of Brack Capital Properties N.V. (hereinafter – the Company), as of March 31, 2019 and for the three-month period ending that date. The Board of Directors and Management are responsible for the separate interim financial information. Our responsibility is to express our conclusions with regard to the separate interim financial information for this interim period, based on our review.

Scope of the Review

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

Conclusion

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

Givataim
May 13, 2019

Amit, Halfon, CPAs

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

	March 31,		December 31,
	2019	2018	2018
	Unaudited		Audited
	€ in thousands		
Current Assets			
Cash and cash equivalents	865	37,520	5,686
Cash and cash equivalents in trust	294	17,516	1,940
Balances receivable from banks	422	723	414
Restricted deposits and other receivables	5,305	86	4,874
	6,886	55,845	12,914
Non-Current Assets			
Investment in investee	761,934	678,275	755,917
Investment in marketable financial asset measured at fair value through profit or loss	30,687	-	37,019
Other financial assets	873	-	-
	793,494	678,275	792,936
	800,380	734,120	805,850
Current Liabilities			
Other accounts payable	1,340	1,113	3,428
Current maturity of debentures	17,929	16,654	17,066
Other financial liabilities	-	404	196
	19,269	18,171	20,690
Non-Current Liabilities			
Debentures	94,819	105,263	90,349
Other financial liabilities	-	5,262	167
	94,819	110,525	90,516
Equity			
Share Capital	77	77	77
Premium on Shares	144,237	144,237	144,237
Treasury Shares	(746)	(746)	(746)
Other capital reserves	1,512	1,512	1,512
Statutory capital reserve	379,154	326,111	378,756
Retained earnings	162,058	134,233	170,808
Total equity	686,292	605,424	694,644
	800,380	734,120	805,850

May 13, 2019			
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

	Three months ended March 31,		Year ended December 31,
	2019	2018	2018
	Unaudited		Audited
	€ in thousands		
Administrative and general expenses	(426)	(537)	(1,925)
Financial income (expenses), net	(10,842)	1,159	3,696
Equity in earnings of investess	2,916	11,077	99,148
Net income	(8,352)	11,699	100,919
Other comprehensive income (loss):	-	-	-
Total comprehensive income (loss)	(8,352)	11,699	100,919

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

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

	Three months ended March 31, 2019	Three months ended March 31, 2018	Year ended December 31, 2018
	Unaudited		Audited
	€ in thousands		
Cash flows from operating activities:			
Net income (loss) attributed to the Company's shareholders	(8,352)	11,699	100,919
Adjustments required to present net cash provided by operating activities:			
Adjustments to the profit or loss items:			
Financial expenses, net	9,360	(2,252)	(3049)
Equity in earnings of investees	(2,916)	(11,077)	(99,148)
	6,444	(13,329)	(102,197)
Changes in assets and liabilities items:			
Decrease (increase) in other receivables and related parties	(46)	3	(15)
Increase (decrease) in accounts payable and related parties	1,865	(40)	(2,160)
	1,819	(37)	(2,175)
Net cash used in operating activities of the Company	(89)	(1,667)	(3,453)
Cash Flows from investing activities			
Change in investment in investee and in cash and cash equivalents in trust, net	(3,445)	(297)	29,391
Investment in marketable financial asset measured at fair value through profit or loss	-	-	(35,000)
Decrease (increase) in restricted deposits	-	-	(4,688)
Interest received and exercise of derivatives, net	-	(238)	237
Net cash used in investing activities of the Company	(3,445)	(535)	(10,060)

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

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

	Three months ended March 31, 2019	Three months ended March 31, 2018	Year ended December 31, 2018
	Unaudited	Unaudited	Audited
	€ in thousands		
Cash flows from financing activities			
Interest paid	(1,287)	(1,660)	(4,874)
Repayment of debentures	-	-	(17,309)
Net cash provided by (used in) financing activities of the Company	(1,287)	(1,660)	(22,183)
Change in cash and cash equivalents	(4,821)	(3,862)	(35,696)
Balance of cash and cash equivalents at the beginning of the period	5,686	41,382	41,382
Balance of cash and cash equivalents at the end of the period	865	37,520	5,686

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

ADDITIONAL INFORMATION

Note 1: - General

a. This separate financial information has been prepared in a condensed format as of March 31, 2019 and for the three month period then ended in accordance with Regulation 38d of the Securities Regulations (Periodic and Immediate Reports), 1970. This separate financial information should be read in conjunction with the annual financial statements as of December 31, 2018 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, 2018.

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, 2018.

Note 2: Material Events during the Reported Period

1. Further to Note 17C of the annual financial statements, in January and February 2019, as part of the exercise of the refusal right/offer to acquire the rights of the investors, the Company notified the investors of the exercise of the refusal right, and as a result the Company and the holders of rights began negotiations for the acquisition of the rights of the investors. The consideration of the transaction is expected to amount to EUR 91 million, and to the best of the Company's knowledge is based on the value of the assets that are the object of the transaction, in the Company's books as of the date on which the investors received the offer, with the addition of certain adjustments, which were determined under the agreement for the acquisition of the control in the Company by the former controlling shareholder in the Company from the preceding controlling shareholder.. In order to carry out the transaction and improve the structure of the transaction, the Company entered into agreement with ADLER's subsidiary such that ADLER's subsidiary will purchase 10.1% of the rights in the relevant asset companies. As a result of such agreement, ADLER's subsidiary will bear part of the consideration for the transaction in an estimated amount of EUR 21 -25 million. The agreement between the Company and ADLER was approved by the Company's audit committee and Board of Directors on May 9, 2019 pursuant to regulation 1(4) of the Companies Regulations (Relieves in Transactions with Interested Parties) 2000 (the Relieves Regulations). It is indicated that until the report publication date, the transactions, the object of the above notices were not yet completed.

2. On May 9, 2019, the Company's audit committee and Board of directors approved to obtain a credit facility of EUR 100 million from ADLER, the controlling shareholder of the Company, as a qualifying transaction for the Company according to regulation 1(2) of the Relieves Regulations. The loans from the controlling shareholder will be extended to the Company for two years at an interest rate of 2.58% with no collaterals with no transaction costs with early repayment option at the Company's initiative at no cost.