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

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

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

In this report:

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

"Report signing date" or "the date of signing the report" – March 15, 2018.

"The reported period" – the year of 2017.

Preamble

Below are the Company's principal results for the year ended December 31, 2017.

1. **Profitability** – in 2017, the Company's net income attributed to the Company's shareholders amounted to approximately EUR 101.2 million compared to income of EUR 76.3 million in 2016.

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

   - **Income producing real estate** – in 2017, the FFO amounted to EUR 34.5 million compared to EUR 29.3 million in 2016. In the fourth quarter of 2017, the FFO amounted to EUR 9.35 million grossing up an annual rate of EUR 37.4 million.

   - **Residential development activity**- In 2017, the contribution to the profit of the Grafental project amounted to EUR 11.1 million (consolidated) in respect of the delivery of the balance of 14 residential units out of 107 units from stage B3, and the handing over of 93 residential units out of 109 residential units from stage C. In addition, the Company recognized a gain of EUR 0.7 million from the delivery of 8 residential units out of 8 units in the Privatization project in Leipzig, see below.

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

a. Residential development – 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 until now
C	109	56.2	12.4	28%	100%	87%
D	119	67.6	16.4	32%	94.7%	0%
Total	**228**	**123.8**	**22.8**	**30%**	**97.2%**	**37%**

b. 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[6]	Occupancy rate
Residential	701	5.9%	7.5%	5.2%	6.7%	95%
Commercial[7]	317	6.4%	6.8%	5.8%	6.1%	97%
Total	**1,018**	**6.1%**	**7.3%**	**5.4%**	**6.5%**	**96%**

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

- **Residential**: in the fourth quarter of 2017, rental fees increased by .66 % from identical assets and 5.4% in rental fees per square meter in new rentals compared to the corresponding quarter of 2016. The rental fees in new rentals in the residential market are higher by 26% of the actual rental fees.

- **Commercial**: in the fourth quarter of 2017, rental fees have increased by 0.9% from identical assets compared to the corresponding quarter in 2016 mainly from the betterment of assets.
  In this regard it is indicated that the Company promotes projects for the betterment of commercial assets out of the existing portfolio of the Company at an estimated investment scope of approximately EUR 50 million [8] which will take several years and will produce an annual yield of 9% on the investment. In addition the Company examines and promotes rezoning procedures in part of those assets [9] and other assets as well, which in case they will mature, the investment volumes are expected to be more material.

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[1] As of the report date, the profit recognition rate is as of the report date

[2] Data according to 100%, the effective corporation's share in the project, after the purchase of rights from the joint CEOs in January 2018 (see material events in the reported period) is 84.98%;

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

[4] Data of March 2018 on annual basis divided by the carrying value

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

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

[7] Excluding an asset with an area of 9,391 thousand square meters that was evacuated for the purpose of material betterment process.

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

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

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

   a. **Equity and NAV**: The equity attributed to the Company's shareholders amounted to approximately EUR 591.2 million and the NAV[10] amounted to EUR 689.3 million as of the report date.

   b. **Debt ratios**: the LTV ratio[11] is 45.33% as of the report date. The EBITDA ratio to interest expenses (only from the income producing portfolio, excluding operating income from development activity) is 3.6 in the fourth quarter of 2017.

   c. **Liquidity**: cash balances and liquid balances amounted to approximately EUR 113.1 million as of the report date.

4. **Dividend policy –** on May 18, 2017 the Company's Board of Directors adopted the dividend policy deriving from the Company's annual FFO, according to which each year from 2018 and in respect of 2017 and thereafter, the Company will distribute to its shareholders a dividend and/or distribute to its shareholders capital (collectively: "the Distribution") of 30% of the total FFO (from the income producing activity only, excluding profit from the Company's development activity). For the purposes of calculating the FFO for a given year, the distribution amount will be derived from the FFO, the FFO data for the fourth quarter of that year will be adjusted to the data for the entire year. For further details, see the section "Material and other events in the reported period". It should be noted that the Company's Board of Directors resolved in its meeting dated March 15, 2018 in view of the special tender offer dated February 19, 2018 not to discuss the proposal for dividend distribution in respect of the Company's financial results for the year ended December 31, 2017.

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

[11]Net debt to total real estate assets

Concise description of the Corporation and its business environment

Areas of activity

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

- **Residential income-producing real-estate** – as of the report signing date, the Group owns 11,916 apartments, with a total leasing area of approximately 701,000 m^2**.**
- **Commercial income-producing real-estate** – as of the report signing date, the Group owns 27 commercial income-producing properties[12] in the commercial segment (commerce and offices) with an overall leasing area of approximately 317,000 m^2.[7]
- **Entrepreneurship Residential Real estate** - for details regarding the marketing, sales and performance of Stage C (109 units) and Stage D (119 units) Stage E (89 units) and Stage F (112 units) of the Grafental project in Dusseldorf as well as the Company's residential project in Aachen, see "Material events and others during the reported period".
- **Betterment of land in Dusseldorf -** the Company owns 2 land complexes in Dusseldorf, Germany, undergoing advanced procedures for changing the zoning from offices to residential[13]. For details regarding the Company's progress in the zoning changes of the lands in Dusseldorf, see the section Material events and others during the reported period".

Property financing

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

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

- Bank loans – the Company has bank loans amounting to EUR 666,954 thousand including a bank loan presented under liabilities held for sale. As of the report date, the average rate of interest of these loans is approximately 1.66%. The average duration of the loans is about 3.5 years.
- Bonds – the Company has three series of bonds (non convertible to shares) rated by S&P Maalot Ltd. (Maalot) with AA- rating as of the signing date of the report: Series A at a scope of approximately NIS 171,520 thousand par value with an interest (linked) of approximately 4.8% per year with an average duration of approximately 1.38 years, Series B at a scope of approximately NIS 200,000 thousand par value with an interest (linked) of approximately 3.29% per year with an average duration of

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

[13] It should be noted that during the fourth quarter of 2017, the Company classified part of the land complex in Grafental from investment property- real estate rights to real estate inventory due to significant progress in the planning processes of the complex and the Company's intention to develop the complex. For additional information see section 1.8.1.5 in Chapter A "Description of the Corporation's Businesses attached to this periodic report.

approximately 4.25 years and Series C at a scope of NIS 153,642 thousand par value with an interest (linked) of approximately 3.3% per year with an average duration of approximately 6.35 years.

Activity environment

For details regarding the activity environment of the Company in Germany see section 1.6 in Chapter A "Description of the Corporation's Businesses" which is attached to this periodic report.

- **Material and other Events in the Report Period**

  - **Agreement for acquisition of land in an area of approximately 193 thousand square meters in the city of Düsseldorf** - On December 8, 2017, the Company entered into a notarized sale agreement with a third party unrelated to the Company and or its controlling shareholder, for the acquisition of all ownership rights in a land with an area of 193 thousand square meters in the Gerresheim neighborhood in Dusseldorf, Germany, for a total consideration of € 141.8 million (including related transaction costs). On the land, 1,300 residential units and 30,000 square meters of commercial spaces, offices and kindergartens and school are planned to be constructed. In order to finance the acquisition, the Company (through a wholly-owned sub-subsidiary) entered into an agreement with a German bank to obtain a loan in the amount of approximately EUR 90 million under recourse terms (to the Company),[14] the final repayment date of which is 3 years from the date of receiving the loan, bearing interest at a margin of 2% per annum above Euribor's 3 month period. The purchase cost balance plus related costs (total of EUR 52.9 million) were financed from the Company's own sources. On February 28, 2018 the transaction was completed - the entire consideration was paid to the seller and the full rights in the real estate were transferred to the Company. For further details, see the immediate report dated March 1, 2018 in this regard [Reference No. 020404-01-2018], the information contained therein is brought in this report by way of reference.

  - **Retirement agreements with joint CEOs (- "the CEOs")** - Further to the resolution of the Company's Board of Directors on September 5, 2017 to request the CEOs of the Company to remain in their positions for a transition period until the appointment of an alternate CEO for the Company, the Company's remuneration committee held negotiations with the CEOs, for the purpose of entering into agreements with them which will stipulate both the terms of their service during the transition period and the terms of their retirement. On October 30, 2017, the remuneration committee submitted its recommendation on this matter to the Board of Directors of the Company and recommended that the Board of Directors of the Company approve the terms of their service during the transition period and the retirement period detailed below:

    - The agreement's term: the CEOs will remain in office until June 30, 2018, so long as the Company's Board of Directors does not appoint a CEO for the Company prior to that date.

    - Retirement grants: a retirement grant equal to 12 salaries for each of the CEOs according to the provisions of section 9.4.2 of the Company's remuneration policy[15] while taking into account that they served in the Company as CEOs for over 10 years and subject to the approvals that are required in accordance with any law.

  - Acquisition of Beta[16] shares: acquisition of 0.55% of Beta's shares from each of the CEOs, including their entitlement to Promote from Brack Capital First B.V. for a total consideration of € 1.5 million per person.

[14]until the commencement of the project construction

[15]that was approved by the general meeting of the Company's shareholders from March 21, 2016 (following the approval of the remuneration committee and the Board of Directors from January 27, 2016 and February 4, 2016, respectively)

[16]Beta holds the land division and the Grafental residential project in Dusseldorf.

- Redemption of vacation days to Ofir Rahamim: Ofir Rahamim, through a company owned by him, will be entitled to redeem 65 vacation days.
- Redemption of vacation days and severance pay to Gal Tenenbaum: the Company will pay Gal Tenenbaum redemption of vacation days and severance pay according to his entitlement under the law.
- Bonus: Target based bonus for 2017:as was approved by the general meeting of the Company's shareholders on March 22, 2017 (following the approval of the remuneration committee and the Board of Directors of the Company on January 17, 2017 and February 7, 2017, respectively) will be calculated on the basis of financial and/or operational data (as the case may be) of the Company as of December 31, 2017 and will be paid to Gal and Ofir - if and to the extent that they meet all/some of the aforesaid targets that were determined and as the case may be - until the end of January 2018.
- Lack of mutual claims.

On November 16, 2017, the Company's Board of Directors accepted the recommendation of the remunerations committee and approved the terms of the said retirement and the agreement was approved by the general meeting of the Company's shareholders on December 27, 2017. Consequently, the Company recognized in its financial statements for 2017 a onetime expense of € 0.9 million. It should be noted that the acquisition of the Beta shares from the CEOs, which took place during January 2018, increased the Company's holding rate in Beta from 83% to 84.98% (after weighting the Promote mechanism. For further details, see the immediate report of November 19, 2017 [Ref. 107445-01-2017], the information contained therein is brought in this report by way of reference.

- ❑ **<u>Exclusivity agreements for the purchase of 802 residential units in the cities of Magdeburg, Leipzig and Halle, Germany</u> -** On September 4, 2017 and September 11, 2017, the Company entered into 2 notarized sale agreements with third parties not related to the Company and/or its controlling shareholder for the purchase of 802 residential units for rental in a federal capital and two large cities in Germany for a total consideration (including transaction related costs) of approximately € 68.7 million. For the purpose of financing the purchases, the Company (through sub subsidiaries) entered into a agreement with a German bank to obtain a loan of € 47.5 million under non-recourse terms the final repayment date of which is 5 years from the date of receiving the loan which bears fixed annual interest[17] of 1.585% with annual principal payment of 2% of the loan amount. The full consideration for the transactions was paid and the transactions were completed in November and December 2017. As of the date of completing the transactions, the acquired properties are leased to a large number of tenants at an occupancy rate of approximately 90%, generating a current annual rental of € 3 million grossing up a significant rental increase potential, as per the Company's estimate, of 39%, in view of the average rental in the market in those cities/locations for similar properties. For further details see immediate reports dated September 5, 2017, September 12, 2017 and October 30, 2017 (Ref numbers: 090006-01-2017, 091929-01-2017 and 102768-01-2017, respectively)
- ❑ **<u>Exclusivity agreements for the purchase for 55 residential units in Leipzig, Germany</u>** - During September 2017, the Company entered into a notarized sale agreement with a third party who is unrelated to the Company and/or its controlling shareholder for the purchase of 55 residential units for rental in Leipzig, Germany, at a total price of approximately € 3.9 million. The full consideration was paid to the seller from the Company's own sources at the end of December 2017 and the transaction was completed on January 1, 2018. The acquired properties are leased to a large number of tenants at an occupancy rate of 95%, generating a current annual rental of approximately € 194 thousand grossing up a significant rental increase potential, as per the Company's estimate, of 30%, in view of the average rental in the market in Leipzig in similar locations/properties.

[17]After fixing the interest rate by SWAP transaction.

- **Refinancing of loans from German banks and utilizing credit facilities** - During the third quarter of 2017, the Company (through sub- subsidiaries) completed the refinance of 3 loans from a German bank. The new loans are for a period of 5 years and amount to € 32.6 million plus a credit facility of € 17.4 million that was withdrawn for the purpose of financing the transactions of purchasing new properties by the Company in February 2018 and in total € 50 million. The new loans (with weighting the utilized credit facility) bear fixed annual interest at the rate of 1.34%, with an annual principal repayment of about 2% of the new loan amount. The total amount of the repaid loans amounted to € 32.6 million.

  These loans bore variable annual interest which as of the repayment date, was 1.7% per annum.

  For additional information see immediate report dated September 3, 2017 (reference number 089256-01-2017) which is brought in this report by way of reference.

  On September 27, 2017, the Company's sub subsidiaries (one wholly-owned company and another company held under a joint venture) entered into a loan agreement with a German bank for the purpose of financing the Leipzig properties that were acquired by equity and refinancing an existing loan on a Leipzig property that was acquired in 2013.

  The new loan is for 5 years amounting to €18 million at a fixed annual interest rate of 1.14% with an annual principal repayment of 2% in addition to a credit facility of € 3 million at a variable interest of 3 month Eurobor with a margin of 1% and principal repayment at annual rate of 2.5% withdrawn in December 2017. The new loan amount is €21 million.

  The scope of the repaid loan (repaid on August 30, 2017 from the Company's own sources) amounted to € 7.2 million. This loan bears fixed interest at the rate of 3.85% per annum.

  At the end of December, the Company's sub- subsidiaries (held under a joint venture) exercised an additional credit facility in the amount of € 17.4 million that was drawn to finance transactions for the acquisition of new properties by the Company. The credit facility bears variable annual interest on the basis of the Eurobor rate for 3 months plus a margin of one percent per annum, with an annual principal repayment of 2%, which is due for final repayment in 2023.

- **Changes in the composition of the board of Directors** - On July 25, 2017, the tenure of Mr. Jan Van Der Meer (Chairman of the Board of Directors), Robert Israel (independent director), Or Levkovitch (director) and Nansia Koutsou (director) has ended as directors on the Company's Board of Directors , and on that date the tenure of Mr. Noam Sharon (director), Noa Shacham (independent director) and Liudmila Popova has commenced ("the new directors") as directors on Company's Board of Directors. In addition, on October 16, 2017, Mr. Alexander Dexne (an independent director) was appointed as a director and chairman of the Board of Directors. It is further noted that Ms. Liudmila Popova was appointed by the Company's Board of Directors at its meeting on August 17, 2017 as the temporary Chairman of the Company's Board of Directors until the appointment of Alexander Dexne as the permanent Chairman of the Board of Directors. On November 23, 2017, Mr. Meir Jacobson was appointed by the general meeting of the Company's shareholders as an external director. For further details regarding the new directors, see the immediate reports of July 26, 2017 (references 2017-01-077082, 2017-01-077073, 2017-01-077070), November 5, 2017 (reference 104055-01-2017) and November 23, 2017 (reference 109401-01-2017) which are brought in this report by way of reference.

- **Change of control in the Company** – on June 14, 2017 (completion date) Redzone Empire Holding Ltd. (Redzone" or "the Purchaser"), which is, to the best of the Company's knowledge, a Cypriot private company wholly owned by Mr. Teddy Sagi ("Sagi") purchased 3,172,910 ordinary shares of Euro 0.01 par value each of the Company (which at the time constituted approximately 44% of the Company's issued and paid-up share capital) for a total consideration of NIS 1,092 million. The amount of the aforementioned shares was acquired by Redzone from Shimon Weintraub ("Weintraub") and Ronen Peled ("Peled"), the joint controlling shareholders of the Company until that date, from interested parties in the

Company until that date and from others (collectively: the Sellers) in several off-stock exchange transactions (for details about most of these transactions, see the Company's immediate reports regarding changes in holdings of interested parties in the Company from June 15, 2017 [Reference No. 061152 -01-2017 and 061161-01-2017) according to agreements dated May 22, 2017 (for details regarding these agreements see immediate report dated May 23, 2017 (reference -052314-01-2017). On the completion date, Mr. Sagi became the controlling shareholder in the Company instead of messers Weintraub and Peled.

- **Purchase of flats in Leipzig** - during 2017 the Company (through an investee (68%) entered into notarized sale agreements with third parties who are not related to the Company and/or to its controlling shareholder for the purchase of 25 flats in addition to 435 flats that are owned by the Company in the Leipzig Am Zoo asset[18] for a total consideration (including transaction costs) of approximately EUR 850 thousand. The completion of the transaction was financed by the Company's equity and was paid in various dates throughout the year.

- **Review of Privatization [19]in Leipzig** – in 2015 and 2016, the Company commenced reviewing the Privatization process for a building spanning over 779 m^2 in Leipzig. As part of such process, the Company invested a total of EUR 1.6 million (including the value of the income generating asset and sale costs) in adapting the asset and turning it into a building consisting of 8 flats. The total sale consideration amounted to EUR 2.3 million and the expected entrepreneurial profit grosses up a profitability of 45% over total cost and 1.3 times the value in the financial statements as an income generating asset. In the third and fourth quarters of 2017, the delivery of all flats in the project has ended. The Company explores the option of expanding its activity in this field.

- **Capital issuance** – on January 31, 2017, the Company completed a public offering in Israel of 598,540 shares and 299,270 warrants (Series 1) exercisable into 299,270 shares of the Company at a total monetary scope of EUR 49.5 million (gross) by a uniform offer in the tender on the unit price pursuant to a shelf offering report that was published on January 29, 2017 by virtue of the shelf prospectus bearing the date of May 29, 2015[20]. In the second and third quarters of 2017, 268,130 warrants (Series 1) were exercised into the Company's shares for a total consideration of EUR 22,644 thousand. The remaining 31,140 warrants (Series 1) that were not exercised until the last exercise date (July 31, 2017) have expired.

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

  For the purpose of financing the purchase, the Company (through a sub-subsidiary) entered into an agreement with a German bank to obtain a loan in the amount of EUR 10.4 million under non-recourse terms which its final repayment date is 5 years from the date of receiving the loan bearing a variable

[18]Leipzig Am Zoo is a residential complex that was purchased in May 2013. After the completion of the transactions the complex is consisting of 460 flats at an average area of 34 sq.m per unit. The total leasable area of the complex is 15,533 sq.m after purchasing the 18 flats

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

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

interest based on Euribor plus a margin of 1.20% per annum. On May 31, 2017, the full consideration was paid to the seller and all of the rights in the purchased assets have been transferred to the Company[21].

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

  For the purpose of financing the purchase, the Company (through a sub-subsidiary) entered into an agreement with a German bank to obtain a loan in the amount of EUR 16 million under non-recourse terms which its final repayment date is 5 years from the date of receiving the loan bearing a fixed interest rate of 1.18% per annum. On May 31, 2017, the full consideration was paid to the seller and all of the rights in the purchased assets have been transferred to the Company[22].

- **<u>Purchase of residential assets in Leipzig, Bremen and Dusseldorf, Germany</u>** – in the first quarter of 2017, the Company, through its wholly owned Dutch companies, entered into 4 different transactions for the purchase of 164 flats for leasing in Leipzig, Bremen and Dusseldorf in Germany (the acquired assets) for a total consideration of EUR 15.2 million (including related transaction costs). The acquired assets span over a leasable area of 7.3 thousand sqm, generating current annual of EUR 631 thousand grossing up a significant rental increase potential of 25% to 35%, as per the Company's estimate in view of the average rental in those cities/locations for similar assets. The transaction was financed in the first stage by equity. In the second and third quarters of 2017, the full consideration was paid to the sellers and all of the rights in the acquired assets have been transferred to the Company. As part of the refinancing that was carried out on September 27, 2017, 110 flats that were purchased in Leipzig served as collateral to the lending bank.
- **<u>Adoption of dividend policy</u>** – on May 18, 2017, the Company's Board of Directors adopted a dividend policy deriving from the Company's annual FFO, according to which each year from 2018 and in respect of 2017 and thereafter, the Company will distribute to its shareholders a dividend and/or distribute to its shareholders capital (collectively: "the Distribution") of 30% of the total FFO[23] (from the income producing activity only, excluding profit from the Company's development activity) according to the audited annual consolidated financial statements known on the time the distribution resolution has been made. For the purposes of calculating the FFO for a given year, the distribution amount will be derived from the FFO, the FFO data for the fourth quarter of that year will be adjusted to the data for

  <u>the entire year (namely ,</u>if the FFO in the fourth quarter amounts to EUR 9 million, the FFO amount for that year from which the distribution amount is to be derived will be EUR 36 million. The resolution on such distribution will be made by the Company's Board of Directors after the approval of the annual financial statements for that year for which distribution is made .

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

[22]For additional information see immediate report of the Company dated February 23, 2017 (reference number 0-01-2017) which is brought by way of reference.

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

It should be noted that this decision does not derogate from the Board of Directors 'authority to examine from time to time the policy and decide at any time ,taking into account business considerations and the provisions of the law ,on a change in policy or on a change in the distribution rate for a particular period or decide not to make a distribution at all .It is hereby clarified that the aforesaid dividend policy should not be regarded as a commitment by the Company to make a distribution according to its provisions, and each distribution will be discussed separately by the Company's Board of Directors, which will be authorized to decide on the actual distribution at its discretion, inter alia, taking into account the criteria detailed above and subject to the approval to carry out such distribution by the general meeting of the Company's shareholders, if and to the extent required (in accordance with the provisions of any law).

The Company's Board of Directors may also review from time to time such dividend policy and change it and/or cancel it at its sole discretion. It should be noted that the Company's Board of Directors resolved in its meeting dated March 15, 2018 in view of the special tender offer dated February 19, 2018 not to discuss the proposal for dividend distribution in respect of the Company's financial results for the year ended December 31, 2017.

- **Sale of an office property to the Chinese Consulate, Düsseldorf, Germany** - on June 1, 2017, a notarized sale agreement was signed between the Company's sub subsidiary (100%) and the Chinese Government for the sale of an office property with a leasable area of 4,316 sqm. used as the Chinese Consulate in Dusseldorf for a consideration of € 14.8 million. The purchase cost (including transaction costs) that was paid by the purchaser grosses up a rental yield of about 4.5% and a value per square meter of € 3,700. The entire consideration of the sale and the completion of the transaction have been carried out on June 17, 2017.
- **Acceleration of the vesting period of the Company's employee share option plan (ESOP -3)** - as a result of the change in the control of the Company's shares, as above, the vesting period of the options has ended and all options are available for immediate exercise. Following the acceleration of the vesting period ,the Company recognized a one-time expense of EUR 0.4 million ,as part of the cost of a share-based payment against a capital reserve .See also Note 18(E) to the annual financial statements.

- **Ratification of credit rating by Maalot –** on March 26, 2017, the credit rating company, Maalot, ratified for the Company the rating of ilAA- (stable outlook) and for the Company's bonds Series A B and C ratified the rating of ilAA- [24]

- **The Company's residential project in Aachen, Germany** - on February 26, 2016, the Company (through sub- subsidiaries) entered with a third party who is not related to the Company and/or its controlling shareholders (the "Partner") into a notarized sale agreement with a third party who is not related to the Company and/or its controlling shareholders (the seller) to acquire ownership rights to the land in the city of Aachen in Germany, on which an old plant which is not in use is erected, for a total consideration of € 6 million (the Company's share is EUR 3 million) that was completed in April 2016, after the various required conditions were met[25].

  The planning authorities in Aachen have agreed with the Company on the planning concept of the project such that it would be feasible to construct 280-300 residential units (instead of 180-220 residential units

[24]For additional information see Maalot rating activity report that was attached to the Company's immediate report of dated March 26, 2017 (reference number 029532-01-2017) which is brought by way of reference.

[25]For additional information see the Company's immediate report dated February 28, 2016 (reference 035506-01-2016 which is brought in this report by way of reference

as was indicated in the immediate report published by the Company on the asset purchase date) such that it will result in increase in the sales volume and the expected profitability in the project compared to the original planning of the project. In addition, in January 2017, the planning authorities in the city have approved to change the planning master plan for the area from industry to residence such that the Company would be able to promote the urban building plan and bring such plan for the approval of the planning authorities in the city during the second half of 2018 and commence construction in the second half of 2019 simultaneously with issuing building permits for the project.

During the second quarter of 2017, the Company commenced promoting a detailed architectural planning for the purpose of submitting a building permit application for the first stage of the project, as well as commenced a detailed planning of the public infrastructure in the project (roads, sewage/water/ electricity, kindergarten etc) and at the same time promotes the planning procedures and approval of the Urban Planning Scheme in the timetables detailed above.

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

a. **Performance and marketing of Stage C** – in April 2016, upon receiving the building permit, the Company commenced the construction of Stage C which includes 109 flats and 128 parking spaces at a total area of 16,000 m^2 gross. The Company commenced marketing of Stage C in May 2016 at selling prices higher by 7% compared to Stage B3. As of the report signing date, all of the apartments (signed agreements) (about 100 % of this stage) were marketed at a total monetary consideration of EUR 56.15 million. As of the report date and the report signing date, advance payments of EUR 54.7 million and EUR 56.1 million, respectively, were received from apartment purchasers.

b. **Delivery of apartments and recognition of profits of Stage C** - In the last quarter of 2017, the Company delivered 93 apartments, and as a result, the Company recognized a profit of EUR 10.7 million. The balance of the profit in respect of this stage in the amount of about EUR 1.6 million will be recognized during the first quarter of 2018 upon the delivery of the remaining residential units in respect of this stage

c. **Performance and marketing of Stage D –** in April 2017, upon receiving the building permit, the Company commenced the construction of Stage D which includes 109 flats and underground parking lot of 125 parking spaces with 10 townhouses (total 119 flats at a total area of 18,000 m^2 gross). In May 2017, the Company commenced marketing and sales of Stage D and as of the report signing date, 113 flats (signed agreements and reservations) were marketed (about 94.7% of this stage) for a total consideration of EUR 64 million.

As of the report date and the report signing date, advances of EUR 14.7 million and EUR 18.9 million, respectively, were received from apartment purchasers.

The selling prices in Stage D gross up an increase of 8.7% compared to the selling prices of Stage C and consequently the entrepreneurial profitability is expected to increase from 28% in Stage C to 32% in Stage D (for additional information see the table in page 16-17 below).

d. **Planning and performance of Stage E** – the Company commenced the planning of Stage E that will include 84 flats and 5 townhouses with 86 underground parking spaces at a total area of 13,450 m^2, gross, and filed applications for building permits for this stage in September 2016. The Company expects that the building permit will be received in the first quarter of 2018 and marketing and constructing the aforesaid stage will commence in the second quarter of 2018.

e. **<u>Planning and performance of Stage F, the first stage to be built as part of the Grafental Mitte</u>**[26] – Stage F, includes 112 residential units for rental (of which 70 apartments in subsidized rents and 42 apartments as affordable housing) – in rent control[27]) with 57 underground parking spaces with a gross area of approximately 12,000 square meters. The building permit is expected to be received during the first quarter of 2018 and the Company expects that construction of said stage will commence during the second quarter of 2018 together and concurrently with the performance of Stage E as aforesaid.

f. **<u>Planning and performance of Stage G, the second stage to be built as part of Grafental Mitte</u>**[26] - a building permit for additional 89 residential units designated for free sale in the market (condo apartments) along with 106 underground parking spaces with a gross area of 12,000 sq.m. was submitted in September 2017 and the Company expects that it will commence construction of said stage and its marketing in the second half of 2018, upon receiving the building permit for such Stage G.

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

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

[27]For additional information see section 1.8.1.5 in Chapter A "Description of the Corporation's businesses" which is attached to this periodic report.

Project marketing – stage C									
Data according to 100% The effective corporation's share in the project – 83%)	**2017**					**2016**			
	As of the date of signing the report	**Quarter 4**	**quarter 3**	**Quarter 2**	**Quarter 1**	**Quarter 4**	**Quarter 3**	**Quarter 2**	**Quarter 1**
Cumulative signed agreements in the current period									
Flats (#)	109	109	108	105	91	72	50	23	**NA**
Flats – total monetary consideration (including for parking, EUR in thousands)	56,150	56,150	55,820	54,467	47,648	37,482	25,007	10,945	
Flats (square meters)	12,284	12,284	12,203	11,913	10,408	8,205	5,544	2,429	
Average price per sq.m (EUR) (including consideration for parking)	4,571	4,571	4,574	4,572	4,578	4,568	4,511	4,507	**Marketing has commence d on May 1, 2016**

Apartment reservations as of the report signing date	
Flats (#)	**0**
Flats – total monetary consideration (including for parking, EUR in thousands)	**0**
Flats (square meters)	**0**
Average price per sq.m (EUR) (including consideration for parking)	**NA**
Cumulative signed agreements and reservations until the date of signing the reports	
Flats (#)	109
Flats – total monetary consideration (including for parking, EUR in thousands)	56,150
Flats (square meters)	12,284
Average price per sq.m (EUR) (including consideration for parking)	4,571

Marketing rate of the project %									
	As of the date of signing the report	**Quarter 4**	**quarte r 3**	**Quarter 2**	**March 31, 2017**	**December 31, 2016**	**September 30, 2016**	**June 30, 2016**	**March 31, 2016**
Marketing rate on the last date of the period -signed agreements	100%	100%	99.4%	97.0%	84.9%	66.8%	44.5%	19.5%	N/A
Marketing rate on the last date of the period -signed agreements and reservations	100%								N/A
Advances from tenants									

Advances from tenants (EUR in thousands)	56,069	54,685	44,237	30,872	18,879	7,104	4,219	0	**NA**
Rate of Advances from tenants (%)	99.9%	97.4%	78.8%	55.0%	33.6%	12.7%	7.5%	0	
Spaces in respect of which agreements and reservations were not yet signed as of the report signing date									
Flats (#)	0								
Flats – total expected monetary consideration (including for parking, EUR in thousands)	0								
Flats (square meters)	0								
Average price per sqm (EUR)	NA								
Total cumulative cost attributed to spaces in respect of which binding agreements were not yet signed in the statement of financial position (consolidated) (EUR in thousands)	0								

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

Project marketing – stage D					
Data according to 100% The effective corporation's share in the project – 83%)		**2017**			
	As of the date of signing the report	**Quarter 4**	**quarter 3**	**quarter 2**	**Quarter 1**
Cumulative signed agreements in the current period					
Flats (#)	112	92	68	29	**NA**
Flats – total monetary consideration (including for parking, EUR in thousands)	63,182	51,507	39,012	16,478	
Flats (square meters)	13,209	10,829	8,213	3,287	**Marketing has commenced in May 2017**
Average price per sqm (EUR)	4,783	4,756	4,750	5,013	
Apartment reservations as of the report signing date					
Flats (#)	1				
Flats – total monetary consideration (including for parking, EUR in thousands)	835				
Flats (square meters)	135				
Average price per sqm (EUR)	6,197				
Cumulative signed agreements and reservations until the date of signing the reports					
Flats (#)	113				
Flats – total monetary consideration (including for parking, EUR in thousands)	64,017				
Flats (square meters)	13,344				
Average price per sqm (EUR)	4,798				
Marketing rate of the project(%) :					
Marketing rate on the last date of the period -signed agreements	93.4%	76.2%	57.7%	24.4%	N/A
Marketing rate on the last date of the period -signed agreements and reservations	94.7%				
Advances from tenants					
Advances from tenants (EUR in thousands)	18,893	14,691	8,710	2,127	NA
Rate of Advances from tenants (%)	27.9%	21.7%	12.9%	3.1%	
Spaces in respect of which agreements and reservations were not yet signed as of the date of publishing the report					
Flats (#)	6				
Flats – total expected monetary consideration (including for parking, EUR in thousands)	3,616				
Flats (square meters)	729				
Average price per sqm (EUR)	4,959				
Total cumulative cost attributed to spaces in respect of which binding agreements were not yet signed in the statement of financial position (consolidated) (EUR in thousands)	1,366				

Forecast of revenues, costs and entrepreneurial profits of the stages in progress and stages under the approved urban planning scheme t[28]he performance of which has not yet commenced in Grafental residential project (EUR in thousands)

	Stage C[29]	Stage D [30]	Stage E [31]	Stage F [32]
Total expected revenues	56,150	67,633	49,654	28,925[33]
Advances from apartment purchasers as of the report date	54,685	14,691		
Advances from apartment purchasers as of the date of signing the report	56,069	18,893		
Total cumulative costs invested	41,431	26,352	10,492	2,563
Total costs remaining for investment	2,393	24,835	26,503	22,395
Total expected cost (including land (EUR in thousands)	43,824	51,187	36,994	24,959
Completion rate (engineering/monetary)(excluding land)(%)[34]	93%	37.2%	3.1%	4.1%
Total expected entrepreneurial profit	12,326	16,446	12,569	3,966
Total entrepreneurial profit recognized in the Company's financial statements (consolidated) cumulatively as of the report date	10,729			
Rate of expected entrepreneurial profit (%)	28.1%	32.1%	34%	15.9%
Expected completion date and profit recognition	Fourth quarter of 2017 and first quarter of 2018	Fourth quarter of 2018	First quarter of 2020	First quarter of 2020

[28]It should be noted that the urban planning scheme of Grafental Mitte applies to stage and is advanced stages of approval, see below.

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

[30]The performance and marketing of Stage D commenced in April and May 2017 (respectively) upon receiving the building permit

[31]The Company expects that the building permit for this stage will be received in the first quarter of 2018 and the marketing and construction of such stage will commence in the second quarter of 2018.

[32]The Company expects that the building permit for this stage will be received in the first quarter of 2018 and the Company expects that construction of such stage will commence in the second quarter of 2018 concurrently with the performance of Stage E.

[33]Represents the expected value of the stage, which is designated for rental, after its completion

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

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.

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

From sold apartments (EUR in thousands)

Data according to 100%. The corporation's effective portion in the project – 83%	Revenue not yet recognized	Cash flow not yet recognized	Entrepreneurial profit not yet recognized
Stages in progress (stages C and D)	**60,260**	**23,836**	**14,147**

Data according to 100%. The corporation's effective portion in the project – 83%	Revenue not yet recognized	Cash flow not yet recognized	Entrepreneurial profit not yet recognized
Stages in progress (stages C and D)	16,180	6,575	3,932
Stages E (under approved urban scheme) not yet in progress	49,564	19,682	12,536
Total	**65,744**	**26,258**	**16,468**

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

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

  The urban scheme for the remaining 400 residential units under rezoning (Grafental Ost) is in the process of planning and the Company estimates that the urban scheme will be approved and will be available for construction during 2019 [35].

[34]It should be noted that the engineering completion rate is not identical to the delivery rate of the apartments and the rate of recognition of the profit from the delivery of the apartments on the date of delivery of the apartments to customers. See Note 2ff to the financial statements of the Company's consolidated financial statements.

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

As a result of the progress of the Grafental Mitte/Ost approval procedures, the Company classified in its financial statements the part of the land intended for the development of condo apartments for free sale in the framework of these schemes as real estate inventory. The classification of the part of the land designated for the construction of apartments for rental in rent control (subsidized housing and affordable housing) under such schemes remained under investment property - real estate rights, since the Company has not yet decided whether, after construction, will sell these apartments or part thereof - separately, to the extent possible or as a group) or will hold (all or part) the aforesaid apartments as an income-producing asset.

Purchase of several office and residential buildings in Grafenberg neighborhood for betterment - in August 2014, the Company consummated the purchase of land spanning over 20,000 m^2 erected thereon residential and office buildings (generating annual income of EUR 220 thousand) in Grafenberg – one of the luxurious neighborhoods of Dusseldorf – and adjacent to the Grafental project which is constructed by the Company in Dusseldorf[36]

In the reported period, the Company had advanced with the Dusseldorf municipality a new urban scheme for changing the zoning of such land to residence. Under the Company's plan, if rezoning is completed, it will be feasible to construct a residential project on the land that will include 84 flats (a constructed area of 20,000 m^2, gross) (instead of the existing buildings). The Company estimates that the urban scheme will be published for comments by the public (the last stage prior to the final and binding approval) such that the urban scheme will be available for construction of the first stage (under section 33 of the German and planning and construction law until the end of 2018 and the land will be available for construction (with the necessary approvals) in the first half of 2018 [36]

Purchase of parcel of land in Gerresheim neighborhood – after the date of statement of financial position, on February 28, 2018, the Company completed the purchase of parcel of land with an area of 193 thousand square meters (in Gerresheim neighborhood in Dusseldorf, Germany, for a total consideration of € 141.8 million (including related transaction costs)[37] . The land is located in the Gerresheim neighborhood (with a population of 30,000 people) east of the city center of Dusseldorf adjacent and south of the luxurious neighborhood Granfenberg and close to Granfenberg forest. On the vacant land of 193 thousand square meters, 1,300 residential units and 30,000 square meters of commercial spaces, offices and kindergartens and school are planned to be constructed.

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

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

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

The following is a tabular summary of expected revenue, cash flow and entrepreneurial profit expected from the betterment of the land in Dusseldorf [38]real estate inventory in Dusseldorf [39]and inventory of buildings under construction that is not under an approved urban scheme [40]without the 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	15,897
Condo apartments for free sale in planning stages under the urban schemes Grafental Mitte/Ost and Grafenberg	374,682	161,579	82,804
Total	499,595	197,469	98,701

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

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

[38]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).

[39]The information in the table includes land that was classified during the fourth quarter of 2017 from investment property - real estate rights to real estate inventory in the financial statements of the Company, and are under the area of activity of entrepreneurial real estate

[40]Stage F

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.

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

(1) Financial Position

Assets	December 31, 2017	December 31, 2016	Explanation for the change
	EUR in thousands		
Current assets			
Cash and cash equivalents	113,129	89,278	See details in the statement of cash flows
Balances receivable from banks	932	2,221	
Restricted deposits, financial assets and other receivables	10,727	10,088	
Tenants and trade receivables, net	3,735	3,545	
Inventory of buildings under construction	48,756	45,754	On one hand, increase in inventory in respect of progress in constructing Stage D and classification of inventory of lands from long term to short term and on the other hand, decrease in inventory for handover of apartments in Stage B3 and C.
Total current assets	**177,279**	**150,886**	
Assets held for sale	11,622	-	See material events after the report period
Non-current assets:			
Investments measured at equity	8,318	8,318	
Inventory of real estate	72,659	13,820	On one hand, an increase in inventory due to the classification of part of the parcel of land in Grafental from investment property to real estate inventory, and on the other hand, a decrease due to classification of inventory of buildings under construction.
Investment property – real estate rights	67,094	101,939	The decrease in the reported period derives from classifying real estate rights to real estate inventory on one hand and on the other hand from revaluation profits.
Investment property – income producing assets	1,283,549	1,089,943	The increase in the reported period derived from the purchase of assets and revaluation profits on one hand and from selling an asset on the other hand
Restricted deposits for investments in assets	7,297	2,227	
Other accounts receivable, fixed assets and other financial assets	18,023	3,027	The increase in the reported period is mainly due to an advance payment of € 13.3 million paid as part of the agreement to acquire the parcel of land in the Gerresheim neighborhood.
Deferred taxes	1,438	3,608	
Total non-current assets	**1,458,378**	**1,222,882**	
Total assets	**1,647,279**	**1,373,768**	

Liabilities	December 31, 2017	December 31, 2016	Explanation for the change
	EUR in thousands		
Current liabilities:			
Current maturities of loans from banks	161,731	16,164	The increase in the reported period derives from classification of short term loans according to the original amortization schedules of the loans
Current maturities of debentures	17,399	17,750	
Loans for financing inventory of buildings under construction	4,000	7,000	
Current maturities of other financial liabilities	941	456	
Accounts payable	25,424	26,270	
Advances from apartment purchasers	23,119	16,073	
Total current liabilities	**232,614**	**83,713**	See material events after the report period
Liabilities held for sale	6,710	-	
Non-current liabilities:			
Loans from banks and others	495,006	568,157	The change in the reported period mainly derives from taking new loans for financing purchases, refinances, current repayments, and from classification of short term loans according to their amortization schedules.
Debentures	110,072	130,169	The decrease in the reported period derives from current repayments and exchange rate differences
Other liabilities	3,095	3,133	
Other financial liabilities	3,779	434	
Deferred taxes	97,373	68,099	The increase in the reported period mainly derives from revaluation profits
Total noncurrent liabilities	**709,385**	**769,992**	
Total liabilities	**948,709**	**853,705**	
Equity			
Equity attributable to equity holders of the company	591,168	419,173	The increase in the reported period mainly derives from issuance of capital, exercise of warrants and profit in the period.
Non controlling interests	107,402	100,890	
Total equity	**698,570**	**520,063**	
Total liabilities and equity	**1,647,279**	**1,373,768**	

(2) Activity Results

	Year Ended December 31	Year Ended December 31	For the Year ended December 31,	Explanation for the change
	2017	2016	2015	
EUR in thousands				
Revenues from rental of properties	74,124	72,111	66,415	Purchase of new assets and increase in rental fees in identical assets on one hand and sale of assets in the last quarter of 2016 and the second quarter of 2017 on the other hand.
Revenues from property management and others	27,022	25,539	26,277	
Property management expenses	(26,513)	(25,064)	(24,072)	
Cost of maintenance of rental properties	(9,689)	(8,803)	(8,105)	
Rental and management revenues, net	**64,944**	**63,783**	**60,515**	
Revenues from sale of apartments	58,958	73,935	68,372	Timing of recognition in the handover of apartments
Cost of sale of apartments	(47,203)	(58,537)	(54,637)	
Income from the sale of apartments	**11,755**	**15,398**	**13,735**	
other income	2,008	-		
General and administrative expenses	(11,499)	(12,594)	(11,090)	
General and administrative expenses attributed to inventory of apartments under construction and inventory of real estate	(2,141)	(2,222)	(1,799)	
selling and marketing expenses	(389)	(402)	(242)	
Cost of share based payment	(871)	(1,247)	(1,525)	
Increase (decrease) in the value of investment property, net	108,736	80,459	44,256	Updating the value of the Company's assets
Operating profit	**172,543**	**143,175**	**103,850**	
Financing income	39	25	82	
Financing expenses excluding the effect of exchange rate differences, CPI and hedging transactions, net	(19,529)	(20,716)	(21,162)	The decrease in financing expenses, despite an increase in total loans as a result of the acquisition of new assets, stems from refinancing of 80% of the Company's total bank loans at interest rates significantly lower than the interest rates on the original loans
Effect of exchange rate differences, CPI and	(3,005)	(3,399)	3,424	

currency hedging transactions, net				
Change in the value of loans and interest rate swap transactions, net	685	(3,793)	6,023	
Income before taxes on income	**150,733**	**115,292**	**92,217**	
Taxes on income	(31,689)	(26,586)	(14,725)	
Reported net income	**119,044**	**88,706**	**77,492**	
Net income attributed to:				
Company shareholders	**101,124**	**76,276**	**63,439**	
Non-controlling interests	17,920	12,430	14,053	

3) Cash flows

	Year ended December 31	Year ended December 31	Year ended December 31,	Explanation for the change
	2017	2016	2015	
EUR in thousands				
Cash flows provided by operating activities (Cash flows used in operating activities)	74,076	71,086	80,048	Expansion of the Company's activity and the timing of receipts from the residential development project
Cash flows provided by investing activities (Cash flows used in investing activities)	(114,264)	(62,275)	(45,246)	Purchase of new assets
Cash flows provided by financing activities (Cash flows used in financing activities)	64,039	24,647	(39,187)	

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

  It is indicated that for the period of twelve months ended December 31, 2017 ,the Company has in its solo reports (but not in its consolidated reports) negative cash flows from operating activity amounting to EUR 1.82 million and for the period ended December 31, 2016, the Company has in its solo reports negative (but not in the consolidated statements) cash flows from operating activity amounting to EUR 1.58 million. The Board has determined, based on its examination, that this does not indicate on liquidity difficulty since that as of the report date cash and cash equivalents and liquid balances in the Company (solo) amount to EUR 60 million compared to its current liabilities amounting EUR 19.5 million so as of the report signing date, the Company (solo) has a working capital surplus of EUR 40.5 million consisting of cash balances and liquid balances.

  As a result, the Board believes that the issue at hand is merely technical whereas in view of the high liquid balances maintained by the Company (solo), the Company elected not to receive management fees or distribute dividends from its wholly owned subsidiary (Brack German Properties B.V) and therefore no current revenues were recorded under the separate activity of the Company (solo) in a manner resulting in negative cash flows from operating activity of the solo company in 2016 and in the reported period.

In addition, it is indicated that during the reported period, the Company classified six non-recourse loans taken by the Company's sub-subsidiaries in the amount of € 149 million as current maturities, in accordance with the original amortization schedule of such loans (taken in 2013 and 2014) and as part of the Company's ordinary course of business and as a result of the above, as of December 31, 2017, the Company has a working capital deficiency (consolidated) of approximately € 55.6 million. The Company's Board of Directors stated at its meeting from March 15, 2018, that the aforesaid does not indicate a liquidity problem in the corporation, since they are non-recourse loans in sub-subsidiaries that are repayable in accordance with their repayment schedule where as of the report date, these loans are in compliance with all the covenants stipulated in the loan agreements. The Company intends to refinance the debt as it does with respect to all its debts that have reached maturity. As of the report signing date, loans of EUR 30 million were refinanced (see material events after the report date). In addition, the Company is in advanced negotiations with a number of German banking corporations in connection with the refinancing of loans amounting to EUR 54 million, therefore, the Company anticipates that during the first and second quarters of 2018 the refinance procedure will be completed such that the working capital (consolidated) will be positive.

(4) FFO (Funds from Operations)

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

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

The Company clarifies that the FFO index does not represent cash flows from operating activity according to generally accepted accounting principles, 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:

	For the Three months ended December 31, 2017	For the Three months ended December 31, 2016	For the Year ended December 31, 2017	For the Year ended December 31, 2016
Net profit attributed to the Company's shareholders	17,795	23,856	101,124	76,276
Adjustments for net profit:				
A. Adjustments for revaluations				
Increase in the value of investment property and adjustments of liability value relating to investment property	(13,963)	(26,800)	(101,649)	(72,261)
Transaction costs as part of purchasing new assets recognized in profit or loss	5,423	-	5,423	-
Revaluation of loans and interest swap transactions at fair value	(141)	2,499	(313)	3,867
Cost of share-based payment and changes in capital reserves	79	206	1,303	1,327
Amortization of financing costs, indexing and non cash exchange rate differences and hedging transactions	1,453	3,794	5,699	5,367
Interest component in hedging transactions	361	294	1,091	1,059
Deferred tax expenses and taxes for prior years	5,951	2,881	27,133	24,308
B. Unique items / new activities / ceased activities / other				
Depreciation and contributions, professional services and onetime expenses	838	(51)	534	1,553
Adjustments related to associates and non controlling interests	-	(7)	-	(2,665)
Expenses relating to project management and marketing in connection with the establishment of residential project in Düsseldorf and adjustments in respect of current leasing activity in the project	818	841	3,908	3,236
Adjustments for sale of apartments	(9,263)	-	(9,756)	(12,781)
Total of adjustments to net profit	(8,444)	(16,343)	(66,627)	(46,990)
F.F.O	**9,351**	**7,513**	34,497	29,286

As aforesaid, the FFO in the three months ended December 31, 2017 amounted to approximately EUR 9.35 million, grossing up an annual FFO rate of EUR 37.4 million.

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

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

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

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

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

	As of December 31, 2017 EUR in millions	**As of December 31, 2016 EUR in millions**
Equity attributed to the Company's shareholders	591.2	419.2
Plus deferred taxes for EPRA adjustments (net of non controlling interest)	89.7	65.9
Net of fair value of derivative financial instruments, net (net of non controlling interest)	0.2	0.3
Plus profits that were not yet recognized in respect of apartments that were sold and are under construction in stages C and D of the residential project	8.2	5.8
EPRA NAV –Net Asset Value	**689.3**	**491.2**

(6) **Events after the report date that have an effect on the Company's financial position and other events that took place after the report date –**

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

- **Completion of the purchase of land with an area of 193 thousand square meters in Dusseldorf –** see the section "material events and others in the reported period" above.

- **Purchase of residential units in Dortmund** - On February 26, 2018, the Company (through a wholly-owned sub-subsidiary) signed a notarized sale agreement with a third party not related to the Company and/or its controlling shareholder for the purchase of 43 residential units in Dortmund for a consideration of € 2.4 million. The transaction completion date is expected at the end of April and will be financed by a bank loan in the amount of about € 1.9 million, bearing fixed annual interest at the rate of 1.46%, and the balance by the Company's shareholders' equity

- **Notice of interested party to the Company pursuant to the provisions of Section 37 of the Securities Law, -1968**, on February 17, 2018, Redzone and ADLER Real Estate AG ("Adler") issued notices to the Company in accordance with the provisions of Section 37 of the Securities Law. As part of these notices, the Company was informed that on February 16, 2018, Redzone entered into an agreement for the purchase of shares with the purchaser pursuant to which the purchaser undertook to purchase from Redzone all of the Company's shares Redzone holds (3,172,910 ordinary shares of the Company, constituting 41.04% of the issued and paid-up share capital[41] and voting rights ("the Company's Capital") at a price per share of NIS 440 (i.e., for a total consideration of NIS 1,396 million)[42] . The completion of the agreement is subject to several suspending conditions, the principal of which are: (1) approval by the German Federal Cartel Office (German Anti Trust Authority) of the transaction that is the subject of the agreement which was received on February 23, 2018[43]; (2) completion of the tender offer in such a manner that the purchaser will purchase ordinary shares of the Company constituting at least 5% of the Company's capital, as well as other customary terms. The parties estimate that the completion of the transaction under the agreement is expected to take place at the beginning of April 2018. For additional details, see the immediate report of February 18, 2018 [Ref. 016024-01-2018) which is brought in this report by way of reference.

- **Special tender offer** - further to what is stated above in the notice of the interested party, on February 19, 2018, according to the provisions of the Companies Law, -1999 and the Securities Regulations (Tender Offer), -2000, Adler published specifications of the special tender offer (below and respectively: the Specifications and "The Tender Offer") for the purchase of up to 1,994,278 ordinary shares of the Company, constituting, as of the date of the report, about 25.8% of the Company's issued and paid up share capital and voting rights on fully diluted basis (excluding 31,688 dormant shares held by the Company). In the Specifications, Adler indicated that it received commitments from Gal Tenenbaum[44], Ofir Rahamim and Fred Ganea [45](hereinafter jointly: "the Management Team") to respond to the tender offer in relation to all of their holdings in the Company's shares (434,559 ordinary shares of the Company, constituting approximately 5.62% of the Company's capital). The purchaser has granted the management team an option, which will come into effect subject to the completion of the tender offer, to sell to it (at a price per share equal to the price offered in the tender offer) the balance of their holdings in the Company's shares that will not be sold to the purchaser as part of the tender offer.

[41]Net of 31,688 "dormant shares" held by the Company

[42]The above amount will be paid in EURO according to the last representative exchange rate of the EURO to be published by the Bank of Israel prior to the completion date.

[43]See also immediate report in this regard from February 25, 2018 (018379-01-2018).

[44]Joint CEO in the Company

[45]Manager of the economic department in the Company

For additional details see the specifications that were attached to the Company's immediate report dated February 19, 2018 (reference 016600-01-2018). On March 12, 2018, the Company's Board of Directors announced, in accordance with the provisions of Section 329 of the Companies Law and the provisions of Regulation 21 of the Securities Regulations (Purchase Offer), -2000, following a number of discussions in which it examined the tender offer that it decided to refrain from expressing an opinion on its profitability. Regarding the reasons for this decision as well as the details to which the Board of Directors of the Company drew the attention of the Offerees see an immediate report from that date [Reference No. 2018-01-023644] presented in this report by way of reference.

- **Sale of hotel in Hamburg, Germany -** on February 23, 2018, a notarized sale agreement was signed ("the sale agreement") between a subsidiary (100%) of the Company ("the Seller") on the one hand and a third party unrelated to the Company and/or its controlling shareholder ("the Purchaser") for the sale of all of its holdings in a sub-subsidiary ("the Sold Company"), which holds a hotel in Hamburg ("the Sold Property") to the Purchaser for a consideration of € 11.9 million (plus adjustments to working capital). The Sold Property with a leasable area of 5,000 square meter is a 3-star hotel with 100 rooms in Hamburg, Germany, leased to a well-known German hotel chain under a lease agreement until 2027. The Sold Property was purchased by the Seller in 2007 for € 8.5 million. The fair value of the Sold Property in the Company's consolidated financial statements as of December 31, 2017 was € 11.06 million, taking into consideration deferred taxes assumed by the Purchaser the Company is expected to recognize at the transaction closing an additional profit of EUR 550 thousand .. The transaction, the subject of said sale agreement, which is expected to take place during April 2018, is subject to producing senior pledge cancellation documents.

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

- **Market risks to which the Company is exposed**

Exchange rate effects – as of the report date, the Company's net currency exposure, net of the liabilities for which the Company carried out currency hedging transactions is at a rate of 2.4% of its total scope of assets as a result of the Company's liabilities due to the bonds (Series A, B and C) that were issued to the public in Israel and are denominated in NIS. Other than that, the Company is not exposed to material changes in currency exchange rates, as most of its activities, assets and liabilities are denominated in EUR. The Company reviews from time to time, the possibility, and hedges its liabilities in NIS, partly or wholly, against future changes in the EUR/NIS exchange rate.

- The fair value of the Company's primary financial instruments

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

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

The basic interest is 3-month Euribor.

December 31, 2017:

	10%	5%	Fair Value	-5%	-10%
Bonds *)	603	302	(142,868)	(304)	(608)
Fixed-interest loans	1,087	543	(437,841)	(543)	(1,087)
Interest rate swap transactions which are not recognized as accounting hedging	24	12	(449)	(12)	(24)
Total	1,714	857	(581,158)	(859)	(1,719)

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

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

December 31, 2017:

	10%	**5%**	**Fair Value**	**-5%**	**-10%**
Bonds (net of cash held in NIS)	11,776	5,888	(117,760)	(5,888)	(11,776)

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

December 31, 2017:

	10%	**5%**	**Fair Value**	**-5%**	**-10%**
Currency hedging transactions	(7,000)	(3,500)	(4,270)	3,500	7,000

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

December 31, 2017:

	4%	**3%**	**Fair Value**	**-3%**	**-4%**
Bonds	(5,715)	(4,286)	(142,868)	4,286	5,715

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

- Linkage basis report

Apart from the payments due to the bonds issued by the Company to the public in Israel that are denominated in NIS, the Company's entire activity as of the report date is performed in EUR, and therefore the Company's assets and liabilities are affected mainly by the EUR currency. The payments of principal and interest due to the bonds issued by the Company will be paid in NIS and linked to the consumers' price index. As at the Report Period, the Company has no material exposure to other currencies except for NIS.

The Company is a Dutch company and the provisions of the Companies Law, 5759-1999 (hereinabove and hereinafter: "**the Companies Law**") do not apply thereto, with the exception of such sections of the Companies Law which apply to a foreign company offering shares to the public in Israel, by virtue of Section 39A of the Securities Law, 5728-1968 (hereinafter: "**the Securities Law**").

On February 17 ,2016 ,the Securities Order came into force (replacing the fourth addendum of the law)- 2016 whereby the fourth amendment to the Securities Law has been replaced with the new fourth addendum which is twofold :Part A ,which applies the provisions of corporate law which will apply to companies incorporated outside Israel (below and only in this sub section "foreign companies which shares are offered to the public in Israel - **including applying the provisions of sections 301-311 of the Companies Law regarding a permitted distribution ,dividends ,acquisition and prohibited distribution** (hereinafter" :part A of the fourth addendum) and Part B which applies the provisions of corporate law on foreign companies offering liability certificates to the public. It is clarified that the fourth addendum will not apply to foreign companies offering shares or liability certificates to the public **prior to the legislative amendment** (like the Company). Nevertheless, the amendment will apply to every foreign company (including the Company) that will carry out an IPO of securities from the amendment date (February 17, 2016 onwards) including foreign companies (including the Company) which carry out a reissuance. **Accordingly, since the Company performed reissuance of bonds (Series C) on April 4, 2016 starting from that date, the amendment applies to the Company.**

(1) Further to the aforesaid and according to the directive of the Securities Authority (ISA) for foreign companies, which section 39a is applicable to them, to update the incorporation documents such that they reflect the provisions of the fourth addendum, and according to the Company's obligation toward ISA at the end of January 2017, that it will act to complete all of the actions described above as soon as practicable including the summoning of the shareholders meeting (that was held on July 3, 2017) , the Company has acted and acts in the manner detailed below:

(a) Recently the Company has reviewed with its legal advisors in Holland a formal prescription of the provisions of the companies law in the Company's articles of association so as to reflect the above fourth addendum and upon the conclusion of such review (after receiving the approval of the board which was granted on May 18, 2017) the Company summoned a general meeting of shareholders to July 3, 2017 for approving the revised articles;

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

(c) since the sections of the derivative claim and answer (sections 194 – 205a of the companies law) and the sections of imposing monetary sanction (sections 363a(a) and (b)(2) to (12), 363b and 363c of the companies law) cannot be prescribed explicitly in the Company's articles since they are not in line with the absolute law applicable to the Company in Holland, the Company included in the revised articles (which was brought for approval of the meeting of the Company's shareholders on July 3, 2017) provisions that relate to jurisdiction and application of law including the derivative claim and answer and imposing administrative enforcement measures by the ISA;

(d) in addition to the aforesaid, on January 29, 2017, the deeds of trust were amended between the Company, on one hand and Reznik Paz Nevo Trusts Ltd. on the other hand as the trustee for the bondholders (Series A – C) such that the deeds of trust contained the obligations of the Company/officers in connection with imposing monetary sanctions and/or administrative enforcement measures on the Company and/or its officers[46] as well as the obligations of the Company and its officers not to raise any allegations against the right of the bondholders to file a derivative claim (the obligations of the Company and officers). Furthermore, the obligations of the Company and officers were included in the shelf offering report published by the Company on January 29, 2017 under the shelf prospectus dated May 28, 2015 bearing the date of May 29, 2015;

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

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

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

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

(3) Details regarding the Corporation's internal auditor

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

Name of auditor	Irena Ben Yakar, CPA
Term commencement date	May 25, 2011
Meeting the internal audit conditions	The Internal Auditor meets the conditions prescribed in Sections 3A of the Internal Audit Law (5752-1992)(the Internal Audit Law)
Designation of activities	The Internal Auditor does not hold any other position in the company other than serving as an internal auditor. The internal auditor does not hold any other position out of the company that results or may result in conflict of interests with her position as an Internal Auditor of the company.
Personal matter	The internal auditor is not a related party in the company does not hold a position in the company and is not related to any of the above and does not serve as an auditor or anyone on his behalf and does not provide external services to the company, except for internal auditing services.
Holding the company's securities	The internal auditor, as per its notice, does not hold the Company's securities nor it holds securities of an entity related to the Company as defined by this term in the fourth addition to securities regulations (periodic and immediate reports) – 1970 (the reports' regulations)
Business/material relations with the company	The Internal Auditor does not have any material business relations with the company or other material relations with the company nor does it have such relations with an entity related to the Company as defined by this term in the fourth addendum to reports regulations
Appointment of the internal auditor	The internal auditor's appointment was approved by the company's board of directors on May 25, 2011 based on the recommendation of the company's audit committee and based on its professional experience as internal auditor in the area of internal audit.
The auditor's qualifications	The auditor holds CPA license from 2003 and is a partner in the CPA firm of Deloitte, Brightman, Almagor Zohar. She possesses an extensive experience in risk management and internal audit alongside rich experience in preparing internal audit in public companies.
The auditor as an external party	The auditor provides internal audit services as an external party, by her team from Brightman *Almagor* Zohar & Co.
Scope of transaction	The company's audit committee approved an audit plan in a scope of 450 hours for 2017. Under this plan, processes were examined in the Company including: examining the effectiveness of the Board's work, the process of purchasing new assets and IT audit as part of converting the IT system. In 2017, the scope of the audit plan amounted to 470 hours. The audit plan is multi-annual and its cost is based on a rate of NIS 250 per hour (on average) and to the Company's best understanding, the scope of remuneration does not affect the discretion of the auditor. In addition to the audit plan that was approved at the beginning of 2017, in 2017, special examinations were carried out at the request of the audit/remuneration committee at a total scope of 167 work hours.

The audit plan	The audit plan is part of a multi-annual plan. The planning of the audit tasks, setting priorities and audit frequency are affected by the following: The likelihood of managerial and administrative defects, the exposure to risks of activities, issues requiring an audit by the managing bodies, issues required by law, pursuant to internal or external procedures, the need to maintain cyclicality in issues that were tested previously. Setting the annual work plan of the internal audit in the corporation was done in collaboration with the company's joint CEOs, the chairman of the audit committee and internal auditor and her team. The annual work plan is approved by the Company's audit committee at the beginning of each fiscal year.
Professional standards	The internal auditor, by her notice, prepares the audit according to International Audit Standards of the International Institute of Auditors (IIA)
The organizational supervisor of the auditor	Pursuant to the resolution of the company's board, the responsible party is the chairman of the audit committee.
Scope, nature and continuity of the activity and work plan of the internal auditor	To the best knowledge of the company ,the nature and continuity of the activity and work plan of the internal auditor are reasonable in the circumstances and they are serving the purpose of fulfilling the internal audit objectives in the company.
Free access for the internal auditor	The internal auditor shall have free access as aforesaid in the above section 9 of the internal audit law, including continuous and direct access to the company's information systems including financial data.
The internal auditor report	The internal auditor shall submit her reports in writing to the audit committee and the Company's management. The findings of the audit for 2017 were delivered to the Company's management and the audit committee on various dates during 2017. On such dates discussions were held in the audit committee and the internal auditor shared the findings of the audit.
Remuneration	Professional fees for internal audit services were determined to the amount equivalent to NIS 250 per hour on average.

(4) Translation of the report to English

Without derogating from the liability, pursuant to the law, of each Board member for the contents of this report, it is clarified that the most of the members of the Board of Directors the Messers, Alexander Dexne, Lambertus Van den Heuvel, Ulrich Tappe, Willem Van Hassel and Mrs. Ljudmila Popova are not Hebrew speakers. The members of the Board of Directors informed the Company that they approved this report based on the translation of the report to English and not the original version of the report in Hebrew. Said directors stated that they are aware that the binding version of the report is in its original version in Hebrew.

(5) Donations

On March 23, 2017, the Board of Directors approved a donations budget of EUR 85 thousand for 2017. In the reported period, the donations' budget was fully used.

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

For information regarding the skills, education and experience of the Messers, Lambertus Van Den Heuvel (external director), Willem Van Hassel (external director), Ulrich Tappe (director and manager of the development division of the Company), Ljudmila Popova (director) and Alexander Dexne (chairman of the Board of Directors and independent director) and Meir Jacobson (external director) in respect of whom the Company views them as directors having accounting and financial expertise, see regulation 26 in the chapter "Additional Information About the Corporation" which is attached in chapter D to this periodic report.

(7) Information on the external auditor

The following is the information on the professional fees of the auditor:

2017

PKF Amit, Halfon:

	Hours	**Euro in thousands**
Audit services and audit related services	4,510	281
Other services	-	-

2016

PKF Amit, Halfon:

	Hours	**Euro in thousands**
Audit services and audit related services	4,962	286
Other services	-	-

The auditor's professional fees are determined based on work hours according to the rates approved by the Company's Board of Directors.

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

- Events after the date of the Statement of Financial Position

  See part A, section (6) as aforesaid.

- Critical Accounting Estimates

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

- [ ] Disclosure on material and very material valuations and material appraisers

	Material valuation[47]	**very material valuation**	**Reference to condensed data on valuation according to regulation 8b(I) of the reports' regulations/ reference to a valuation that was attached to the quarterly/periodic report (if at all)**
First quarter of 2017	None	None	---
Second quarter of 2017	Commercial asset in Rostock and land for investment I in Dusseldorf	Residential portfolio in Leipzig	See Part D of Chapter II ("The board's report on the corporation's state of affairs), in the Company's quarterly report as of June 30, 2017, which was published on August 20, 2017 (Reference No. 084387-01-2017)
Third quarter of 2017	None	None	---
Fourth quarter of 2017	None	None	---

The valuation of a very material investment property (a residential portfolio in Leipzig) was attached to the quarterly report of the Company as of June 30, 2017 as a very material valuation and is included in this periodic report by way of reference.

It should be noted that the principal appraisers of the Company's assets are JLL and DIWG, which the rate of the assets that were appraised during 2017 constitutes 47% and 46% of the value of the assets in the Company's balance sheet, respectively. JLL and DIWG are independent of the Company

[47]as defined in the reports' regulations

Part E – Specific Disclosure for Bond Holders

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

	Bonds (Series A)	Bonds (Series B)	Bonds (Series C)
Is the series material (as this term is defined in Regulation 10(B)(13)(a) of the Reports' Regulations ?	Yes	Yes	Yes
Date of issue	March 1, 2011	May 21, 2013	July 22, 2014
Date of expanding series	June 19, 2012, November 6, 2012	February 4, 2014	April 4, 2016
Par value on the date of issue (thousands NIS)	200,000	175,000	102,165
Par value on the date of expanding series (thousands NIS)	240,000; 400,000	240,000	160,180
Par value as at 31.12.2017(thousands NIS)	171,520	200,000	153,642
Linked par value as at 31.12.2017 (thousands NIS)	178,990	200,550	153,642
Sum of cumulative interest plus linkage differentials (thousands NIS) as at 31.12.2017	3,969	-	2,260
Value in financial statements as at 31.12.2017 including interest payable (thousands NIS)	181,214	198,773	154,778

Value at the stock exchange as at 31.12.2017 (thousands NIS)	194,264	223,620	175,751
Type and rate of interest	4.8% (annual, linked, fixed rate), subject to adjustments in cases of changes in the rating of the bonds (Series A) and/or non compliance with the financial covenants specified in Sections 2.7.12.8 and 2.7.12.9 of the shelf prospectus dated May 24, 2012 as amended on May 9, 2013 and as amended on July 14, 2014 (the shelf prospectus)	3.29% (annual, linked, fixed rate), subject to adjustments in cases of changes in the rating of the bonds (Series B) and/or non compliance with the financial covenants specified in Sections 2.8.4.12 and 2.8.4.13 of the shelf prospectus	3.30% (annual, linked, fixed rate), subject to adjustments in cases of changes in the rating of the bonds (Series C) and/or non compliance with the financial covenants specified in Sections 2.8.4.12 and 2.8.4.13 of the shelf prospectus
Dates of paying principal	Payable in 7 annual installments on July 14 of each of the years 2014 to 2020 (inclusive) such that each of the first six installments will constitute 14.28% of the principal of the total par value of the bonds (Series A), and the last installment will constitute 14.32% of the total par value of bonds (Series A).	Payable in 12 unequal annual installments on December 31 of each of the years 2013 to 2024 (inclusive) such that each of the first seven installments will constitute 4% of the principal of the total par value of the bonds (Series B), and each of the last five installments will constitute 14.4% of the principal of the total par value of bonds (Series B); the first principal payment will be on December 31, 2013.	Payable in 12 unequal annual installments on July 20 of each of the years 2015 to 2026 (inclusive) such that each of the first nine installments will constitute 2% of the principal of the total par value of the bonds (Series C), the tenth payment will constitute 17% of the principal of the total par value of bonds (Series C); and each of the last two installments will constitute 32.5% of the principal of the total par value of bonds (Series C); the first principal payment will be on July 20, 2015.
Dates of paying interest	Payable on July 14 and January 14 of each of the years 2011 to 2020 (inclusive).	Payable on December 31 and June 30 of each of the years 2013 to 2024 (inclusive) effective December 31, 2013. The last interest installment will be paid on December 31, 2024.	Payable on January 20 and July 20 of each of the years 2015 to 2026 (inclusive) effective January 20, 2015. The last interest installment will be paid on July 20, 2026.

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

2) Details on the trustee

Bonds (Series A)

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

Bonds (Series B)

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

Bonds (Series C)

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

3) Rating

Bond series	A	
Name of rating company	Maalot	
	Bonds' rating	**Issuer's rating**
Rating of the issuer and bonds on the date of initial issue (March 2011)	A3 (Midroog)[48]	
Rating of the issuer and bonds – April 2012	ilA	ilA, stable
Rating of the issuer and bonds on the date of expanding the series – June 2012	ilA	ilA, stable
Rating of the issuer and bonds on the date of expanding the series – November 2012	ilA	ilA, stable
Rating of the issuer and bonds – April 2013	ilA+	ilA+, stable
Rating of the issuer and bonds – June 2014	ilA+	ilA+, stable
July 2015	ilA+	ilA+, stable
March 2016	ilAA-	ilAA-, stable
March 2017	ilAA-	ilAA-, stable

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

Rating of the issuer and bonds as of the date of the report	ilAA-	ilAA-, stable

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

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

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

To the Company's best knowledge, as of the report date and over the reported year, the Company has complied with all the terms and liabilities according to the deeds of trust[49], 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%[50]:

The Company's equity, which is attributed to the majority shareholders as at the Report Period, namely, as of December 31, 2017, is EUR 591,168 thousand.

The financial debt, net, according to solo reports of the Company as of the same date is EUR 61,535 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 December 31, 2017, is approximately 961%**.**

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 December 31, 2017– 943,804.

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

[49]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.

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

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

BGP's equity which is attributed to its shareholders, as appears in the Company's financial statements as of December 31, 2017– EUR 657,608 thousand.

The EUR/NIS representative exchange rate known, as of the signing date of the report as published by the Bank of Israel - NIS 4.2423

The value of the charged shares – NIS ,1,330965 thousand.

Net debt – NIS 182,958 thousand.

Accordingly ,the ratio between the charged share value to net debt, as of the end of the Report Period, is approximately 727% 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 December 31, 2017– 640,027.

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

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

BGP's equity which is attributed to its shareholders, as appears in the Company's financial statements as of December 31, 2017 – EUR 657,608 thousand.

The EUR/NIS representative exchange rate known, as of the signing date of the report, as published by the Bank of Israel – NIS 4.2423

The value of the charged shares – NIS ,902575 thousand.

Net debt – NIS 200,550 thousand.

Accordingly ,the ratio between the charged share value to net debt, as of the end of the Report Period, is approximately 450% 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 December 31, 2017 – 394,430.

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

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

BGP's equity which is attributed to its shareholders, as appears in the Company's financial statements as of December 31, 2017 – EUR 657,608 thousand.

The EUR/NIS representative exchange rate known, as of the signing date of the report, as published by the Bank of Israel - NIS 4.2423

The value of the charged shares – NIS ,556231 thousand.

Net debt – NIS 155,919 thousand.

Accordingly ,the ratio between the charged share value to net debt, as at the end of the Report Period, is approximately 357% 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 591.2 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 591.2 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 591.2 million and the debt ratio to CAP is 49.17% (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	127,471
Financial liabilities of the subsidiaries	666,954
Net of cash, cash equivalents and deposits	(114,563)
Net of debt in respect of inventory of apartments under construction	(4,000)
Net financial debt – consolidated	675,862
CAP[51]	
Equity including non controlling interests	698,570
Net financial debt, consolidated	675,862
CAP	1,374,432

Therefore, **this ratio is 49.17** % whereas according to the deeds of trust such ratio should be lower than 90% for Series A and lower than 75% for Series B and C.

5) <u>Convening meetings of bondholders following the change in control in the Company and amending the deeds of trust</u>

a) On June 18, 2017, Reznik Paz Nevo Trusts Ltd., the trustee for the bonds (Series A, B and C), summoned meetings for reporting and consultation of the bond holders as stated for June 25, 2017, following the Company's reports of May 23, 2017 regarding a signed transaction resulting in a change in control of the Company and from June 15, 2017 regarding changes in the holdings the Company's shares, including a report that Mr. Teddy Sagi purchased 43.93% of the Company's shares (39.67% fully diluted) ("Change of Control). The reporting and consultation issues on the agenda of the meetings were discussed regarding

[51]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.

the grounds for immediate repayment due to the change in control as detailed in the deeds of trust and a discussion regarding the options available to the bondholders, including the amendment of the deeds of trust following a change of control and discussing other issues as raised by the meeting by the trustee and/or the bondholders.

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

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

c) Further to what is stated in sub section (b) above, regarding the results of the meetings of the bondholders (Series B and C) which were held on June 29, 2017 and in accordance with said results, on July 3, 2017, the Company and the trustee as a trustee for the bondholders B and C of the Company, entered into amendments for the deeds of trust signed between the Company and the trustee on May 9, 2013 (amended on January 29, 2017) (Deed of Trust for B Bonds) and on July 14, 2014 (amended on January 29, 2017) (Deed of trust for C bonds) For additional details (including the amendments), see immediate report from that date [Ref. 2017-01-069039.[

6) <u>Description of the charged properties for securing the Corporation's undertakings according to the liability certificates</u>

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

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

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

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

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

b) Negative pledge

As long as the bonds (Series A) are within the cycle (namely, as long as the bonds (Series A) have not been fully repaid or settled in any way, including by way of self acquisition and/or early redemption), the Company undertakes that it shall not charge, mortgage, assign by way of charging, or provide as another security of any kind or as another security (hereinafter together in this sub-section only: "**the Security**") to any of its charges or to the charges of others, in favor of any third party, BGP shares, if after creating the Security, the Company is left with a number of BGP shares which are free and clean, in an amount constituting 10% or less than the total number of the charged shares (for securing the bonds (Series A), as shall be from time to time. Whenever the Company provides a security as stated in this Section above, the Company will forward a confirmation to the trustee to the effect that it meets said condition, prior to providing the security[52].

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

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

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

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

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

Bonds (Series B)

[52]It is indicated that as of December 31, 2017, all BGP shares are charged in favor of the trustee for the bond holders (Series A – C) and therefore **such condition does not appear to have been met**. Nevertheless, it is clarified and stressed that the number of BGP charged shares in favor of the trustee for the bond holders (Series A) is greater by 316% than the minimum number of BGP shares the Company is required to charge to the trustee according to the basic ratio and the ratio of the charged shares to the net debt exceeds 283% the ratio required to release the collaterals (as defined in the Series A deed of trust) and therefore **the non fulfillment of the above condition will not harm the holders**

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

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

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

b) <u>Negative pledge</u>

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

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

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

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

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

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

Bonds (Series C)

a) Charging BGP shares

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

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

b) Negative pledge

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

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

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

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

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

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

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

7) Attaching the financial statements of BGP

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

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

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

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

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

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

Data as of December 31, 2016 (EUR in thousands)	**The Company Consolidated**	**Assets/liabilities In the pledged company**	**Assets/liabilities In unpledged companies**
Total assets	1,373,768	1,362,608	11,160
Current assets	150,886	141,872	* 9,014
Noncurrent assets	1,222,882	1,220,736	2,146
Total liabilities	853,705	703,759	149,947
Current liabilities	83,713	63,936	** 19,778
Noncurrent liabilities	769,992	639,823	*** 130,169
Non- controlling interests	100,890	100,890	0
Total equity	419,173	557,960	(138,787)
Rate of assets out of the total assets in the balance sheet	100%	99%	1%
Rate of liabilities out of the total liabilities in the balance sheet	100%	82%	18%
Rate of equity out of the total equity in the balance sheet	100%	133%	(33%)

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

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

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

Names of signatories	Position	Signature
Noa shacham *	independent director	___________________
Ofir Rahamim	Co-CEO	___________________

*) Was authorized by the Company's Board of Directors to sign the report on behalf the chairman of the Board Mr. Alexander Dexne on March 15, 2018

BRACK CAPITAL PROPERTIES NV

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017

IN THOUSANDS OF EUROS

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עמית, חלפון

AUDITORS' REPORT
To the Shareholders of
BRACK CAPITAL PROPERTIES NV

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Regarding the Audit of Components of Internal Control over Financial Reporting Pursuant to Section9 b(c (to the Israeli Securities Regulations) Periodic and Immediate Reports ,(1970

We have audited the components of internal control over financial reporting of Brack Capital Properties NV ("the Company") and its subsidiaries (collectively, "the Company") as of December 31, 2017. Control components were determined as explained in the following paragraph. The Company's board of directors and management are responsible for maintaining effective internal control over financial reporting, and for their assessment of the effectiveness of the components of internal control over financial reporting included in the accompanying periodic report for said date. Our responsibility is to express an opinion on the Company's components of internal control over financial reporting based on our audit.

The components of internal control over financial reporting audited by us were determined in conformity with Auditing Standard 104 of the Institute of Certified Public Accountants in Israel, "Audit of Components of Internal Control over Financial Reporting" ("Auditing Standard 104"). These components consist of: (1) entity level controls, including financial reporting preparation and close process controls and information technology general controls ("ITGCs"); (2) controls over the investment property process; (3) controls over the loans and derivatives process; (4) controls over the process of inventory of buildings under construction (5) Controls over the revenue process. (Collectively, "the audited control components").

We conducted our audit in accordance with Auditing Standard 104. That Standard requires that we plan and perform the audit to identify the audited control components and obtain reasonable assurance about whether these control components have been effectively maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, identifying the audited control components, assessing the risk that a material weakness exists regarding the audited control components and testing and evaluating the design and operating effectiveness of the audited control components based on the assessed risk. Our audit of these control components also included performing such other procedures as we considered necessary in the circumstances. Our audit only addressed the audited control components, as opposed to internal control over all the material processes in connection with financial reporting and therefore, our opinion addresses solely the audited control components. Moreover, our audit did not address any reciprocal effects between the audited control components and unaudited ones and accordingly, our opinion does not take into account any such possible effects. We believe that our audit provides a reasonable basis for our opinion within the context described above.

Because of its inherent limitations, internal control over financial reporting as a whole, and specifically the components therein, may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, based on our audit, the Company effectively maintained, in all material respects, the audited control components as of December 31, 2017.

We have also audited, in accordance with generally accepted auditing standards in Israel, the consolidated financial statements of the Company as of December 31, 2017 and 2016 and each of the three years ended December 31, 2017 and our report dated March 15, 2018 expressed an unqualified opinion thereon.

Amit, Halfon
CPA

Ramat Gan,
March 15, 2018

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

AUDITORS' REPORT
To the Shareholders of
BRACK CAPITAL PROPERTIES NV

We have audited the accompanying consolidated statements of financial position of Brack Capital Properties NV ("the Company") as of December 31, 2017 and 2016 and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2016. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Israel, including those prescribed by the Auditor's Regulations (Auditor's Mode of Performance), 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the board of directors and management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits, the financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2017 and 2016, and the results of their operations, changes in their equity and cash flows for each of the three years in the period ended December 31, 2017, in conformity with International Financial Reporting Standards ("IFRS") and with the provisions of the Israeli Securities Regulations (Annual Financial Statements), 2010.

We have also conducted an audit in accordance with Auditing Standard 104 of the Institute of Certified Public Accountants in Israel "Audit of Components of Internal Control over Financial Reporting" internal control components over the financial reporting of the Company as of December 31, 2017 and our report dated March 15, 2018 included an unqualified opinion on the existence of those components effectively.

Amit, Halfon
CPA

Ramat Gan,
March 15, 2018

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31, 2017	December 31, 2016
		Euros in thousands	
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	3	113,129	89,278
Balances receivable from banks	3	932	2,221
Restricted deposits, financial assets and other receivables	4	10,727	10,088
Tenants and trade receivables, net	5	3,735	3,545
Inventory of buildings under construction	6	48,756	45,754
		177,279	150,886
Assets held for sale	25(4)	11,622	-
NON-CURRENT ASSETS:			
Investments in companies accounted at equity	7	8,318	8,318
Inventory of real estate	6	72,659	13,820
Investment property – real estate rights	8	67,094	101,939
Investment property – income generating assets	8	1,283,549	1,089,943
Restricted deposits for investments in assets		7,297	2,227
Other accounts receivable, fixed assets and other financial assets	9,13	18,023	3,027
Deferred taxes	16	1,438	3,608
		1,458,378	1,222,882
		1,647,279	1,373,768

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31, 2017	December 31, 2016
		Euros in thousands	
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Current maturities of loans from banks	11	161,731	16,164
Current maturities of debentures	11	17,399	17,750
Loans for financing inventory of buildings under construction	11	4,000	7,000
Current maturities of other financial liabilities	13	941	456
Accounts payable	10	25,424	26,270
Advances from apartment purchasers	6	23,119	16,073
		232,614	83,713
Liabilities held for sale	25(4)	6,710	-
NON-CURRENT LIABILITIES:			
Loans from banks and others	11	495,066	568,157
Debentures	11	110,072	130,169
Other liabilities	12	3,095	3,133
Other financial liabilities	13	3,779	434
Deferred taxes	16	97,373	68,099
		709,385	769,992
Contingent liabilities, commitments and liens	17		
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:	18		
Share capital		77	67
Share premium		144,237	69,221
Treasury shares		(746)	(883)
Other capital reserves		2,322	6,614
Statutory capital reserve		311,648	233,463
Retained earnings		133,630	110,691
Total equity attributable to equity holders of the company		591,168	419,173
Non-controlling interests		107,402	100,890
Total equity		698,570	520,063
		1,647,279	1,373,768

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

March 15, 2018			
Date of approval of the financial statements	Noa Shacham *	Ofir Rahamim Joint CEO	Guy Priel CFO

*was authorized by the Company's Board of Directors on March 15, 2018 to sign the report on behalf of the chairman of the Board of Directors Mr. Alexander Dexne

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2017	2016	2015
		Year ended December 31, Euros in thousands (except net earnings per share data)		
Revenues from rental of properties		74,124	72,111	66,415
Revenues from property management and others		27,022	25,539	26,277
Property management expenses		(26,513)	(25,064)	(24,072)
Cost of maintenance of rental properties	19a	(9,689)	(8,803)	(8,105)
Rental and management revenues, net		64,944	63,783	60,515
Revenues from sale of apartments	6	58,958	73,935	68,372
Cost of sale of apartments	6	(47,203)	(58,537)	(54,637)
Gain from sale of apartments		11,755	15,398	13,735
Other income		2,008	-	-
General and administrative expenses	19b	(11,499)	(12,594)	(11,090)
General and administrative expenses relating to inventory of buildings under construction and real estate inventory		(2,141)	(2,222)	(1,799)
Selling and marketing expenses		(389)	(422)	(242)
Cost of share based payment (general and administrative)		(871)	(1,227)	(1,525)
Operating profit before change in value of investment property		63,807	62,716	59,594
Appreciation of investment property, net	8	108,736	80,459	44,256
Operating income		172,543	143,175	103,850
Finance income	19c	39	25	82
Finance expenses net of exchange rate effect, CPI and currency hedging transactions	19d	(19,529)	(20,716)	(21,162)
Exchange rate effect, CPI and currency hedging transactions, net	19e	(3,005)	(3,399)	3,424
Change in value of loans, interest-swap transactions and refinance costs, net	19f	685	(3,793)	6,023
Income before taxes on income		150,733	115,292	92,217
Taxes on income	16e	(31,689)	(26,586)	(14,725)
Net income		119,044	88,706	77,492
Other comprehensive income:		-	-	-
Total comprehensive income		119,044	88,706	77,492
Net and comprehensive income attributable to:				
Equity holders of the Company		101,124	76,276	63,439
Non-controlling interests		17,920	12,430	14,053
		119,044	88,706	77,492
Net earnings per share attributable to equity holders of the Company (in Euro):	20			
Basic net earnings		13.70	11.55	9.68
Diluted net earnings		13.70	11.22	9.48

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY								
	Share capital	Share premium	Treasury shares	Other capital reserves	Statutory capital reserve (1)	Retained earnings	Total	Non-controlling interests	Total equity
	Euros in thousands								
Balance as of January 1, 2015	64	71,807	(951)	4,237	204,439	-	279,596	99,585	379,181
Total net income and comprehensive income	-	-	-	-	-	63,439	63,439	14,053	77,492
Total comprehensive income	-	-	-	-	-	63,439	63,439	14,053	77,492
Classification in accordance with Dutch law	-	-	-	-	63,439	(63,439)	-	-	-
Exercise of options into shares	2	2,882	-	(2,167)	-	-	717	-	717
Cost of share-based payment	-	-	-	1,525	-	-	1,525	-	1,525
Adjustment of capital reserve in respect of transactions with controlling shareholder	-	-	-	179	-	-	179	-	179
Receipt of equity loans from non-controlling interests	-	-	-	67	-	-	67	(265)	(198)
Distribution to non-controlling interests	-	-	-	-	-	-	-	(4,796)	(4,796)
Balance as of December 31, 2015	66	74,689	(951)	3,841	267,878	-	345,523	108,577	454,100
Total net income and comprehensive income									
Total comprehensive income									
Classification in accordance with Dutch law	-	-	-	-	(34,415)	34,415	-	-	-
Exercise of options into shares	1	544	68	(466)	-	-	147	-	147
Cost of share-based payment	-	-	-	1,227	-	-	1,227	-	1,227
Adjustment of capital reserve in respect of transactions with controlling shareholder	-	-	-	80	-	-	80	-	80
Purchase of rights from non controlling interests	-	-	-	1,932	-	-	1,932	(16,920)	(14,988)
Increase of share capital	6,049	(6,049)	-	-	-	-	-	-	-
Capital distribution to the Company's shareholders and adjustment in respect of treasury shares	(6,049)	37	-	-	-	-	(6,012)	-	(6,012)
Distribution to non-controlling interests	-	-	-	-	-	-	-	(3,197)	(3,197)
Balance as of December 31, 2016	67	69,221	(883)	6,614	233,463	110,691	419,173	100,890	520,063

(1) See Note 18f.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY								
	Share capital	Share premium	Treasury shares	Other capital reserves	Statutory capital reserve (1)	Retained earnings	Total	Non-controlling interests	Total equity
	Euros in thousands								
Balance as of January 1, 2017	67	69,221	(883)	6,614	233,463	110,691	419,173	100,890	520,063
Total net income and comprehensive income	-	-	-	-	-	101,124	101,124	17,920	119,044
Total comprehensive income	-	-	-	-	-	101,124	101,124	17,920	119,044
Classification in accordance with Dutch law	-	-	-	-	78,185	(78,185)	-	-	-
Cost of share-based payment	-	-	-	871	-	-	871	-	871
Adjustment of capital reserve in respect of transactions with controlling shareholder	-	-	-	432	-	-	432	-	432
Issuance of capital, net	5	46,369	-	-	-	-	46,374	-	46,374
Exercise of options and warrants into shares	5	28,647	137	(5,595)	-	-	23,194	-	23,194
Increase of share capital	-	-	-	-	-	-	-	-	-
Distribution and payment to non-controlling interests	-	-	-	-	-	-	-	(11,408)	(11,408)
Balance as of December 31, 2017	77	144,237	(746)	2,322	311,648	133,630	591,168	107,402	698,570

(1) See Note 18f.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2017	2016	2015
	Euros in thousands		
Cash flows from operating activities:			
Net income	119,044	88,706	77,492
Adjustments to reconcile net income to net cash provided by operating activities:			
Adjustments to profit and loss:			
Depreciation	262	281	210
Finance expenses, net	20,817	25,121	14,315
Appreciation of investment property, net	(106,505)	(80,459)	(44,256)
Deferred taxes, net *	31,997	25,944	14,478
Cost of share-based payment	871	1,227	1,525
Adjustment of capital reserve in respect of transactions with controlling shareholder	432	80	179
Adjustment of capital reserve in respect of transactions with non-controlling interests	-	-	67
	(52,126)	(27,806)	(13,482)
Cash flows from operating activities before changes in asset and liability items	66,918	60,900	64,010
Changes in operating asset and liability items:			
Decrease (increase) in tenants, restricted deposits and other receivables and related parties	(1,266)	1,772	3,687
Increase (decrease) in accounts payable	369	4,077	224
	(897)	5,849	3,911
Net cash provided by operating activities before decrease (increase) in inventory of real estate and inventory of buildings under construction and advances from apartment purchasers	66,021	66,749	67,921
Increase (decrease) in advances from apartment purchasers	7,045	(19,614)	(7,759)
Decrease (increase) in inventory of buildings under construction and real estate inventory	1,010	23,951	19,886
Net cash provided by operating activities	74,076	71,086	80,048

*it is indicated that in 2017 taxes of EUR 2,407 thousand were paid.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2017	2016	2015
	Euros in thousands		
Cash flows from investing activities:			
Investment in investment property	(91,948)	(106,420)	(46,960)
Investments in companies measured at equity	-	(3,313)	-
Proceeds from sale of investment property	14,272	10,963	153
Proceeds from sale of subsidiaries, net (a)	-	10,708	-
Purchase of newly consolidated subsidiaries, net (b)	(17,279)	-	-
Repayment of loans to employees, net	-	-	2,929
Increase in long term accounts receivable		(84)	-
Withdrawal(placement) of restricted deposits ,prepaid transaction costs and withdrawal ()placement) of long-term deposits in banks ,net	(20,392)	697	(432)
Interest received and sale of derivatives	1,083	25,174	64
Net cash used in investing activities	(114,264)	(62,275)	(45,246)
Cash flows from financing activities:			
Interest paid	(16,708)	(18,567)	(19,348)
Exercise of options	22,645	147	717
Distribution to non-controlling interests	(11,408)	(3,197)	(4,796)
Receipt of long-term loans, net	108,052	93,195	17,404
Issuance of debentures, net	-	14,127	-
Repayment of debentures	(18,101)	(17,117)	(17,012)
Repayment of long-term loans	(67,357)	(22,941)	(23,095)
Issuance of shares and stock options, net	46,916	-	-
Purchase of rights from non-controlling interests	-	(14,988)	(198)
Capital distribution to the Company's shareholders	-	(6,012)	-
Repayment of SWAP transactions , transaction costs and sale of derivatives, net	-	-	7,141
Net cash provided by (used in) financing activities	64,039	24,647	(39,187)
Change in cash and cash equivalents	23,851	33,458	(4,385)
Balance of cash and cash equivalents at the beginning of the year	89,278	55,820	60,205
Balance of cash and cash equivalents at the end of the year	113,129	89,278	55,820

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2017	2016	2015
	Euros in thousands		
(a) Proceeds from sale of previously consolidated subsidiaries			
Assets and liabilities of consolidated subsidiaries as of date of sale:			
Investment property		61,479	-
Working capital (excluding cash and cash equivalents)		385	-
Loans from banks, net		(53,697)	-
Gain from sale of subsidiaries		1,861	-
Deferred taxes, net		680	-
		10,708	-
(b) Purchase of newly consolidated subsidiaries			
Assets and liabilities of consolidated subsidiaries as of date of sale:			
Investment property	(46,950)	-	-
Working capital	(905)	-	-
Loans from banks, net	34,250	-	-
Loss in respect of transaction costs	(2,674)	-	-
	(17,279)	-	-

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

NOTE 1:- GENERAL

a. General description of the Company and its activity

Brack Capital Properties NV ("the Company") was incorporated in June 2006 and is a real estate corporation residing in the Netherlands, which is engaged via investees in the acquisition and management of investment properties in Germany, mainly in the area of income-generating commercial and income-generating residential real estate. The Company is also engaged in real estate betterment and development of residential complex in Düsseldorf, Germany. Regarding the Company's operating segments, see Note 21.

In 2010, the Company issued shares pursuant to an initial public offering on the Israeli stock exchange

b. Definitions

In these financial statements -

The Company	-	Brack Capital Properties NV.
The Group	-	Brack Capital Properties NV and its investees
Subsidiaries	-	Companies controlled by the Company (as defined in the IFRS 10) and the accounts of which are consolidated with those of the Company.
Associates	-	Companies over which the Company has significant influence and which are not subsidiaries and for which the Company's investment therein is included in the Company's consolidated financial statements at equity.
Jointly controlled entities	-	Companies owned by various entities that have a contractual arrangement for joint control and the Company's investment therein is included in the consolidated statements of the Company using the equity method. (see Note 2d)
Investees	-	Subsidiaries, jointly controlled entities and associates.
Interested parties and controlling shareholder	-	As defined in the Israeli Securities Regulations (Annual Financial Statements), 2010.
Related parties	-	As defined in IAS 24 (revised)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

a. Basis of presentation of the financial statements

1. Basis of measurement

The Company's financial statements have been compiled based on cost, with the exception of investment property and derivative financial instruments which are measured at fair value through profit or loss. Likewise, the Company occasionally designates loans from banking corporations to fair value through profit or loss.

The Company has elected to present its statement of comprehensive income according to the operations attribute method.

2. Preparation format of the financial statements

These financial statements have been compiled in accordance with International Financial Reporting Standards ("IFRS"). These standards include:

a) International Financial Reporting Standards (IFRS).
b) International Accounting Standards (IAS).
c) Interpretations issued by the IFRIC and by the SIC.

Furthermore, the financial statements have been prepared in accordance with the Israeli Securities Regulations (Annual Financial Statements), 2010.

3. Consistent accounting policies

The accounting policies applied in the financial statements are consistent with those of all periods presented.

b. Significant accounting judgments, estimates and assumptions used in the preparation of the financial statements:

1. In the process of applying the significant accounting policies, the Group has made the following judgments which have the most significant effect on the amounts recognized in the financial statements:

- Acquisition of subsidiaries that are not business combinations:

According to IFRS 3, at the time of acquisition of subsidiaries and activities, the Company considers whether the acquisition represents a business combination pursuant to IFRS 3. The following criteria which indicate acquisition of a business are considered: large number of assets acquired, the extent to which ancillary services to operate the property are provided and the complexity of the management of the property.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

2. Estimates and assumptions

The preparation of the financial statements requires management to make estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities, revenues and expenses. These estimates and underlying assumptions are reviewed regularly. Changes in accounting estimates are reported in the period of the change in estimate.

The key assumptions made in the financial statements concerning uncertainties at the end of the reporting period and the critical estimates computed by the Group that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Investment property:

Investment property that can be reliably measured is presented at fair value at the end of the reporting period. Changes in their fair value are recognized in profit or loss. Fair value is determined by independent valuation experts using economic valuations that involve valuation techniques and assumptions as to estimates of projected future cash flows from the property and estimate of the suitable discount rate for these cash flows. If applicable, the fair value is determined based on recent real estate transactions with similar characteristics and location of the valued asset.
The fair value measurement of investment property requires valuation experts and the Company's management to use certain assumptions regarding rates of return on the Group's assets, future lease prices, occupancy rates, contract renewal terms, the probability of leasing vacant areas, asset operating expenses, the tenants' financial stability and the implications of any investments made for future development purposes in order to assess the future expected cash flows from the assets. Any change in the assumptions used to measure the investment property is liable to affect fair value.

Inventories of real estate and apartments under construction:

The net realizable value is assessed based on management's evaluation including expectations and estimates as to the amounts expected to be realized from the sale of the project inventory and the construction costs necessary to bring the inventory to a saleable condition. Further details are given in j.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Deferred tax assets:

Deferred tax assets are recognized for unused carryforward tax losses and temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Determining the fair value of an unquoted financial asset and financial liability:

The fair value of unquoted financial asset and unquoted financial liability in Level 3 of the fair value disclosure hierarchy of IFRS 13 is determined using valuation techniques including projected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. The changes in projected future cash flows and the discount rates estimate considering the inputs of risk evaluation such as liquidity risk, credit risk and volatility may affect the fair value of these assets. Further details are given in l and m.

c. Consolidated financial statements:

The consolidated financial statements comprise the financial statements of companies that are controlled by the Company (subsidiaries). Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Potential voting rights are considered when assessing whether an entity has control. The consolidation of the financial statements commences on the date on which control is obtained and ends when such control ceases.

The financial statements of the Company and of the subsidiaries are prepared as of the same dates and periods. The consolidated financial statements are prepared using uniform accounting policies by all companies in the Group. Significant intragroup balances and transactions and gains or losses resulting from intragroup transactions are eliminated in full in the consolidated financial statements.

Non-controlling interests in subsidiaries represent the equity in subsidiaries not attributable, directly or indirectly, to a parent. Non-controlling interests are presented in equity separately from the equity attributable to the equity holders of the Company. Profit or loss and components of other comprehensive income are attributed to the Company and to non-controlling interests.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

d. Investment in joint arrangements:

Joint arrangements are arrangements in which the Company has joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Joint ventures:

In joint ventures the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint venture is accounted for at equity

e. Investments accounted for using the equity method:

The Group's investments in associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in the associate or in the joint venture is presented at cost with the addition of post-acquisition changes in the Group's share of net assets, including other comprehensive income of the associate or the joint venture. Profits and losses resulting from transactions between the Group and the associate or the joint venture are eliminated to the extent of the interest in the associate or in the joint venture.

Goodwill relating to the acquisition of an associate or a joint venture is presented as part of the investment in the associate or the joint venture, measured at cost and not systematically amortized. Goodwill is evaluated for impairment as part of the investment in the associate or in the joint venture as a whole.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The financial statements of the Company and of the associate or joint venture are prepared as of the same dates and periods. The accounting policies applied in the financial statements of the associate or the joint venture are uniform and consistent with the policies applied in the financial statements of the Group.

Upon the acquisition of an associate or a joint venture achieved in stages when the former investment in the acquiree was accounted for pursuant to the provisions of IAS 39, the Group adopts the principles of IFRS 3 regarding business combinations achieved in stages. Consequently, equity interests in the acquiree that had been held by the Group prior to achieving significant influence or joint control are measured at fair value on the acquisition date and are included in the acquisition consideration while recognizing a gain or loss resulting from the fair value measurement.

Losses of an associate in amounts which exceed its equity are recognized by the Company to the extent of its investment in the associate plus any losses that the Company may incur as a result of a guarantee or other financial support provided in respect of the associate. For this purpose, the investment includes long-term receivables (such as loans granted) for which settlement is neither planned nor likely to occur in the foreseeable future.

The equity method is applied until the loss of significant influence in the associate or loss of joint control in the joint venture or classification as held-for-sale.

The Company continues to apply the equity method even in cases where the investment in the associate becomes an investment in a joint venture and vice versa. The Company applies the provisions of IFRS 5 to the investment or a portion of the investment in the associate or the joint venture that is classified as held-for-sale. Any retained interest in this investment which is not classified as held-for-sale continues to be accounted for using the equity method.

On the date of loss of significant influence or joint control, the Group measures any remaining investment in the associate or the joint venture at fair value and recognizes in profit or loss the difference between the fair value of any remaining investment plus any proceeds from the sale of the investment in the associate or the joint venture and the carrying amount of the investment on that date.

f. Functional currency and presentation currency:

1. The presentation currency of the financial statements is the Euro.

The Group determines the functional currency of each Group entity, including companies accounted for at equity.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

2. Transactions, assets and liabilities in foreign currency:

Transactions denominated in foreign currency are recorded upon initial recognition at the exchange rate at the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at each reporting date into the functional currency at the exchange rate at that date. Exchange rate differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currency and measured at cost are translated at the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are translated into the functional currency using the exchange rate prevailing at the date when the fair value was determined.

3. Index-linked monetary items:

The Group has debentures that are linked to the Israeli Consumer Price Index ("Israeli CPI"). Monetary assets and liabilities linked to the changes in the Israeli Consumer Price Index ("Israeli CPI") are adjusted at the relevant index at the end of each reporting period according to the terms of the agreement.

g. Cash equivalents and balances receivable from banks:

Cash equivalents are considered as highly liquid investments, including unrestricted short-term bank deposits with an original maturity of three months or less from the date of acquisition or with a maturity of more than three months, but which are redeemable on demand without penalty and which form part of the Group's cash management. Balances receivable from banks are considered as highly liquid investments including unrestricted bank deposits which form part of the Group's cash management.

h. Short-term deposits:

Short-term bank deposits are deposits with an original maturity of more than three months from the date of acquisition which do not comply with the definition of cash equivalents. The deposits are presented according to their terms of deposit.

i. Allowance for doubtful accounts:

The allowance for doubtful accounts is determined in respect of specific debts whose collection, in the opinion of the Company's management, is doubtful. The Company also recognizes a provision for groups of customers that are collectively assessed for impairment based on their credit risk characteristics. Impaired debts are derecognized when they are assessed as uncollectible.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

j. Inventories of apartments under construction and inventories of real estate:

Cost of inventories of apartments under construction and inventories of real estate comprises identifiable direct costs of land such as taxes, fees and duties and construction costs. The Company also capitalizes borrowing costs as part of the cost of inventories of apartments under construction from the period in which the Company commenced development of the inventories of apartments under construction.

Inventories of apartments under construction and inventories of real estate are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated selling costs.

k. The operating cycle:

The Group has two operating cycles. The operating cycle of apartments under construction is three years. The operating cycle of the remaining activities is one year. Accordingly, the assets and liabilities directly attributable to inventory of apartments under construction are classified in the statement of financial position as current assets and liabilities based on the operating cycle.

l. Financial instruments:

1. Financial assets:

Financial assets within the scope of IAS 39 are initially recognized at fair value plus directly attributable transaction costs, except for investments at fair value through profit or loss in respect of which transaction costs are recorded in profit or loss.

a. Financial assets at fair value through profit or loss:

The Group has financial assets at fair value through profit or loss comprising financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired principally for the purpose of selling or repurchasing in the near term, if they form part of a portfolio of identified financial instruments that are managed together to earn short-term profits or if they are derivatives not designated as hedging instruments. Gains or losses on investments held for trading are recognized in profit or loss when incurred.

Derivatives, including separated embedded derivatives, are classified as held for trading unless they are designated as effective hedging instruments.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

b. Loans and receivables:

The Group has loans and receivables that are financial assets (non-derivative) with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans are measured based on their terms at cost plus direct transaction costs using the effective interest net of impairment provision. Short-term credits are measured based on their terms, normally at face value. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the systematic amortization process. As for recognition of interest income, see w.

2. Financial liabilities:

Financial liabilities are initially recognized at fair value. Loans and other liabilities measured at amortized cost are presented less direct transaction costs.

After initial recognition, the accounting treatment of financial liabilities is based on their classification as follows:

a. Financial liabilities measured at amortized cost:

After initial recognition, loans and other liabilities are measured based on their terms at amortized cost less directly attributable transaction costs using the effective interest method.

b. Financial liabilities at fair value through profit or loss:

Financial liabilities at fair value through profit or loss include financial liabilities classified as held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

In the event that a financial instrument contains one or more embedded derivatives, the combined instrument can be designated, upon initial recognition, as a financial liability measured at fair value through profit or loss.

Derivatives, including separated embedded derivatives, are classified as held for trading unless they are designated as effective hedging instruments.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Group assesses the existence of an embedded derivative and whether it is required to be separated from a host contract when the Group first becomes party to the contract. Reassessment of the need to separate an embedded derivative only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required. A liability may be designated upon recognition to profit or loss subject to the terms set forth in IAS 39.

c. Offsetting financial instruments:

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position if there is a legally enforceable right to set off the recognized amounts and there is an intention either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The right to set off must be legally enforced not only in the ordinary course of business of the parties to the agreement but also in case of bankruptcy or insolvency. In order for the right to exist, it should not be dependent on a future event or that in certain periods of time it will not apply or that there will be events that will cause its expiration.

d. Derecognition of financial instruments:

1. Financial assets:

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or the Company has transferred its contractual rights to receive cash flows from the financial asset or assumes an obligation to pay the cash flows in full without material delay to a third party and has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2. Financial liabilities:

A financial liability is derecognized when it is extinguished, that is when the obligation is discharged or cancelled or expires. A financial liability is extinguished when the debtor (the Group) discharges the liability by paying in cash, other financial assets, goods or services; or is legally released from the liability.

When an existing financial liability is exchanged with another liability from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is accounted for as an extinguishment of the original liability and the recognition of a new liability. The difference between the carrying amounts of the above liabilities is recognized in profit or loss.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

If the exchange or modification is not substantial, it is accounted for as a change in the terms of the original liability and no gain or loss is recognized on the exchange.

When evaluating whether the change in the terms of an existing liability is substantial, the Company takes into account both quantitative and qualitative considerations.

e. Impairment of financial assets:

The Group assesses at the end of each reporting period whether there is any objective evidence of impairment of a financial asset or group of financial assets as follows.

Financial assets carried at amortized cost:

Objective evidence of impairment exists when one or more events that have occurred after initial recognition of the asset have a negative impact on the estimated future cash flows. The amount of the loss recorded in profit or loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. If the financial asset has a variable interest rate, the discount rate is the current effective interest rate. In a subsequent period, the amount of the impairment loss is reversed if the recovery of the asset can be related objectively to an event occurring after the impairment was recognized. The amount of the reversal, up to the amount of any previous impairment, is recorded in profit or loss.

m. Derivative financial instruments designated as hedges (hedging):

The Group enters into contracts for derivative financial instruments such as forward currency contracts (Forward) and interest rate swaps (SWAP) and CAP transactions to hedge risks associated with foreign exchange rates and interest rate fluctuations.
Any gains or losses arising from changes in the fair values of derivatives that do not qualify for hedge accounting are recorded immediately in profit or loss.

n. Leases:

The criteria for classifying leases as finance or operating leases depend on the substance of the agreements and are made at the inception of the lease in accordance with the following principles as set out in IAS 17.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Group as lessee:

1. Finance leases:

Lease of land under investment property presented at fair value is accounted for as finance where the leased asset at the commencement of the lease term is measured at the lower of the fair value of the leased asset or at the present value of the minimum lease payments.

After initial recognition, the leased asset is accounted for according to the accounting policy applicable for this type of asset.

2. Operating leases:

Lease agreements are classified as an operating lease if they do not transfer substantially all the risks and benefits incidental to ownership of the leased asset. Lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

The Group as lessor:

Operating leases:

Assets that are not transferred substantially all the risks and benefits incidental to ownership of the leased asset are classified as operating leases. Rental receipts are recognized as an income in profit or loss on a straight line basis over the lease term. Initial direct costs incurred in respect of the lease agreement, are added to the carrying amount of the leased asset and recognized as an expense concurrently with recognition of rental income. Contingent rental receipts are recognized in profit or loss upon the date the Company is entitled to receive such receipts.

o. Business combinations and goodwill:

Business combinations are accounted for by applying the acquisition method. Under this method, the identifiable assets and liabilities of the acquired business are recognized at fair value on the acquisition date (PPA). The cost of the acquisition is the aggregate fair value of the assets transferred, liabilities incurred and equity interests issued by the acquirer on the date of acquisition.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Non-controlling interests are measured at proportionate share of fair value of the acquiree's net identifiable assets on the acquisition date.

The direct costs relating to the acquisition are recognized as an expense in profit or loss and do not represent part of the acquisition cost.

On the acquisition date, the assets acquired and liabilities assumed are classified and designated in accordance with the contractual terms, economic circumstances and other pertinent conditions that exist at the acquisition date, except for lease contracts that have not been modified on the acquisition date and whose classification as a finance or operating lease is therefore not reconsidered.

In a business combination achieved in stages, equity interests in the acquiree that had been held by the acquirer prior to obtaining control are measured at the acquisition date fair value and included in the acquisition consideration while recognizing gain or loss resulting from the fair value measurement, including realization of amounts that were recorded in other comprehensive income.

Contingent consideration is recognized at fair value on the acquisition date. If the contingent consideration is classified as a financial liability in accordance with IAS 39, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss. If the contingent consideration is classified as an equity instrument, it is measured at fair value on the acquisition date without subsequent remeasurement. In any event, if the changes arise from adjustments made to the interim PPA during the measurement period, they are recognized as goodwill adjustment.

Acquisitions of subsidiaries that are not business combinations:

Upon the acquisition of subsidiaries and activities that do not constitute a business, the cost (including transaction costs) is allocated among the subsidiary's identifiable assets and liabilities based on their relative fair values on the acquisition date without attributing any amount to goodwill, and the non-controlling interests, if any, participate at their relative share of the fair value of the net identifiable assets on the acquisition date.

Upon the acquisition of non-controlling interests of subsidiaries, as above, that occurred until December 31, 2009, the difference between the consideration paid and the relative portion of non-controlling interests acquired on the date of acquisition is attributed to assets and liabilities as described above. Upon the acquisition of non-controlling interests of subsidiaries, as above, that occurred starting from January 1, 2010, the accounting treatment is in accordance with section c above ("consolidated financial statements").

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

p. Investment property:

An investment property is property (land or a building or both) held by the owner (lessor under an operating lease) or by the lessee under a finance lease to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services, for administrative purposes or for sale in the ordinary course of business.

Real estate rights held by a lessee (the Group) under an operating lease are classified as investment property provided that these rights are held in order to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services, for administrative purposes or for sale in the ordinary course of business. The Group uses the fair value model for these rights.

Investment property is measured initially at cost, including costs directly attributable to the acquisition. After initial recognition, investment property is measured at fair value which reflects market conditions at the end of the reporting period. Gains or losses arising from changes in the fair values of investment property are included in profit or loss when incurred. Investment property is not systematically depreciated.

Transfer of a property from investment property to inventories is made at the inception of development with the intention of selling the property supported by various evidences such as, material progress of the process, approval of the development plan, material progress of architectural planning, management resolution on commencing the project development, commencement of negotiations to finance the project and preparing plans to build the sales office. These activities indicate that the Company intends to develop the project rather than holding it as investment property for the purpose of capital appreciation.. The cost considered for accounting treatment on the transition date is the fair value at the time of change on realization.

Investment property is derecognized on disposal or when the investment property ceases to be used and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of the disposal.

The Group determines the fair value of investment property on the basis of valuations by independent appraisers who hold recognized and relevant professional qualifications and the necessary knowledge and experience and by the Company's management having wide professional knowledge and by internal appraisers.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

q. Property, plant and equipment:

Property, plant and equipment are measured at cost, including directly attributable costs, less accumulated depreciation, accumulated impairment losses excluding day-to-day servicing expenses.

Depreciation is calculated on a straight-line basis over the useful life of the assets at annual rates as follows:

	%
Office furniture and equipment	33

The useful life, depreciation method and residual value of an asset are reviewed at least each year-end and any changes are accounted for prospectively as a change in accounting estimate. As for testing the impairment of property, plant and equipment, see s below.

Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized

An asset is derecognized on disposal or when no further economic benefits are expected from its use. The gain or loss arising from the derecognition of the asset (determined as the difference between the net disposal proceeds and the carrying amount in the financial statements) is included in profit or loss when the asset is derecognized.

r. Borrowing costs in respect of qualifying assets:

The Group capitalizes borrowing costs that are attributable to the construction of qualifying assets.

A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, comprising of tangible and inventories that require a substantial period of time to bring them to a saleable condition.

The capitalization of borrowing costs commences when expenditures for the asset are being incurred, borrowing costs are being incurred and the activities to prepare the asset are in progress and ceases when substantially all the activities to prepare the qualifying asset for its intended use or sale are complete.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

s. Impairment of non-financial assets:

The Company evaluates the need to record an impairment of the carrying amount of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable. If the carrying amount of non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount is the higher of fair value less costs of sale and value in use. In measuring value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

An impairment loss of an asset, other than goodwill, is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Reversal of an impairment loss, as above is limited to the lower of the impairment loss previously recognized (net of depreciation or amortization) or its recoverable amount. The reversal of impairment loss of an asset presented at cost is recognized in profit or loss.

Investment in associate or joint venture:

After application of the equity method, the Company determines whether it is necessary to recognize any additional impairment loss with respect to the investment in associates or joint ventures. The Company determines at each reporting date whether there is objective evidence that the carrying amount of the investment in the associate or the joint venture is impaired. The test of impairment is carried out with reference to the entire investment, including the goodwill attributed to the associate or the joint venture.

t. Taxes on income:

Current or deferred taxes are recognized in the statement of profit or loss except to the extent that the tax arises from items which are recognized directly in other comprehensive income or in equity.

1. Current taxes:

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period as well as adjustments required in connection with the tax liability in respect of previous years.

2. Deferred taxes:

Deferred taxes are computed in respect of temporary differences between the carrying amounts in the financial statements and the amounts attributed for tax purposes.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Deferred taxes are measured at the tax rates that are expected to apply to the period when the taxes are reversed in profit or loss, comprehensive income or equity, based on tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is not probable that they will be utilized. Also, temporary differences for which deferred tax assets have not been recognized are reassessed and deferred tax assets are recognized to the extent that their recoverability has become probable.

Taxes that would apply in the event of the disposal of investments in investees have not been taken into account in computing deferred taxes, as long as the disposal of the investments in investees is not probable in the foreseeable future. Also, deferred taxes that would apply in the event of distribution of earnings by investees as dividends have not been taken into account in computing deferred taxes, since the distribution of dividends does not involve an additional tax liability or since it is the Company's policy not to initiate distribution of dividends that would trigger an additional tax liability.

Taxes on income that relate to distributions of an equity instrument and to transaction costs of an equity transaction are accounted for pursuant to IAS 12.

Deferred taxes are offset if there is a legally enforceable right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority.

u. Share-based payment transactions:

The Company's employees are entitled to remuneration in the form of equity-settled share-based payment transactions with the Company's equity instruments.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Equity-settled transactions:

The cost of equity-settled transactions with employees is measured at the fair value of the equity instruments granted at grant date. The fair value is determined using a standard option pricing model; additional details are given in Note 18e. In estimating fair value, the vesting conditions (consisting of service conditions and performance conditions other than market conditions) are not taken into account. The only conditions taken into account in estimating fair value are market conditions and non-vesting conditions.

The cost of equity-settled transactions is recognized in profit or loss, together with a corresponding increase in equity, during the period which the performance and/or service conditions are to be satisfied, ending on the date on which the relevant employees become fully entitled to the award ("the vesting period"). The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

Expense in respect of grants that do not ultimately vest is not recognized, except for grants, the vesting of which depends on market conditions which are accounted as grants that vested regardless of market conditions assuming that all of the other vesting conditions (service and/or performance) were met.

If the Company modifies the conditions on which equity-instruments were granted, an additional expense is recognized for any modification that increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee at the modification date.

v. Revenue recognition:

Revenues are recognized in profit or loss when the revenues can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The specific criteria for revenue recognition for the following types of revenues are:

Revenues from the rendering of services (including asset management fees):

Revenues from the rendering of services are recognized by reference to the stage of completion at the end of the reporting period. Under this method, revenues are recognized in the accounting periods in which the services are rendered. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Revenues from the sale of residential apartments:

Revenues from the sale of residential apartments are recognized when the principal risks and rewards of ownership have passed to the buyer. Revenues are recognized when significant uncertainties regarding the collection of the consideration no longer exist, the related costs are known and there is no continuing managerial involvement with the residential apartment delivered. These criteria are usually met when construction has been substantially completed, the residential apartment has been delivered to the buyer and the buyer has paid the entire consideration for the apartment.

Rental income:

Rental income is recognized on a straight-line basis over the lease term. Where there is a fixed increase in rent over the term of the contract, the aggregate amount of the increase is recognized as revenues on a straight-line basis over the lease period.

Interest income:

Interest income on financial assets is recognized as it accrues using the effective interest method.

w. Reporting revenues using gross basis or net basis*:*

In cases where the Group acts as an agent or as a broker without being exposed to the risks and rewards associated with the transaction, its revenues are presented on a net basis. However, in cases where the Group operates as a principal supplier and is exposed to risks and rewards associated with the transaction, its revenues are presented on a gross basis.

According to the Group's activity, it bears the risks stemming from revenues from property management and therefore, the Company recognizes its revenues on a gross basis.

x. Finance income and expenses:

Finance income comprises interest income on amounts invested .Changes in fair value of financial assets at fair value through profit or loss also include revenues from dividends and interest.

Finance expenses comprise interest expenses on loans received, changes in fair value of financial assets and financial liabilities measured at fair value through profit or loss and impairment losses of financial assets and losses on hedges recognized in profit or loss. Borrowing costs that are not capitalized to qualifying assets are recognized in profit or loss using the effective interest method.

Gains and losses on exchange rate differences are reported on a net basis.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

y. Operating segments:

An operating segment is a component of the Group that meets the following three criteria:

1. is engaged in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to intragroup transactions;

2. whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and

3. for which separate financial information is available.

z. Earnings (loss) per share:

Earnings per share are calculated by dividing the net income attributable to equity holders of the Company by the weighted number of Ordinary shares outstanding during the period. Basic earnings per share only include shares that were actually outstanding during the period. Potential Ordinary shares are only included in the computation of diluted earnings per share when their conversion decreases earnings per share or increases loss per share from continuing operations. Further, potential Ordinary shares that are converted during the period are included in diluted earnings per share only until the conversion date and from that date in basic earnings per share.

aa. Provisions:

A provision in accordance with IAS 37 is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are measured according to the estimated future cash flows discounted using a pre-tax interest rate that reflects the market assessments of the time value of money and, where appropriate, those risks specific to the liability.

Following are the types of provisions included in the financial statements:

Legal claims: A provision for claims is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources embodying economic benefits will be required by the Group to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, a provision is measured at its present value.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

bb. Advertising expenses:

Expenditures incurred on advertising, marketing or promotional activities, such as production of catalogues and promotional pamphlets, are recognized as an expense when the Group receives those services.

cc. Treasury shares:

Company shares held by the Company and/or subsidiaries are recognized at cost of purchase and presented as a deduction from equity. Any gain or loss arising from a purchase, sale, issue or cancellation of treasury shares is recognized directly in equity.

dd. Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement is based on the assumption that the transaction will take place in the asset's or the liability's principal market, or in the absence of a principal market, in the most advantageous market.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities measured at fair value or for which fair value is disclosed are categorized into levels within the fair value hierarchy based on the lowest level input that is significant to the entire fair value measurement:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices included within Level 1 that are observable directly or indirectly.

Level 3 - inputs that are not based on observable market data (valuation techniques which use inputs that are not based on observable market data).

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

ee. Disclosure of new IFRS standards in the period prior to adoption

IFRS 9 - Financial Instruments:

1. In July 2014, the IASB issued the full and final draft of IFRS 9, "Financial Instruments", which replaces IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 ("the Standard") focuses mainly on the classification and measurement of financial assets and it applies to all financial assets within the scope of IAS 39.

   According to the Standard, all financial assets should be measured at fair value upon initial recognition. In subsequent periods, debt instruments should be measured at amortized cost only if both of the following conditions are met:

   - the asset is held within a business model whose objective is to hold assets in order to collect the contractual cash flows.

   - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

   Subsequent measurement of all other debt instruments and financial assets should be at fair value. The standard distinguishes between debt instruments measured at fair value through profit or loss and debt instruments measured at fair value through other comprehensive income.

   Financial assets that are equity instruments should be measured in subsequent period at fair value and the differences shall be recorded in profit or loss or in other comprehensive income (loss) as the Company chooses with respect to each instrument. In case equity instruments held for trading purposes are involved, it is mandatory to measure them at fair value through profit or loss.

   As to the derecognition of financial liabilities, the standard prescribes the same provisions required under IAS 39 regarding derecognition and financial liabilities for which the fair option was not chosen.

   Under the standard, the amount of change in the liability's fair value – attributed to changes in credit risk – will be recorded in other comprehensive income. All other changes in fair value will be recorded in profit or loss.

   The standard includes new requirements regarding hedge accounting.

   The standard will be applied effective with the annual periods commencing January 1, 2018. Early adoption permitted.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Company estimates that the amendments to IFRS 9 are not expected to have a material effect on the financial statements.

2. Amendments regarding derecognition and financial liabilities (Phase 2) were published. According to those amendments, the provisions of IAS 39 will continue to apply to derecognition and to financial liabilities for which the fair value option has not been elected (designated as measured at fair value through profit or loss); that is, the classification and measurement provisions of IAS 39 will continue to apply to financial liabilities held for trading and financial liabilities measured at amortized cost.

   Pursuant to the amendments, the amount of the adjustment to the liability's fair value that is attributable to changes in credit risk should be presented in other comprehensive income. All other fair value adjustments should be presented in profit or loss. If presenting the fair value adjustment of the liability arising from changes in credit risk in other comprehensive income creates an accounting mismatch in profit or loss, then that adjustment should also be presented in profit or loss rather than in other comprehensive income.

   Upon initial application, the amendments are to be applied retrospectively by providing the required disclosure or restating comparative figures, subject to relieve specified in the amendments.

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NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

IFRS 15, "Revenue from Contracts with Customers":

In May ,2014 the IASB issued IFRS 15 (IFRS 15)

IFRS 15 replaces IAS" 18 Revenue ,"IAS" ,11 Construction Contracts ,"IFRIC" ,13 Customer Loyalty Programs ,"IFRIC" ,15 Agreements for the Construction of Real Estate, IFRIC 18 "Transfers of Assets from Customers "and SIC-31" ,Revenue - Barter Transactions Involving Advertising Services."

The IFRS 15 introduces a five-step model that will apply to revenue earned from contracts with customers:

Step :1 Identify the contract with a customer ,including reference to contract combination and accounting for contract modifications.

Step :2 Identify the separate (distinct) performance obligations in the contract

Step :3 Determine the transaction price ,including reference to variable consideration, financing components that are significant to the contract, non-cash consideration and any consideration payable to the customer.

Step :4 Allocate the transaction price to the separate performance obligations on a relative stand-alone selling price basis using observable information, if it is available ,or using estimates and assessments.

Step :5 Recognize revenue when the entity satisfies a performance obligation over time or at a point in time.

IFRS 15 is to be applied retrospectively for annual periods beginning on or after January 1, 2018.

IFRS 15 allows an entity to choose to apply partly a modified retrospective approach, according to which IFRS 15 will only be applied in the current period presented to existing contracts at the date of initial application where no restatement of the comparative periods will be required. In this case, the Company should recognize the cumulative impact of the initial application of the standard as adjustment for the opening balance of surplus (or another equity component, as applicable) as of the initial application date. Alternatively, the new standard allows full retrospective implementation with certain relieves.

The Company intends to choose partial application upon the initial implementation of the new standard.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Company generates its revenues from development and sale of residential apartments. The effects of applying the new standard on the effective date on its financial statements are specified below:

a) Revenues from sale of residential apartments

The Company operates in real estate development for the construction and sale of residential apartments in Germany. Today, the Company recognizes revenue from the sale of apartments upon delivery of the apartment to the buyer. In accordance with the new standard, on the date of signing the contract with the customer, the Company recognizes the residential apartment as performance obligation. In connection with this activity, based on an initial examination of the contracts with its customers and based on the law and the relevant regulation, the Company estimates that in the framework of the contracts with its customers no asset with alternative use was resulted to the Company, and also has a payment right which is enforceable for the performance completed until that date. Therefore, in accordance with the new standard, the Company recognizes revenue from these contracts over time, according to the pace of the contract execution. As a result of the foregoing, the Company expects that the implementation of the new standard, the timing of revenue recognition from the sale of residential apartments will differ materially since the Company recognizes these revenues in earlier periods.

In addition, the Company examines among others the following issues regarding revenues from the sale of residential apartments:

1. Measurement unit – the Company is required to determine the measurement unit for revenue recognition. At this stage, the Company estimates that the measurement unit will be a residential apartment the object of the sale contract with the customer.

2. Determining the transaction price - the company is required to determine the transaction price separately for each contract with a customer. Upon exercising such judgment, the Company estimates the impact of any variable consideration in the contract, taking into account discounts, fines, changes, claims, and the existence of a significant financing component of the contract as well as non-cash consideration. In determining the impact of the variable consideration, the Company expects to use the method of "the most likely amount" specified in the standard, according to which the price of the transaction was determined based on the amount which is the most reasonable in the confines of possible consideration amounts contained in the contract. The Company will include variable amounts of consideration only if it is highly probable (Highly probable) that the cancellation of a significant amount of revenues recognized will not occur when the uncertainty associated with the change of consideration will become apparent later.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

3. Measurement of performance progress - for the purpose of measuring performance progress, the company estimates that will implement the input method (Input Method), irrespective of the costs that do not reflect the progress of such performance, such as land surcharges and credit costs. The Company believes that the use of the input method, whereby revenue is recognized on the basis of inputs invested by the Company in order to comply with the performance commitment will best show the actual income generated. Usually, delivery of a specific residential apartment cannot be made before the construction of the entire building is completed. Therefore, the Company will determine the performance progress rate under which revenue for each specific sale contract is recognized according to the progress rate of the building.

   In order to implement the input method, the Company is required to estimate the costs necessary to complete the project in order to determine the amount of revenue recognized. These estimates include the direct and indirect costs attributed directly to performing the contract and are allocated on the basis of a reasonable burden key.

4. The existence of a significant finance component in the contract - in order to examine the existence of a significant finance component in the contract, the Company expects to select a practical relief in the new standard where the consideration amount for the financing component cannot be adjusted when on the contract date it is expected that the period between the date of receipt of the consideration and the date of revenue recognition does not exceed one year. In cases of receiving long term advances (over one year), the Company will accrue interest on the advances over the expected contract period when there is a significant financing component contract as defined in the new standard.

   With the realization of advances, the Company will recognize accrued interest as income from the sale of apartments.

5. Warranty – as part of the Company's contracts with its customers, it provides its customers with warranty services, in accordance with the provisions of the law and in accordance with the accepted practice in the sector. Warranty services are provided to ensure the quality of the work performed and not as additional service provided to the customer. Accordingly, the Company will recognize in its financial statements a provision for warranty in accordance with the provisions of IAS 37, similar to the current treatment.

6. Onerous contracts - A provision for onerous contracts is recognized when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received by the Group from the contract. The provision is measured at the lower of the present value of the anticipated cost for cancelling the contract and the present value of the net anticipated cost of fulfilling it. The Company will review frequently the need for making a provision for onerous contract according to the requirements of IAS 37 which are relevant to all contract in which revenue is recognized according to IFRS 15.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Disclosure and presentation

The new Standard introduces more detailed and extensive disclosure and presentation requirements than under existing standards. The Company has begun evaluating the need for adjustments to its systems, internal control, policies and procedures that will be necessary in order to gather the information underlying the disclosures.

After examining the implications of adopting the new standard, including the adjustments to the Company's systems, internal control, policies and procedures that will be necessary for the application of the new standard, the Company has reached a conclusion that the adoption of the new standard is expected toeffect on the Company's financial statements, primarily due to the change in the revenue recognition model for sales of residential apartments.

The Company estimates that the initial application of the new standard as of January 1, 2018 will result in increase in the retained earnings of EUR 4,426 thousand

Furthermore, the adoption of the new standard is not expected to effect on the Company's compliance with any financial covenants In addition, the standard is not expected to affect the compensation of senior officers and interested parties.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

IFRS 16, "Leases":

The new standard that was issued in January 2016 replaces IAS 17 "Leases" and the related interpretations and determines the rules for recognition, measurement, and disclosure of leases with respect to the two parties of the transaction, namely the customer (lessee) and the supplier (lessor).

The new standard cancels the existing distinction regarding the lessee between finance leases and operating leases and sets a uniform accounting model with respect to all types of leases. Under the new model, on one hand, lessees are required to initially recognize a lease liability for the obligation to make lease payments and on the other hand, recognize the asset right-of-use.

The provisions of the asset and liability recognition will not apply to assets leased for only 12 months and regarding leases of assets with low value (such as personal computers).

The accounting treatment by lessors remains substantially unchanged.

The new Standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted provided that IFRS 15, "Revenue from Contracts with Customers", is applied concurrently.

As a rule, the standard will be applied retrospectively; however entities may choose certain adjustments under the transition provisions of the standard as to its application for prior reporting periods.

The Company is evaluating the possible effects of the new Standard on the financial statements.

IFRIC 23, "Uncertainty over Income Tax Treatments":

In June 2017, the IASB issued 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 Interpretation is to be applied in financial statements for annual periods beginning on January 1, 2019. Early adoption is permitted. Upon initial adoption, the Company will apply the Interpretation using one of two approaches:

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

1. Full retrospective adoption, without restating comparative figures, by carrying the cumulative effect through the date of initial adoption to the opening balance of retained earnings.
2. Full retrospective adoption with restating comparative figures.

The Company is evaluating the possible impact of the adoption of the Interpretation but is presently unable to assess its effect, if any, on the financial statements.

ff. Amendments to standards having an effect on the current period and/or on previous reporting periods

Amendments to IAS" ,7 Statement of Cash Flows ,"regarding disclosures on changes in liabilities deriving financing activities

The amendment requires additional disclosures allowing readers of financial statements to estimate the changes in financial liabilities, both changes involving cash flows and changes not involving cash flows.

The amendment is effective for annual periods beginning on or after January 1, 2017. Comparative information for periods prior to the effective date of the amendments is not required . See Note 24 "changes in liabilities deriving from financing activities" regarding the required disclosure.

NOTE 3:- CASH AND CASH EQUIVALENTS AND BALANCES RECEIVABLE FROM BANKS

	December 31, 2017	December 31, 2016
	Euros in thousands	
Cash on hand (1)	90,341	76,748
Short-term deposits (2)	22,788	12,530
Balances receivable from banks (3)	932	2,221
	114,061	91,499

(1) As of December 31, 2017, the Company's balance of approximately € 25,109 thousand denominated in NIS (2016- approximately € 392 thousand denominated in NIS). The remaining deposits are denominated in Euro.

(2) As of December, 2017, short-term deposits bear annual interest at the range of 0%-0.4%

(3) Closed hedge transactions, can be received from banks immediately ("On Call")

NOTE 4:- RESTRICTED DEPOSITS AND OTHER RECEIVABLES

	December 31, 2017	December 31, 2016
	Euros in thousands	
Restricted bank accounts (1)	5,859	5,927
Trust deposit	-	367
Prepaid expenses	2,047	1,724
Government authorities	1,121	1,263
Other receivables and debit balances	1,700	807
	10,727	10,088

(1) As of December 31, 2017, balances bear annual zero interest

NOTE 5:- TENANTS AND TRADE RECEIVABLES, NET

	December 31, 2017	December 31, 2016
	Euros in thousands	
Open debts and accrued income	7,853	7,884
Less - allowance for doubtful accounts	(4,118)	(4,339)
Tenants and trade receivables, net	3,735	3,545

NOTE 5:- TENANTS AND TRADE RECEIVABLES, NET (Cont.)

The following is the movement in allowance for doubtful accounts:

	Euros in thousands
Balance as of December 31, 2016	4,339
Allowance during the year	1,079
Recognition of bad debts that were written off	(1,301)
Balance as of December 31, 2017	4,118

As of December 31, 2017, of the total tenants and trade receivables, net, € 1,198 thousand (€ 1,318 thousand as of December 31, 2016) are in arrears.

NOTE 6:- INVENTORY OF BUILDINGS UNDER CONSTRUCTION AND INVENTORY OF REAL ESTATE

Inventory of apartments under construction and inventory of real estate includes as of December 31, 2017 a project in Düsseldorf, Germany, to build approximately 617 residential units of which 16 residential units are completed and the remaining in various construction stages (it is indicated that additional residential units in construction stages are included under investment property – real estate rights) .During ,2017 the Company delivered 115 residential units and recognized revenues and cost of sales of EUR 58,958 thousand and EUR 47,203 thousand ,respectively .As of December 31 ,2017 ,the Company has 16 residential units that were delivered until the report signing date. In addition, the Company received advance payments from apartment purchasers in respect of apartments and inventory of apartments under construction in the amount of EUR 23,119 thousand.

The remaining apartments of the project are in various construction stages.

a. Composition of inventory of buildings under construction

	December 31,	
	2017	2016
	Euros in thousands	
Cost of real estate	24,300	22,969
Cost of local business tax	2,526	2,466
Cost of construction	21,930	20,319
	48,756	45,754

NOTE 6:- INVENTORY OF BUILDINGS UNDER CONSTRUCTION AND INVENTORY OF REAL ESTATE (Cont.)

b. Composition of inventory of real estate

	December 31, 2017	December 31, 2016
	Euros in thousands	
Cost of real estate (see Note 8f6)	64,115	11,248
Cost of local business tax	7,556	1,210
Cost capitalized to real estate	988	1,362
	72,659	13,820

NOTE 7:- INVESTMENTS ACCOUNTED AT EQUITY

Information on jointly controlled company measured at equity

Name of company/partnership	Country of incorporation	Principal place of business	Nature of relationship (1)
Brack capital (Chemnitz) BV	The Netherlands	Germany	Ownership (1)
NFB SÜD GmbH & Co. KG	Germany	Germany	Ownership (2)

(1) The Company has a joint control agreement with the partner. The Company holds 60% of the shares of the jointly controlled company and 50% of the voting rights of the jointly controlled company. The jointly controlled company holds a real estate asset in Germany.

(2) The Company has a joint control agreement with the partner. The Company holds 50% of the shares of the partnership and 50% of the rights of the partnership. The partnership holds a real estate asset in Germany.

NOTE 8:- INVESTMENT PROPERTY - RIGHTS IN REAL ESTATE AND INCOME GENERATING ASSETS

a. Composition and movement

	December 31, 2017	December 31, 2016
	Euros in thousands	
Balance as of January 1	1,191,882	1,081,281
Additions during the year		
Purchases and additions during the year (f)	91,948	104,445
Transfer to inventory (f8)	(64,032)	-
Realization of investment property (f4)	(14,272)	(10,963)
Purchase (realization) of subsidiaries (f5)	46,950	(61,479)
Transfer to asset held for sale (Note 25)	(11,622)	
Fair value adjustment *	109,789	78,598
Balance as of December 31	1,350,643	1,191,882

Investment property consists of commercial and residential real estate projects leased to third parties, and lands designated for betterment.

*) As a result of the implementation of Accounting Enforcement Decision No. 18-1 of the Israel Securities Authority, in 2017 the Company recognized transaction expenses in the amount of € 5,423 thousand under changes in fair value of investment property in the statement of profit or loss.

Presentation in the statement of financial position

	December 31, 2017	December 31, 2016
	Euros in thousands	
Investment property – real estate rights	67,094	101,939
Investment property - income generating assets	1,283,549	1,089,943
Balance as of December 31	1,350,643	1,191,882

b. Investment property is stated at fair value, as determined in valuations generally performed by independent outside appraisers who hold recognized and relevant professional qualifications and who have extensive experience in the location and category of the property being valued. Valuations are occasionally carried out by management. The fair value was determined based on estimated future cash flows from the property. In estimating cash flows, their inherent risks and limitations of rental fees are taken into account where they are capitalized at a rate of return that reflects the risks entailed in the cash flows, which is determined taking into account the market rate of return, whilst adapting it to the specific characteristics of the property and the level of risk of the revenues expected from it. Where it is not possible to rely on transactions recently executed with reference to similar real estate in a similar locations, in valuing real estate owned by the Company, the value estimates are carried out using a salvage approach, as deemed correct by the value appraiser. Determining this value is based on an estimate of future revenues expected from the completed project, using rates of return that are adapted to the relevant significant risks entailed in the

NOTE 8:- INVESTMENT PROPERTY - RIGHTS IN REAL ESTATE AND INCOME GENERATING ASSETS (Cont.)

construction process, including building and rental risks, which are higher than the current return on similar investment real estate the construction of which has been completed.

In few occasions, where the management expects to realize the real estate in asset companies by means of a shares transaction, as is practiced in the market in which it operates, the expected mode of realization is taken into account in making the fair value calculations and the value adjustments required in these cases.

c. Significant assumptions (based on weighted averages) that were used in valuation estimated are as follows:

Income-generating residential real estate

	December 31,	
	2017	2016
Discount rate (%) *	5.82	6.00
Cap rate (%) *	5.27	5.52
Long-term vacancy rate (%)	1.99	2.26
Representative monthly rental fees per sq. m. (in Euros)	7.54	6.77

Income-generating commercial real estate (**)

	December 31,	
	2017	2016
Discount rate (%) *	6.06	6.10
Cap rate (%)**	6.10	6.12
Representative monthly rental fees per sq. m. (in Euros)	8.45	8.50

Lands for betterment, Düsseldorf, Germany ***

	December 31,	
	2017	2016
Discount rate (%)	3.23	3.35
Representative monthly rental fees for residential per sq. m. (in Euros)	8.98	12.9
Expected construction costs per sq.m (in Euro)	2,225	2,145

*) It is noted that according to the methodology applied in the valuations, the estimated cash flow for the first 10 years are capitalized based on the Discount Rate basis. Cash flows effective from the eleventh year onwards are capitalized based on the Cap Rate basis.

**) It is noted that according to the valuation methodology based on cash flow discount method of free flows from the asset, the vacancy rate in assets is reflected in the free cash flow.

***) The data for 2016 include land for betterment classified as inventory, see below. In addition, the data in the table relate to the value of land for betterment, the value of which is determined by discounting cash flows from rental activities under rent control. The

NOTE 8:- INVESTMENT PROPERTY - RIGHTS IN REAL ESTATE AND INCOME GENERATING ASSETS (Cont.)

Company has another land that is presented as investment property. The main assumptions that were used to determine its value as of December 31, 2016 were: discount rate of 6.5%, average rental EUR 26.83 per square meter, expected construction cost of EUR 3,268 per square meter. The main assumptions used to determine its value as of December 31, 2017 were: sale price of EUR 8,250 per square meter, expected construction costs of EUR 3,000 per square meter.

d. Fair value adjustment of investment property()level 3 in the fair value hierarchy):(
All investment properties - real estate rights and income producing properties are classified in the fair value hierarchy at level 3, excluding income-producing properties in the amount of € 78,349 thousand, classified at level 2.

Sensitivity analysis

The following is a sensitivity analysis of investment property at capitalization rate based on standardized NOI:
Based on NOI of € 68.7 million (standardized NOI) any change of 25 points at the capitalization rate over fair value adjustment is € 60.1 million.

e. Regarding charges see Note 17a.

f. Purchases and sales of investment property during the year

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

   For the purpose of financing the purchase, the Company (through a sub-subsidiary) entered into an agreement with a German bank to obtain a loan in the amount of EUR 10.4 million under non-recourse terms which its final repayment date is 5 years from the date of receiving the loan bearing a variable interest based on Euribor plus a margin of 1.20% per annum. On May 31, 2017, the full consideration was paid to the seller and all of the rights in the purchased assets have been transferred to the Company.

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

NOTE 8:- INVESTMENT PROPERTY - RIGHTS IN REAL ESTATE AND INCOME GENERATING ASSETS (Cont.)

For the purpose of financing the purchase, the Company (through a sub-subsidiary) entered into an agreement with a German bank to obtain a loan in the amount of EUR 16 million under non-recourse terms which its final repayment date is 5 years from the date of receiving the loan bearing a fixed interest rate of 1.18% per annum. On May 31, 2017, the full consideration was paid to the seller and all of the rights in the purchased assets have been transferred to the Company.

1. Purchase of residential portfolio in Leipzig, Bremen and Dusseldorf, Germany – in the first quarter of 2017, the Company, through its wholly owned Dutch companies, entered into 4 different transactions for the purchase of 164 flats for leasing in Leipzig, Bremen and Dusseldorf in Germany for a total consideration of EUR 15.2 million (including related transaction costs). The acquired assets span over a leasable area of 7.3 thousand sq.m generating current annual rental of EUR 631 thousand grossing up a significant rental increase potential, as per the Company 25% - 35% in view of the average rental in the market in the same cities/locations of similar assets . The transactions were financed in the first stage by equity. In the second and third quarters of 2017, the full consideration was paid to the sellers and all of the rights in the acquired assets have been transferred to the Company. Under the refinancing carried out on September 27, 2017, 110 residential units that were purchased served as collateral toward the lending bank.

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

3. Agreements for the purchase of 802 residential units in the cities of Leipzig, Magdeburg and Halle, Germany - On September 4, 2017 and September 11, 2017, the Company entered into 2 notarized sale agreements with third parties who are not related to the Company and/or its controlling shareholder for the purchase of 802 residential units for rental in a federal capital and in two large cities in Germany for a total consideration of € 68.7 million (including related transaction costs). In order to finance the purchase, the Company (through sub-subsidiaries) entered into an agreement with a German bank to obtain a loan of € 47.5 million under non-recourse terms, the final repayment date of which is 5 years from the date of receiving the loan, bearing fixed annual interest (after fixing the interest rate in SWAP transaction) of 1.585% with annual principal payment of 2% of the loan amount The full consideration for the transactions was paid, and the transactions were completed in November and December 2017.

4. Agreement for the purchase for 55 residential units in Leipzig, Germany - During September 2017, the Company entered into a notarized sale agreement with a third party who is unrelated to the Company and/or its controlling shareholder for the purchase of 55 residential units for rental in Leipzig, Germany, at a total price of approximately € 3.9 million. Full consideration was paid to the seller from the Company's own sources and the transaction was completed on January 1, 2018.

5. Agreement for acquisition of land in an area of approximately 193 thousand square meters in the city of Düsseldorf - On December 8, 2017, the Company entered into a notarized sale agreement with a third party unrelated to the Company and or its controlling shareholder, for the acquisition of all ownership rights in a land with an area of 193 thousand square meters in the Gerresheim neighborhood in Dusseldorf, Germany, for a total consideration of € 141.8 million (including related transaction costs). On the land, 1,300 residential units and 30,000 square meters of commercial spaces, offices and kindergartens and school are planned to be constructed .

NOTE 8:- INVESTMENT PROPERTY - RIGHTS IN REAL ESTATE AND INCOME GENERATING ASSETS (Cont.)

In order to finance the acquisition ,the Company()through a wholly-owned sub-subsidiary) entered into an agreement with a German bank to obtain a loan in the amount of approximately EUR 90 million under non-recourse terms ,the final repayment date of which is 3 years from the date of receiving the loan ,bearing interest at a margin of 2% per annum above 3 month Euribor .On February 28, 2018 , , the transaction was completed, the entire consideration was paid to the seller and the full rights in the real estate were transferred to the Company

8. As a result of the progress of the approval procedures for the urban schemes that apply to some of the Company's lands that were presented in the framework of land for betterment - real estate rights, the Company classified in its financial statements the part of the land in the amount of about € 64,032 thousand designated to develop apartments for free sale (Condo) under said urban schemes as real estate inventory. The classification of part of the land designated for the construction of apartments for rent in rent control (subsidized housing and affordable housing) in the framework of the aforesaid urban schemes remains within the item of investment property - real estate rights, since the Company has not yet decided whether, after completion of their construction, will sell them (all or some of them - separately, to the extent possible or as a group) or will hold (in all or part) the aforesaid apartments as an income-producing property.

d. The Company owns an income generating residential real estate where all of its lease agreements are shorter than one year. As of December 31, 2017, the Company has residential lease agreements reflecting an annual rental income of € 48.9 million.

In addition, the Company has an income generating commercial real estate consisting of assets leased to third parties. The future minimum rental fees receivable from existing tenants in the income generating commercial real estate are as follows:

	December 31		
	2017	**2016**	**2015**
	Euros in thousands		
First year	28,503	28,711	32,740
Second to the fifth year	96,550	98,274	104,871
Sixth year and thereafter	61,079	82,917	107,372
	186,132	209,902	244,983

NOTE 9:- OTHER ACCOUNTS RECEIVABLE AND OTHER FINANCIAL ASSETS

	December,31	
	2017	2016
	Euros in thousands	
Financial assets – currency hedging and interest cap transactions (*)	-	2,147
Restricted bank accounts and other receivables	298	267
Advances for the purchase of investment property (**)	17,526	-
Others	199	-
	18,023	2,414

(*) see Note 13
(**) see Note 18f.

NOTE 10:- OTHER ACCOUNTS PAYABLE

	December,31	
	2017	2016
	Euros in thousands	
Expenses payable (*)	7,673	12,170
Interest payable	1,896	2,275
Trade payables	776	890
Deposits from tenants	6,962	5,927
Government authorities	6,413	3,061
Prepaid income	1,249	1,322
Other payables	455	625
	25,424	26,270

(*) As of December 31, 2017, an amount of € 4,392 thousand is for transaction expenses and residential project completion

NOTE 11:- LOANS FROM BANKS AND DEBENTURES

a. Composition

	interest rate as of December 31, 2017	December,31	
		2017	2016
	%	Euros in thousands	
Non-current bank loans:			
Loans measured at fair value		-	76,867
Loans presented at amortized cost	(*) (**)	660,797	514,454
Debentures linked to CPI (d) (e) (f)	3.29-4.8	127,471	147,919
		788,268	739,240
Less - current maturities		(178,894)	(33,914)

Less – loans from banks for financing inventory of buildings under construction	(4,000)	(7,000)
	605,374	698,326

NOTE 11:- LOANS FROM BANKS AND DEBENTURES (Cont.)

(*) interest rate for loans at variable interest: Euribor+1%-Euribor+2.3% where the base interest is determined at 0.

(**) interest rate for loans at fixed interest: 2.67%-1.06%

b. Movement:

	December 31,	
	2017	2016
	Euros in thousands	
Balance as of January 1	739,240	715,577
Receipt of loans and debentures	108,052	107,322
Repayments	(85,458)	(40,058)
Purchase (realization) of subsidiaries	34,250	(53,697)
Classification to liabilities held for sale	(6,157)	-
Cost of receiving loans amortizations and others	2,884	2,028
Exchange differences	(3,308)	6,845
Fair value adjustment	(1,235)	1,223
Balance as of December 31	788,268	739,240

NOTE 11:- LOANS FROM BANKS AND DEBENTURES (Cont.)

c. Additional information on loans taken in the reported period:

(1) As to loans received in 2017 for financing the purchase of investment properties see section 18(f)(

(2) Refinancing of loans from German banks and using credit facilities- During the third quarter of 2017, the Company (through sub - subsidiaries) completed the refinance of 3 loans from a German bank. The new loans are for a period of 5 years and amount to € 32.6 million plus a credit facility of € 17.4 million that was withdrawn for the purpose of financing transactions for purchasing new assets by the Company in February 2018 and in total EUR 50 million. The new loans (with weighting the utilized credit facility) bear fixed annual interest at the rate of 1.34%, with an annual principal repayment of about 2% of the new loan amount. The total amount of the repaid loans amounted to € 32.6 million.

These loans bore variable annual interest which as of the repayment date, was 1.7% per annum.

On September 27, 2017, the Company's sub subsidiaries (one wholly-owned company and another company held under a joint venture) entered into a loan agreement with a German bank for the purpose of financing the Leipzig properties that were acquired by equity and refinancing an existing loan on a Leipzig property that was acquired in 2013.
The new loan is for 5 years amounting to €18 million at a fixed interest of 1.14% and annual principal payment of 2% in addition to a credit facility of € 3 million at a variable interest of Euribot for 3 months with a margin of 1.00% and annual principal payment of 2.5% that was withdrawn in December 2017. Iin total the new loan amount is € 21 million. The new loan bears fixed annual interest at the rate of 1.14% with an annual principal repayment of 2% of the new loan amount.

The scope of the repaid loan (repaid on August 30, 2017 from the Company's own sources) amounted to € 7.2 million. This loan bears fixed interest at the rate of 3.85% per annum.

At the end of December, the Company's sub-subsidiaries (which are held in a joint venture) an additional credit facility of EUR 17.4 million that was withdrawn for the for the purpose of financing transactions for purchasing new assets by the Company. The credit facility bears variable interest rate based on the Euribor for 3 months plus a margin of 1% per year with an annual principal payment of 2% with final repayment in 2023.

d. In 2011 and 2012, the Company issued NIS 400 million of debentures (Series A) par value NIS 1 each by 2 IPOs and 1 private issuance. The debentures bear a yearly average interest denominated at 4.8% linked to the Consumer Price Index and paid every six months (effective interest of 5.53%). The debentures are payable in 7 equal annual principal payments on July 14 of each of the years between 2014 and 2020 (inclusive). The Company has undertaken that so long as the debentures (Series A) are still outstanding:

1. Equity attributable to Company shareholders shall not fall below €80 million.

2. No distribution of dividends, distribution of capital or share buy-back shall take place if as a result the equity attributed to Company shareholders falls below €80 million.

NOTE 11:- LOANS FROM BANKS AND DEBENTURES (Cont.)

3. The ratio between the equity attributed to the Company's shareholders at the end of each quarter to the net financial debt (financial liabilities less cash, cash equivalents and short-term investments) according to the financial statements attributed to the Company ("Solo Reports") shall not fall below 187.5%.

4. The ratio between the Company's total net financial liabilities that are:

   a. Company obligations for the repayment of loans with recourse.

   b. The Company's obligations for the repayment of debentures (Series A) and other debentures, if any.

   c. The Company's obligations to repay other loans the repayment date of which falls during the period of the debentures (Series A).

   d. Any debt of the Company's subsidiaries towards a third party is pledged by a lien, but no more than the value of the pledged asset.

   All less cash, cash equivalents and short-term investments, and the Company's total equity (including non-controlling rights) plus:

   a. The Company's total net financial liabilities (as defined above).

   b. Any loan received by the Company from any party that according to its conditions is subordinate in its repayment levels to the debentures (Series A) and which cannot be repaid (principal and/or interest) over the course of the debentures' (Series A) period.

   c. Reductions in value listed pursuant to the Consolidated Financial Statements (if any) for the assets pledged to guarantee loans of sums exceeding the borrower's recourse right.

   Shall not exceed 90%.

5. The ratio between the value of the shares of subsidiary BGP, pledged to guarantee the repayment of debentures (Series A) calculated on the basis of the subsidiary's equity (attributed to Company shareholders) and the Company's debts to the holders of the debentures (Series A) defined as the balance of the debentures' (Series A) principal plus interest and linkage accumulated and not yet paid, shall not fall below 175%.

As of December 31, 2017, the Company is in compliance with said financial covenants.

NOTE 11:- LOANS FROM BANKS AND DEBENTURES (Cont.)

a. On May 21, 2013, the Company issued to the public in Israel new series (series B) of non convertible to shares debentures in a total amount of NIS 175,000,000 par value by way of uniform offer according to a shelf prospectus report dated May 19, 2013 by virtue of the Company's shelf prospectus dated May 24, 2012 (as amended in the modified prospectus dated May 9, 2013). The debentures bear annual interest of 3.29% (payable in semi annual payments in June and December effective December 2013) and are linked to the CPI as of April 2013.

The debentures (series B) will be payable (principal) in unequal annual 12 installments on December 31 in each of the years 2013 through 2024 (inclusive) such that each payment of the first 7 payments will constitute 4% of the principal of the total par value of the debentures (series B) and each payment of the last 5 payments will constitute 14.4% of the principal of the total par value of the debentures (series B). In addition, on January 27, 2014, the Company's Board of Directors approved a private placement of 72,000,000 debentures (Series B) of NIS 1 par value, listed for trade, to 10 institutional investors (the offerees) by expanding the existing debenture series of the Company (Series B) listed for trade ("the offered securities" and "the private placement"). The Company has undertaken that so long as the debentures (Series A) are still outstanding:

1. Equity attributable to Company shareholders shall not fall below €150 million.

2. No distribution of dividends, distribution of capital or share buy-back shall take place if as a result the equity attributed to Company shareholders falls below €160 million and/or debt ratio to CAP will exceed 70%.

3. The ratio between the Company’s total net financial liabilities that are:

   a. Company obligations for the repayment of loans with recourse.

   b. The Company’s obligations for the repayment of debentures (Series A and B) and other debentures, if any.

   c. The Company’s obligations to repay other loans the repayment date of which falls during the period of the debentures (Series B).

   d. Any debt of the Company’s subsidiaries towards a third party is pledged by a lien, but no more than the value of the pledged asset.

   All less cash, cash equivalents and short-term investments, and the Company’s total equity (including non-controlling rights) plus:

   a. The Company’s total net financial liabilities (as defined above).

NOTE 11:- LOANS FROM BANKS AND DEBENTURES (Cont.)

b. Any loan received by the Company from any party that according to its conditions is subordinate in its repayment levels to the debentures (Series A) and which cannot be repaid (principal and/or interest) over the course of the debentures' (Series B) period.

c. Reductions in value listed pursuant to the Consolidated Financial Statements (if any) for the assets pledged to guarantee loans of sums exceeding the borrower's recourse right.

4. The ratio between the value of the shares of subsidiary BGP, pledged to guarantee the repayment of debentures (Series B) calculated on the basis of the subsidiary's equity (attributed to Company shareholders) and the Company's debts to the holders of the debentures (Series B) defined as the balance of the debentures' (Series B) principal plus interest and linkage accumulated and not yet paid, shall not fall below 175%.

As of December 31, 2017, the Company is in compliance with said financial covenants.

b. In July 2014, the Company completed the issuance to the public in Israel new series (series C) of non convertible to shares debentures. Under the shelf prospectus report dated July 20, 2014 (July 2014 shelf prospectus report) by virtue of the shelf prospectus dated May 24, 2012 (as amended in the modified prospectus dated May 9, 2013 and the modified prospectus dated July 14, 2014 (collectively: the prospectus), NIS 125,000,000 par value of debentures (series C) with a duration of 8.5 years were offered to the public. The debentures (series C) were offered by way of a uniform offer as prescribed in the securities regulations (manner of offering securities to the public) – 2007 in 125,000 units by way of tender on the annual interest rate to be borne by the debentures (series C). The annual interest rate determined in the tender, which was held on July 21, 2014, is 3.3%.

The interest on the debentures (series C) will be paid in two semiannual installments on January 20 and July 20 of each of the years 2015 – 2026 (inclusive) effective January 20, 2015. On July 22, 2014, the Company allocated according to the outcome of the issuance, NIS 102,165,000 par value of debentures (series C). On July 24, 2014, trading has commenced in the above securities in the Tel Aviv Stock Exchange (the Stock Exchange). In addition, on April 4, 2016, the Company completed an issuance to the public in Israel of 60,058,000 debentures (series C) of NIS 1 listed for trade by expanding

NOTE 11:- LOANS FROM BANKS AND DEBENTURES (Cont.)

existing series of debentures (series C).

The debentures (series C) will be linked to the CPI and payable (principal) in unequal annual 12 installments on July 20 in each of the years 2015 through 2026 (inclusive) such that each payment of the first 9 payments will constitute 2% of the principal of the total par value of the debentures (series C), the tenth payment will constitute 17% of the principal of the total par value of the debentures (series C) and each payment of the last 2 payments will constitute 32.5% of the principal of the total par value of the debentures (series C). The Company has undertaken that so long as the debentures (Series C) are still outstanding:

1. Equity attributable to Company shareholders shall not fall below €190 million.

2. No distribution of dividends, distribution of capital or share buy-back shall take place if as a result the equity attributed to Company shareholders falls below €200 million.

3. The ratio between the Company's total net financial liabilities that are:

   a. Company obligations for the repayment of loans with recourse.

   b. The Company's obligations for the repayment of debentures (Series A, B and C) and other debentures, if any.

   c. The Company's obligations to repay other loans the repayment date of which falls during the period of the debentures (Series C).

   d. Any debt of the Company's subsidiaries towards a third party is pledged by a lien, but no more than the value of the pledged asset.

   All less cash, cash equivalents and deposits and the debt in respect of inventory of apartments under construction and the Company's total equity (including non-controlling rights) plus:

   a. The Company's total net financial liabilities (as defined above).

   b. Any loan received by the Company from any party that according to its conditions is subordinate in its repayment levels to the debentures (Series C) and which cannot be repaid (principal and/or interest) over the course of the debentures' (Series C) period.

NOTE 11:- LOANS FROM BANKS AND DEBENTURES (Cont.)

c. Reductions in value listed pursuant to the Consolidated Financial Statements (if any) for the assets pledged to guarantee loans of sums exceeding the borrower's recourse right.

Shall not exceed 75%.

3. The ratio between the value of the shares of subsidiary BGP, pledged to guarantee the repayment of debentures (Series C) calculated on the basis of the subsidiary's equity (attributed to the Company's shareholders) and the Company's debts to the holders of the debentures (Series C) defined as the balance of the debentures' (Series C) principal plus interest and linkage accumulated and not yet paid, shall not fall below 175%.

As of December 31, 2017, the Company is in compliance with said financial covenants.

NOTE 11:- LOANS FROM BANKS AND DEBENTURES (Cont.)

Financial covenants

In the context of credit framework agreements with banking corporations, subsidiaries undertook to comply with a number of financial covenants, including a loan to value (LTV) ratio between 65% and 80% and debt service coverage ratio (DSCR) (must be higher than the range between 110% to 160%). All loans are non-recourse and therefore failure to comply with the terms of one of the frameworks does not constitute violation of the other frameworks. As to the financial covenants on debentures (Series A, B and C), see d. e. and f above.

As of December 31, 2017, the Company complies with all of the financial covenants as set forth.

NOTE 12:- OTHER NON-CURRENT LIABILITIES

	December 31,	
	2017	**2016**
	Euros in thousands	
Liability due to lease (1)	3,136	3,176
Less - current maturities	(41)	(43)
	3,095	3,133

(1) The Company leased an asset from a local authority until 2047 the following is information on finance lease liabilities according to payment dates:

	December 31, 2017		
	Minimum future lease payments	**Interest component**	**Present value of Minimal lease payments**
	Euros in thousands		
First year	215	174	41
Second year to the fifth year	862	672	190
After the fifth year	5,279	2,415	2,864
	6,356	3,261	3,095

NOTE 13:- OTHER FINANCIAL ASSETS AND LIABILITIES

a. Composition

	December 31	
	2017	2016
	Euros in thousands	
Financial assets in respect of currency exchange transactions	-	2,146
Financial assets in respect of cash flow hedging transactions	-	1
Financial liabilities in respect of interest swap transactions *)	(449)	(880)
Financial liabilities in respect of interest swap transactions **)	(4,271)	-
	(4,720)	1,267

(*) A total of € 449 thousand and € 456 thousand as of December 31, 2017 and 2016, respectively, are presented as current maturities.

(**) A total of € 492 thousand as of December 31, 2017 is presented as a current maturity.

b. Subsidiaries in Germany that own investment properties took loans and signed interest rate swap agreements. In these agreements, each subsidiary hedges its exposure to future changes in variable interest rates on cash flows, by swapping it for a fixed interest rate. The change in the fair value of the hedging instrument, not recognized as cash flow hedging for accounting purposes, was recognized in profit or loss.

As of December 31, 2017, the fixed interest rate (with no margin) was determined at the range between 0.235% - 0.5% (see also Note 15f).

c. Subsidiaries in Germany that own investment properties and took out loans some of which are with maximal interest ceiling. In addition, they entered into agreements to fix the interest rate ceiling (CAP). In these agreements, each subsidiary hedges its exposure to future changes in variable interest rates on cash flows, by fixing a ceiling rate for the payment of interest. The change in the fair value of the instrument was charged directly to the item of changes in the fair value of loans and interest swap transactions in profit or loss.

NOTE 14:- FAIR VALUE MEASUREMENT

The following table presents the fair value measurement hierarchy for the Group's assets and liabilities.

Quantitative disclosures of the fair value measurement hierarchy of the Group's assets and liabilities as of December 31, 2017:

	Fair value hierarchy			
	Level 1	**Level 2**	**Level 3**	**Total**
	Euros in thousands			
Assets measured at fair value:				
Investment property (Note 8):				
Income generating commercial real estate	-	-	462,659	462,659
Income generating residential real estate		78,349	742,535	820,884
Land for betterment and real estate right	-	-	67,100	67,100
Derivative financial assets (Note 13):				

There were no transfers from level 1 to level 2 during the period.

NOTE 14:- FAIR VALUE MEASUREMENT (Cont.)

	Fair value hierarchy			
	Level 1	Level 2	Level 3	Total
	Euros in thousands			
Liabilities measured at fair value:				
Derivative financial liabilities (Note 13):				
Foreign currency forward contracts – dollar	(4,271)			(4,271)
Interest swap contracts		(449)		(449)
Liabilities whose fair value is disclosed (Note 15):				
Debentures (note 11)	(127,471)			(127,471)

NOTE 15:- FINANCIAL INSTRUMENTS

a. Classification of financial assets and financial liabilities

	December 31,	
	2017	2016
	Euros in thousands	
Cash, loans and receivables at amortized cost		
Cash and cash equivalents	113,129	89,278
Balances receivable from banks	932	2,221
Restricted deposits, financial assets and receivables (1)	8,680	8,364
Tenants and trade receivables	3,735	3,545
Other non-current receivables and restricted deposits	298	267
Loans to associates	8,318	8,318
	135,092	111,993
Financial liabilities measured at fair value through profit or loss		
Credit from banks and others	-	(76,867)
Derivative financial instruments (fair value)		
Financial assets	-	2,147
Financial liabilities	(4,271)	(875)
	(4,271)	1,272

NOTE 15:- FINANCIAL INSTRUMENTS (Cont.)

	December 31, 2017	December 31, 2016
	Euros in thousands	
Other financial liabilities at amortized cost		
Debentures	(127,471)	(147,919)
Credit from banks and others	(660,797)	(514,454)
Other accounts payable (2)	(17,213)	(19,021)
Liability in respect of leasing	(3,095)	(3,133)
	(808,576)	(684,527)

(1) With the exception of prepaid expenses.
(2) With the exception of deposits from tenants and prepaid income.

b. Market risk

1. Foreign currency risk

The Company has debentures denominated in NIS and from time to time carries out hedging transactions against the weakening of the Euro and accordingly, it is exposed to exchange rate risk deriving from exposure to this currency. This risk derives from recognized liabilities denominated in foreign currency which is other than the functional currency.

2. CPI risk

The Company has issued debentures that are fully linked to the changes in the CPI in Israel, subject to floor index.

3. Interest rate risk

The Group is exposed to risk resulting from changes in cash flows of loans bearing variable interest rates because of changes in interest rates.

The Company hedges most of its financial liabilities by taking loans at fixed interest rate or by entering into interest SWAP agreements or CAP agreements.

As a result, most of the Company's loans are hedged. The interest swap contract conditions are suited to the base loans. As of the report date, approximately 85% of the Company's loans and debentures are hedged.

NOTE 15:- FINANCIAL INSTRUMENTS (Cont.)

c. Credit risk

Credit risk could arise from cash and cash equivalents, derivatives and deposits with banking corporations and financial institutions, as well as from receivables, including tenants' debit balances.
Management has a credit and credit exposure policy that is examined on a regular basis. In principle, the Company does not provide credit to tenants. In cases in which tenants request credit, the Company carries out a credit assessment for those customers. The Group holds all or part of the tenants' deposits that are refundable until the tenants will settle their payments or in other cases of breach of contract.

The Company estimates the need for making an allowance for doubtful accounts according to the management's estimate of the balance's nature based on the cumulative experience in managing the asset.

Credit risk could also arise from an engagement by a number of financial instruments with a single entity. The Company holds cash and cash equivalents, short-term investments and other financial instruments in various financial institutions with high credit ratings. The Company's policy is to spread its investments among the various institutions.

As of the report date, there were no significant concentrations of credit risk. According to management estimate, the balance in the financial assets of each of the financial assets represents the maximum exposure to credit risk.

Other financial assets the redemption date of which was not yet due and with no collection in arrears

	December 31,	
	2017	**2016**
	Euros in thousands	
Restricted deposits, financial assets and other receivables (except for prepaid expenses and institutions)	7,559	7,100
Tenants (accrued income)	1,198	1,318
Restricted deposits and other non-current receivables	298	267
Loans to associates	8,318	8,318

d. Liquidity risks

Liquidity risk is the risk that the Group will have difficulty meeting obligations in respect of a financial liability. Financial liabilities to banking corporations regarding interest payments are guaranteed through rental payments regularly deposited in designated accounts/collection accounts.

NOTE 15:- FINANCIAL INSTRUMENTS (Cont.)

The Group's goal is to maintain a balance between the receipt of financing and the flexibility in the use of bank loans and debentures.

As of December 31, 2017, 25.37% of the Group's debt will be redeemed within under a year (2016 – 9.5%) (See also Note 11).

The following table sets out the maturity dates of the Group's financial liabilities in accordance with the contractual conditions in non-discounted sums (including interest payments):

December 31, 2017

	Up to one year	From one to two years	From two to three years	From three to four years	From four to five years	Over five years	Total
	Euros in thousands						
Accounts payable	15,693	-	-	-	-	-	15,693
Loans from banking corporations (1)	175,322	50,740	43,772	160,842	124,443	148,739	703,858
Debentures (1)	22,441	21,646	27,153	11,767	10,631	55,549	149,187
Liability for finance leasing	215	215	215	215	215	5,279	6,354
	213,671	72,601	71,140	172,824	135,289	209,567	875,092

December 31, 2016

	Up to one year	From one to two years	From two to three years	From three to four years	From four to five years	Over five years	Total
	Euros in thousands						
Accounts payable	21,784	-	-	-	-	-	21,784
Loans from banking corporations (1)	33,386	171,340	69,678	40,231	169,717	143,875	628,227
Debentures (1)	23,796	22,983	22,169	21,356	19,190	67,201	176,695
Liability for finance leasing	215	215	215	215	215	5,497	6,572
	79,181	194,538	92,062	61,802	189,122	216,573	833,278

(1) The balance of loans from banking corporations and debentures includes interest payments, including the influence of interest swap agreements and interest fixing agreements.

NOTE 15:- FINANCIAL INSTRUMENTS (Cont.)

e. Fair value

The following table demonstrates the carrying amount and fair value of the groups of financial instruments that are not presented in the financial statements at fair value:

As of December 31, 2017

	Carrying amount in the statement of financial position	Fair value
	Euros in thousands	
Financial liabilities		
Debentures and interest payable on debentures	129,003	142,868

As of December 31, 2016

	Carrying amount in the statement of financial position	Fair value
	Euros in thousands	
Financial liabilities		
Debentures and interest payable on debentures	149,794	161,297

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

The following are the methods and assumptions used to determine fair value:

- The fair value of marketable debentures is based on quoted prices as of the cut-off date.

The fair value of financial instruments that are not quoted on an active market is determined using valuation techniques. Valuation tools specific to financial instruments include:

- The fair value of interest swap contracts and interest CAP agreements is based on a calculation of the present value of an estimate of future cash flows, using observable return curves.

NOTE 15:- FINANCIAL INSTRUMENTS (Cont.)

- The fair value of credit from banking corporations and debentures is based on a calculation of discounted cash flows using the observed actual Euribor credit rate plus a margin (See also note 11).

The following describes unobservable material data that are used in valuation:

	Valuation technique	unobservable data material	Range weighted) (average	fair of Sensitivity in change to value data
Interest swap transactions	DCF	Payment curve	Euribor curve for transaction period	2% increase/decrease in Euribor curve will result in increase/decrease in fair value up to € 5.1 million

As to the data of investment property fair value, see note 8.

f. Derivatives and hedging

	December 31, 2017		December 31, 2016	
	Asset	Liability	Asset	Liability
	Euros in thousands			
Fair value of swap agreements (1)	-	(449)	1	(875)
Fair value of currency exchange transactions (2)	-	(4,271)	2,146	-

(1) Cash flow hedges:

As of December 31, 2017, the Group has interest rate swap agreements (SWAP) in the sum of € 101,268 thousand according to which the Group pays a fixed interest rate at the range of 0.235% - 0.5% and receives variable interest at a rate equal to Euribor for three months.

As of December 31, 2017, the Group has CAP options on loan principals in the amount of approximately € 11,679 thousand to fix a Euribor interest rate.

(2) Currency exchange transactions:

As of December 31, 2017, the Group has various agreements for a future sale of EURO against future purchases of U.S dollar in the total amount of € 70 million and at average forward rate of € 1.18 to the dollar.

NOTE 15:- FINANCIAL INSTRUMENTS (Cont.)

g. Sensitivity tests relating to changes in market factors

	December 31,	
	2017	**2016**
	Euros in thousands	
Sensitivity test to changes in interest rates		
Effect on profit and loss and other comprehensive income		
For loans		
Interest increase of 200 base points	(4,033)	1,227
Interest decrease of 200 base points *)	*	(1,227)
For Swap and CAP transactions		
Interest increase of 200 base points	4,588	1,951
Interest decrease of 200 base points *)	(5,079)	(2,027)
For debentures		
CPI increase of 3%	(3,442)	(3,934)
CPI decrease of 3%	1,440	1,769
EURO/NIS exchange rate increase of 5%	(5,118)	(7,396)
EURO/NIS exchange rate decrease of 5%	5,118	7,396
For currency hedging transactions		
EURO/Dollar exchange rate increase of 5%	3,500	2,000
EURO/ Dollar exchange rate decrease of 5%	(3,500)	(2,000)

*) the Company's financing agreements determine that the Euribor rate for charging interest will not be below 0%.

Sensitivity tests and principal working assumptions

The fluctuations chosen in the relevant risk variables were set in accordance with management assessments regarding possible reasonable changes in these risk variables.

The Company has performed sensitivity tests of principal market risk factors that are liable to affect its reported operating results or financial position.

The sensitivity tests present the profit or loss and/or the comprehensive income with respect to each financial instrument for the relevant risk variable chosen for that instrument as of each reporting date. The test of risk factors was determined based on the materiality of the exposure of the operating results or financial condition of each risk with reference to the functional currency and assuming that all the other variables are constant.

The Group is not exposed to changes in profit/loss due to interest risk with respect to long-term loans at fixed interest.

In non-current variable-interest loans measured at amortized cost, the sensitivity test for interest risk was only performed on the variable component of interest.

NOTE 15:- FINANCIAL INSTRUMENTS (Cont.)

In loans presented at fair value, the sensitivity test for the interest risk was carried out on the variable component of the capitalization interest, the market margin, as well as the variable component of the payment interest.

NOTE 16:- TAXES ON INCOME

a. Tax laws applicable to the Group companies

1. The Company has revenues from real estate investments in Germany. In accordance with the tax treaty between Germany and the Netherlands and between Germany and Luxemburg, real estate revenues are only taxed at the location of the real estate.

2. The following are tax rates applicable to the Company and its key subsidiaries:

State	%
The Netherlands	25
Germany (*)	15.825 – 31.225
Luxemburg	29.22

*) Earnings from the sale of apartments are subject to a local business tax in Germany. The corporate tax and the local business tax rate amount to 31.225%.

3. Earnings from the sale of the shares of a Dutch company, Luxembourgian company and a German company by a Dutch company are tax-exempt in the Netherlands subject to meeting the terms of exemption from participation set forth in Dutch law. Earnings from the sale of a German company by a German company are taxable at a 5% corporate tax rate on the taxable income.

Earnings from the sale of the shares of a Luxembourgian company by a Luxembourgian company are tax-exempt in Luxemburg subject to meeting the terms of exemption from participation set forth in Luxembourgian law which are minimal holding of 10% or investment of at least € 6 million for 12 consecutive months and both companies (seller and sold) are subject to tax in Luxemburg (and pursuant to the prescribed laws).

b. Tax assessments

Final tax assessments

The Company was issued final tax assessments in Holland until and including 2012. Some subsidiaries that are tax assessed in Holland were issued final tax assessments until and including 2013 and some were issued final tax assessment from their establishment date. Most of the companies that are tax assessed in Germany were issued tax assessments until and including 2011 or that these assessments are deemed final due to the statute of limitations. These tax assessments may be changed until the end of 2016.

NOTE 16:- TAXES ON INCOME (Cont.)

c. Losses carried forward for tax purposes and other temporary differences

The Group has business losses and capital losses for tax purposes carried forward for tax purposes on the coming years, totaling as of December 31, 2017 approximately € -39,980 thousand. In respect of these losses, deferred tax assets have been recognized in the financial statements in the amount of approximately € 6,327 thousand.

d. Deferred taxes

	Statements of financial position	
	December 31,	
	2017	2016
	Euros in thousands	
Deferred tax liabilities		
Inventory of buildings under construction, inventory of real estate and investment property	(101,602)	(73,433)
Non-current liabilities	(968)	(235)
Revaluation of financial derivatives	-	(1,205)
Debentures	(160)	(245)
Other payables	-	(218)
Change of controlling shareholders (*)	(1,121)	
	(103,851)	(75,336)
Deferred tax assets		
Losses carried forward for tax purposes	6,327	10,845
Revaluation of financial derivatives	892	-
Accounts receivable	144	-
Deferred tax liabilities, net	7,363	10,845
Deferred taxes are presented in the statement of financial position as follows:		
Non-current assets	1,438	3,608
Non-current liabilities	(97,926)	(68,099)
	(96,488)	(64,491)

NOTE 16:- TAXES ON INCOME (Cont.)

	Statements of profit or loss		
	Year ended December 31,		
	2017	2016	2015
	Euros in thousands		
Deferred tax liabilities			
Inventory of buildings under construction, inventory of real estate and investment property	26,563	16,441	18,603
Non-current liabilities	733	(254)	(172)
Revaluation of financial derivatives	(2,097)	(6,839)	4,930
Change of controlling shareholders	1,121		
Other payables	(316)	218	-
	26,004	9,566	23,361
Deferred tax assets			
Losses carried forward for tax purposes	4,518	14,785	(11,018)
Debentures	(85)	(192)	1,302
	4,433	14,593	(9,716)
Deferred tax expenses, net	30,437	24,159	13,645

The deferred taxes are computed at an average tax rate of 15.825% (2016 and 2015 - 15.825%) based on the tax rates expected to apply on realization. Deferred taxes in respect of inventory of apartments under construction and inventory of real estate are calculated at a tax rate of 31.225%. Deferred taxes in respect of carryforward tax losses in Holland are calculated at a tax rate for these losses to be utilized.

NOTE 16:- TAXES ON INCOME (Cont.)

e. Taxes on income included in the statements of profit or loss

	Statement of profit or loss		
	Year ended December 31,		
	2017	2016	2015
	Euros in thousands		
Deferred taxes, see also d. above	24,413	24,159	13,645
Current taxes and taxes in respect of previous years	7,276	2,427	1,080
Tax expenses	31,689	26,586	14,725

f. Theoretical tax

The following is the reconciliation between the tax expense, assuming that all revenues and expenses, gains and losses in the statement of profit or loss had been taxed at the statutory tax rate in Holland and the amount of taxes on income charged in the statement of profit or loss:

	Year ended December 31,		
	2017	2016	2015
	Euros in thousands		
Income before taxes on income	150,733	115,292	92,217
Statutory tax rate in Holland	25%	25%	25%
Tax calculated using statutory tax rate	37,683	28,823	23,054
Balances for which deferred taxes were not recognized	(1,023)	2,910	(2,479)
Deferred tax assets created in other tax rate	(7,399)	(8,010)	(5,850)
Taxes for previous periods and others, net	2,428	2,863	-
Taxes on income	31,689	26,586	14,725

NOTE 17:- CONTINGENT LIABILITIES, COMMITMENTS AND LIENS

a. Commitments, liens and collaterals

1. As collateral for non-recourse loans from banking corporations, liens have been registered on investment properties and also on the bank accounts into which rental fees are received, rights in respect of insurance policies, a lien on the shares of the company holding the asset etc. (see Note 11). Each property is owned by a consolidated SPV company. In respect of some of the properties, a cross-guarantee secures credit facilities taken for acquisition of the properties.

   Some of the loan agreements contain "negative lien" provisions, whereby the borrowers are prohibited from creating additional liens on the encumbered assets and revenues, without receiving the prior explicit consent of the lender.

2. As part of the loan agreement signed in November 2013 with a German bank for the purpose of obtaining € 101.4 million for financing Stage B of the project in Dusseldorf, the Company extended a guarantee of € 12.4 million, out of which an autonomous guarantee of € 8.9 million is in favor of the local authority to secure the liabilities of the project companies according to the development agreement with the local authority. The guarantee balance of € 3.5 million will be used for issuing guarantees to performing contractors. The annual interest of the guarantee is 1.25% and is calculated only in respect of the amount actually extended as guarantee. The balance of guarantee as of December 31, 2017 amounted to € 4.9 million.

3. Regarding the pledge provided in respect of debentures, see Note 11c - e.

4. The balances of secured liabilities are as follows:

	December 31,	
	2017	2016
	Euros in thousands	
Non-current liabilities (including current maturities), see Note 11	814,490	748,561

NOTE 17:- CONTINGENT LIABILITIES, COMMITMENTS AND LIENS

6. As part of the development of the inventory of buildings under construction for Stage A (see Note 6), the Company entered into a contract with the contractor. As of December 31, 2017 the construction work was finalized by the contractor. In the final settlement of accounts, the contractor requested additional payment from the Company in the amount of € 12.5 million. The Company rejected the arguments of the contractor and demanded that the contractor will compensate the Company for an amount (which is still not final) of € 4 million due to various breaches of the contract by the contractor. As per the Company and based on the opinion of its legal counsel the likelihood that the Company will be required to bear any extra payment to the contractor is low.

b. Claims

Lawsuits have been filed against the Group totaling some € 102 thousand. In the estimation of Group management, relying *inter alia* on the opinions of its legal counsel, the provisions contained in the financial statements are sufficient to cover the possible exposure, if any, as a result of these lawsuits.

c. Commitments

With respect to some of the Company's assets, the Company entered into agreements with various investors (the investors) for the purpose of investments in joint ventures such that the Company's share in the joint ventures amounts to 58% - 77% and the investors' share amounts to 23%- 42%. To the best knowledge of the Company, these investors are members of the "investors' club" that was established by aformer interested party company and some of the investors are former interested parties in the Company.

The following are the main terms of the joint venture commitment:

1. The Company shall be, at anytime, the managing partner and the controlling shareholder in the joint venture.

NOTE 17:- CONTINGENT LIABILITIES, COMMITMENTS AND LIENS

2. The joint venture shall pay the Company management fees of 2.5% of the rental income.
3. The Company shall be entitled to 20% of the investors' share in the profit after the full return of their investment plus an annual yield of 8% on their investment (Promote).
4. For their relative share in the joint ventures, the investors paid the Company and/or the joint venture their relative share of the total purchase cost.

The share of the investors is presented in non controlling interests and their investment balance, as of December 31, 2017, amounts to € 88.7 million.

NOTE 18:- EQUITY(NUMBER OF SHARES)

a. Composition of share capital

	December 31, 2017		December 31, 2016	
	Authorized	Issued and paid-up	Authorized	Issued and paid-up
Ordinary shares of € 0.01par value each	22,500,000	7,730,875	22,500,000	6,612,819

b. Movement in share capital in the reported period and the previous year

1. With respect to exercise of options by the Company's employees, see e2 below.
2. The movement in issued and outstanding share capital in the report period:

	Number of shares	Euro par value in thousands
Balance as of January 1, 2017	6,612,819	66,128
Issuance of capital, net	598,540	5,985
Exercise of stock options into shares	691,499	5,196
Balance as of December 31, 2017	7,730,875	77,309

NOTE 18:- EQUITY (Cont.)

c. Capital management in the Company

The Company acts in order to guarantee a capital structure allowing the Company to support its channels and maximize value to its shareholders. The Company manages the structure of its capital and makes changes in accordance with changes in the environment in which the Company operates.

d. Treasury shares - shares of the Company held by the Company

The holdings of the Company in the Company's shares are as follows:

	December 31,	
	2017	**2016**
Percentage of issued share capital	0.4%	0.6%

e. Employee options

1. On July 8, 2013 and July 17, 2013, the members of the Remuneration Committee and the Board of Directors (respectively) approved the Employee Stock Option Plan to employees who are not Israeli residents that are employed by the Company (2013 Plan) and an Employee Stock Option Plan to employees who are Israeli residents pursuant to section 102 to the Income Tax Ordinance (New Version) – 1961 (the Ordinance) in capital gain track (2013/102 Plan, 2013 Plan and 2013/102 Plan will be called collectively – the Plans or the New Plans) under which, subject to obtaining all required approvals, a total of 441,524 non marketable options (ESOP3) exercisable into 441,524 of the Company's shares will be allocated to the Company's officers, including joint CEO's and the CEO of a subsidiary who serves also as a director in the Company. On October 29, 2013, the general meeting of the Company's shareholders approved the aforesaid resolutions. On January 27, 2016 and February 4, 2016, the Company's remuneration committee and the Board of Directors (respectively) approved a modification to the plans from 2013 for the allocation of options to employees (ESOP 3) (the existing plans) with respect to the acceleration of the vesting dates as follows: the Company's competent organs may approve a mechanism for accelerating the entitlement of all or any of the offerees with respect to all or any of the warrants that were not yet vested in case the employee is dismissed (other than in circumstances where he is not entitled to severance pay as specified in the Severance Pay Law – 1963) and/or upon transferring the control of the Company. The modification of the plans and the approval of accelerating the entitlement dates for exercising non marketable ESOP 3 options issued to joint CEOs and the VP of entrepreneurship and development of the Company received the approval of the Company's general meeting of shareholders which was called for March 21, 2016.

   The fair value of the warrants, which is calculated based on the binomial model, as of the grant date, is approximately EUR 13.329 on average for each warrant and in total EUR 5,883 thousand.

NOTE 18:- EQUITY (Cont.)

2. In the reported period, the group's employees and officers exercised in various dates a total of 426,274 options into the Company's 251,386 shares under Cashless mechanism such that the exercise increment amounted to 10 Agorot for each share.
3. Acceleration of the vesting period of the Company's employee share option plan (ESOP -3) - as a result of the change in the control of the Company's shares *as defined in the securities law- 1968) that took place in June 2017, the vesting period of the options has ended and all options are available for immediate exercise. Following the acceleration of the vesting period ,the Company recognized a one-time expense of EUR 0.4 million ,as part of the cost of a share-based payment against a capital reserve

Expense recognized in the financial statements

The expense recognized in the general and administrative expense line item in the financial statements for services received from the Company's employees is presented in the following table:

Year ended December 31, 2017	2016	2015
Euros in thousands		
871	1,227	1,525

4. Movement during the year

The following table features the number of options for shares, the weighted average of their exercise price and the changes made to the employee option plans during the current period:

	Year ended December 31, 2017		2016		2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		Euro		Euro		Euro
Share options at beginning of year	426,274	39.67	441,524	37.65	678,802	29.03
Share options granted during the year	-	-	-	-	-	-
Share options forfeited during the year	-	-	-	-	-	-
Share options exercised into shares during the year *)	426,274	42.18	(15,250)	32.74	(237,278)	22.74
Share options at end of year	-	-	426,274	39.67	441,524	37.65
Share options exercisable at end of year	-	-	131,924	41.95	-	-

*) Average share price in 2017 is € 88.97.

NOTE 18:- EQUITY (Cont.)

f. Classifications according to Dutch law - statutory capital reserve

In accordance with Dutch law provisions applicable to the Company, gains from fair value adjustments, which have not been realized, cannot be distributed as dividends. In addition, earnings of investees cannot be distributed as dividends, unless distributed by the subsidiaries themselves. At the same time, according to Dutch law, these earnings can be distributed only after their conversion into share capital and a reduction in equity as a result of the dividend distribution.

In the reported period, the Company classified the distributable earnings out of the statutory capital reserve. Accordingly, the balance of distributable earnings as of December 31, 2017 is EUR 133,630 thousand.

g. Capital distribution to shareholders

On January 11, 2016, the Company' general meeting of shareholders approved to carry out a capital distribution to its shareholders in the total amount of EUR 6,041 thousand (a total of EUR 6,012 thousand was paid to the Company's shareholders net of the share of treasury shares) out of the premium reserve of the Company's shares. As a result of the capital distribution, the exercise price of the non marketable warrants was adjusted.

NOTE 19:- SUPPLEMENTARY INFORMATION TO ITEMS OF STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended December 31,		
	2017	2016	2015
	Euros in thousands		
a. Cost of maintenance of rental properties:			
Salaries, electricity, water and gas	2,456	1,941	1,513
Maintenance and repairs	4,376	3,342	2,956
Land taxes	748	749	632
Insurance	91	124	127
Doubtful accounts and bad debts	1,079	1,714	1,633
Marketing	939	933	1,241
Others	-	-	3
	9,689	8,803	8,105
b. general and administrative expenses			
Property management, salary expenses and others	7,428	9,108	7,751
Legal and other professional services	2,755	2,271	2,450
Travel expenses, rent and office maintenance and others	1,316	1,215	889
	11,499	12,594	11,090
c. Interest income, deposits and others	39	25	82

NOTE 19:- SUPPLEMENTARY INFORMATION TO ITEMS OF STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Cont.)

	Year ended December 31, 2017	2016	2015
	Euros in thousands		
d. Financial expenses, net			
(1) Interest, bank charges and others			
Interest expenses on loans and debentures	(16,222)	(18,012)	(18,956)
Bank charges, guarantee commission and others	(163)	(157)	(186)
Leasing finance expenses	(206)	(206)	(206)
	(16,591)	(18,375)	(19,348)
(2) Amortization of finance costs and others			
Amortization of financial costs on loans and debentures	(2,938)	(2,341)	(1,814)
	(2,938)	(20,716)	(21,162)
e Effect of exchange rate differences and currency hedging transactions, net			
Gain (Loss) from exchange rate differences in respect of debentures and cash, net	4,047	(7,185)	(13,168)
Linkage differences in respect of debentures	(483)	512	716
Income(loss) from currency hedging transactions	(6,569)	3,274	15,876
	(3,005)	(3,399)	3,424
. Change in value of loans and interest rate swap and currency hedging transactions, net			
Gain from revaluation of interest rate swap, net	421	75	6,949
Gain (Loss) from revaluation of loans according to fair value, net	264	(3,868)	(926)
	685	(3,793)	6,023

NOTE 20:- NET EARNINGS PER SHARE

a. Details of number of shares used in calculating net earnings per share

	Year ended December 31,					
	2017		2016		2015	
	Weighted number of shares	Net income attributable to equity holders of the Company	Weighted number of shares	Net income attributable to equity holders of the Company	Weighted number of shares	Net income attributable to equity holders of the Company
	In thousands	Euros in thousands	In thousands	Euros in thousands	In thousands	Euros in thousands
For the purpose of calculating basic net earnings	7,379	101,124	6,606	76,276	6,552	63,439
For the purpose of calculating diluted net earnings	7,379	101,124	6,798	76,276	6,692	63,439

NOTE 21:- OPERATING SEGMENTS

General

Operating segments have been determined based on information reviewed by the Chief Operational Decision Maker (CODM) for the purpose of making decisions with regard to resource allocation and performance assessment (Company Board of Directors). Accordingly, for management purposes, the Group consists of operating segments of business units and has four operating segments, as follows:

Income generating commercial real estate	-	Leasing property for commercial purposes.
Income generating residential real estate	-	Leasing residential real estate.
Land for betterment and value of construction rights	-	Land undergoing betterment.
Residential development	-	Inventory of apartments under construction and inventory of real estate

The operating segments data are based on the accounting policy of the Company.

Segment revenues include rental revenues and revenues from property management.

The segment results reported to the operational decision maker include items that relate directly to segment. Items not allocated include mainly general and administrative expenses, financing costs, financing income, adjustment to fair value of financial instruments and taxes on income, which are managed on a Group basis. See also Note 2y.

NOTE 21:- OPERATING SEGMENTS (Cont.)

Assets allocated directly to the segment represent the balance of investment property and inventory of real estate and apartments under construction and financial derivatives relating directly to the asset company, whilst liabilities allocated directly to the segment are loans and derivatives relating directly to the asset company and also long-term liabilities that are capable of being attributed specifically. The balance of assets and liabilities is not allocated directly to segments.

a. Operating segment report

	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, 2017					
Revenues from property rental	30,821	43,105	198	-	74,124
Revenues from property management and others	6,045	20,879	98	-	27,022
Property management expenses	(6,031)	(20,386)	(96)	-	(26,513)
Rental property maintenance expenses	(3,326)	(5,823)	(540)	-	(9,689)
Total rental and management revenues (expenses), net	27,509	37,775	(340)	-	64,944
Revenues from sale of apartments	-	-	-	58,958	58,958
Cost of sale of apartments	-	-	-	(47,203)	(47,203)
Gain from sale of apartments	-	-	-	11,755	11,755
Other income	2,008	-	-	-	2,008
General and administrative expenses					(11,499)
Selling and marketing and general and administrative expenses attributed to inventory of buildings under construction and inventory of real estate	-	-	-	(2,530)	(2,530)
Cost of share based payment					(871)
Appreciation of investment property, net	3,486	76,748	28,502	-	108,736
Financial expenses, net					(21,810)
Income before taxes on income					150,733

NOTE 21:- 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, 2016					
Revenues from property rental	35,016	36,800	295	-	72,111
Revenues from property management and others	7,308	18,128	103	-	25,539
Property management expenses	(7,274)	(17,687)	(103)	-	(25,064)
Rental property maintenance expenses	(3,027)	(5,546)	(230)	-	(8,803)
Total rental and management revenues, net	32,023	31,695	65	-	63,783
Revenues from sale of apartments	-	-	-	73,935	73,935
Cost of sale of apartments	-	-	-	(58,537)	(58,537)
Gain from sale of apartments	-	-	-	15,398	15,398
General and administrative expenses					(12,594)
Selling and marketing and general and administrative expenses attributed to inventory of buildings under construction and inventory of real estate	-	-	-	(2,644)	(2,644)
Cost of share based payment					(1,227)
Appreciation of investment property, net	17,758	58,445	4,256	-	80,459
Financial expenses, net					(27,883)
Income before taxes on income					115,292

NOTE 21:- 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, 2015					
Revenues from property rental	34,256	31,747	412	-	66,415
Revenues from property management and others	8,098	18,152	27	-	26,277
Property management expenses	(7,189)	(16,856)	(27)	-	(24,072)
Rental property maintenance expenses	(3,816)	(4,051)	(238)	-	(8,105)
Total rental and management revenues, net	31,349	28,992	174	-	60,515
Revenues from sale of apartments	-	-	-	68,372	68,372
Cost of sale of apartments	-	-	-	(54,637)	(54,637)
Gain from sale of apartments	-	-	-	13,735	13,735
General and administrative expenses					(11,090)
Selling and marketing and general and administrative expenses attributed to inventory of buildings under construction and inventory of real estate	-	-	-	(2,041)	(2,041)
Cost of share based payment					(1,525)
Appreciation of investment property, net	13,423	9,948	20,885	-	44,256
Financial expenses, net					(11,633)
Income before taxes on income					92,217

NOTE 21:- 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, 2017					
Capital investments	1,695	139,186	450	-	141,313
For the year ended December 31, 2016					
Capital investments	12,112	93,040	1,268	-	106,420
For the year ended December 31, 2015					
Capital investments	7,157	37,683	2,120	-	46,960
As of December 31, 2017					
Segment assets	463,042	828,694	67,094	128,999	1,487,829
Unallocated assets					142,778
Segment liabilities	242,672	402,522	9,503	32,590	687,287
Unallocated liabilities					250,833
As of December 31, 2016					
Segment assets	483,385	609,631	101,939	67,736	1,262,691
Unallocated assets					111,359
Segment liabilities	267,381	306,053	11,462	26,541	611,437
Unallocated liabilities					242,311

NOTE 22:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES

a. Balances with interested and related parties

As of December 31, 2017

	On the matter of terms see Note	Controlling shareholder (the Parent Company)	Key management personnel	Interested parties and other related parties
		Euros in thousands		
Loans to associates		-	-	8,318
Highest loan balance and current receivables during the year	See b. below	-	-	5,005

As of December 31, 2016

	On the matter of terms see Note	Controlling shareholder (the Parent Company)	Key management personnel	Interested parties and other related parties
		Euros in thousands		
Loans to associates		-	-	8,318
Highest loan balance and current receivables during the year	See b. below	-	-	5,005

b. Transactions with interested and related parties

	Year ended December 31,		
	2017	2016	2015
	Euros in thousands		
Financial income		-	7
Management fees and participation in the expenses of related companies	50	198	-

NOTE 22:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (Cont.)

c. Benefits for key management personnel (including directors) not employed by the Company:

	Year ended December 31,					
	2017		2016		2015	
	No. of people	Amount - Euros in thousands	No. of people	Amount - Euros in thousands	No. of people	Amount - Euros in thousands
Cost of share-based payment and capital attribution in respect of transactions with controlling shareholder (excluding directors)	7	871	7	1,254	7	1,744
Short-term employee benefits (excluding directors)	7	3,717	7	2,235	7	1,933

	Year ended December 31,					
	2017		2016		2015	
	No. of people	Amount - Euros in thousands	No. of people	Amount - Euros in thousands	No. of people	Amount - Euros in thousands
Total benefits for directors	11	451	6	290	7	249

Retirement agreements with joint CEOs (- "the CEOs") - Further to the resolution of the Company's Board of Directors on September 5, 2017 to request the CEOs of the Company to remain in their positions for a transition period until the appointment of an alternate CEO for the Company, the Company's remuneration committee held negotiations with the CEOs, for the purpose of entering into agreements with them which will stipulate both the terms of their service during the transition period and the terms of their retirement. On October 30, 2017, the remuneration committee submitted its recommendation on this matter to the Board of Directors of the Company and recommended that the Board of Directors of the Company approve the terms of their service during the transition period and the retirement period detailed below:

- The agreement's term: the CEOs will remain in office until June 30, 2018, so long as the Company's Board of Directors does not appoint a CEO for the Company prior to that date.

NOTE 22:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (Cont.)

- Retirement grants: a retirement grant equal to 12 salaries for each of the CEOs according to the provisions of section 9.4.2 of the Company's remuneration policy while taking into account that they served in the Company as CEOs for over 10 years and subject to the approvals that are required in accordance with any law.
- Acquisition of Beta shares: acquisition of 0.55% of Beta's shares from each of the CEOs, including their entitlement to Promote from Brack Capital First B.V. for a total consideration of € 1.5 million per person.
- Redemption of vacation days to Ofir Rachamim: Ofir Rahamim, through a company owned by him, will be entitled to redeem 65 vacation days.
- Redemption of vacation days and severance pay to Gal Tenenbaum: the Company will pay Gal Tenenbaum redemption of vacation days and severance pay according to his entitlement under the law.
- Bonus: Target based bonus for 2017:as was approved by the general meeting of the Company's shareholders on March 22, 2017 (following the approval of the remuneration committee and the Board of Directors of the Company on January 17, 2017 and February 7, 2017, respectively) will be calculated on the basis of financial and/or operational data (as the case may be) of the Company as of December 31, 2017 and will be paid to Gal and Ofir - if and to the extent that they meet all/some of the aforesaid targets that were determined and as the case may be - until the end of January 2018.
- Lack of mutual claims.

On November 16, 2017, the Company's Board of Directors accepted the recommendation of the remunerations committee and approved the terms of the said retirement and the agreement was approved by the general meeting of the Company's shareholders on December 27, 2017. Consequently, the Company recognized in its financial statements for 2017 a onetime expense of € 0.9 million. It should be noted that the acquisition of the Beta shares from the CEOs, which took place during January 2018, increased the Company's holding rate in Beta from 83% to 84.98% (after weighting the Promote mechanism.

NOTE 23:- DISCLOSURE ACCORDING TO IAS 1 FOR AMOUNTS EXPECTED TO BE SETTLED OR EXTINGUISHED 12 MONTHS AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

As stated in note 2k, the Group has two operating cycles. The operating cycle of apartments under construction is three years. The operating cycle of the remaining activities is one year. Accordingly, current assets and liabilities include items designated and expected to be materialized during the Company's operating cycle.

NOTE 23:- DISCLOSURE ACCORDING TO IAS 1 FOR AMOUNTS EXPECTED TO BE SETTLED OR EXTINGUISHED 12 MONTHS AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION (Cont.)

The following is a disclosure regarding assets and liabilities that are expected to be settled or extinguished, at the most, before 12 months after the date of statement of financial position and assets and liabilities that are expected to be settled or extinguished, at the most, after 12 months after the date of statement of financial position.

	December 31,	
	2017	**2016**
	NIS in thousands	
Assets that are expected to be settled, at the most, before12 months after the date of statement of financial position	175,812	115,782
Assets that are expected to be settled, at the most, after12 months after the date of statement of financial position	1,471,467	1,257,986
Total assets	1,647,279	1,373,768
Liabilities that are expected to be extinguished, at the most, before12 months after the date of statement of financial position	239,335	83,713
Liabilities that are expected to be extinguished, at the most, after12 months after the date of statement of financial position	709,374	769,992
Total liabilities	948,709	853,705

NOTE 24:- CHANGES IN LIABILITIES DERIVING FROM FINANCING ACTIVITIES

	Balance as of January 1, 2017	Cash flows from financing activities, net	Fair value changes	Exchange rate differences	Balance as of December 31, 2017
Long term loans from banks	591,320	76,869	(1,235)	-	666,954
Bonds	147,919	(17,141)	-	(3,307)	127,471
Liabilities in respect of financing lease arrangements	3,148	(53)	-	-	3,095
Total	742,387	59,675	(1,235)	(3,307)	797,520

NOTE 25:- EVENTS AFTER THE REPORTING PERIOD

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

2. **Notice of interested party to the Company pursuant to the provisions of Section 37 of the Securities Law, -1968**, on February 17, 2018, Redzone and ADLER Real Estate AG ("Adler") issued notices to the Company in accordance with the provisions of Section 37 of the Securities Law. As part of these notices, the Company was informed that on February 16, 2018, Redzone entered into an agreement for the purchase of shares with the purchaser pursuant to which the purchaser undertook to purchase from Redzone all of the Company's shares Redzone holds 3,172,910 ordinary shares of the Company, constituting 41.04% of the issued and paid-up share capital and voting rights at a price per share of NIS 440 (i.e., for a total consideration of NIS 1,396 million). The completion of the agreement is subject to several suspending conditions, the principal of which are: (1) approval by the German Federal Cartel Office (German Anti Trust Authority) of the transaction that is the subject of the agreement; (2) completion of the tender offer in such a manner that the purchaser will purchase ordinary shares of the Company constituting at least 5% of the Company's capital, as well as other customary terms. The parties estimate that the completion of the transaction under the agreement is expected to take place at the beginning of April 2018.

3. **Special tender offer -** further to what is stated above in the notice of the interested party, on February 19, 2018, according to the provisions of the Companies Law, -1999 and the Securities Regulations (Tender Offer), -2000, Adler published specifications of the special tender offer for the purchase of up to 1,994,278 ordinary shares of the Company, constituting, as of the date of the report, about 25.8% of the Company's issued and paid up share capital and voting rights on fully diluted basis (excluding 31,688 dormant shares held by the Company).

NOTE 25:- EVENTS AFTER THE REPORTING PERIOD (Cont.)

In the Specifications, Adler indicated that it received commitments from Gal Tenenbaum, Ophir Rahamim and Fred Ganea to respond to the tender offer in relation to all of their holdings in the Company's shares (434,559 ordinary shares of the Company, constituting approximately 5.62% of the Company's capital). The purchaser has granted the management team an option, which will come into effect subject to the completion of the tender offer, to sell to it (at a price per share equal to the price offered in the tender offer) the balance of their holdings in the Company's shares that will not be sold to the purchaser as part of the tender offer.

4. **Sale of hotel in Hamburg, Germany -** on February 23, 2018, a notarized sale agreement was signed ("the sale agreement") between a subsidiary (100%) of the Company ("the Seller") on the one hand and a third party unrelated to the Company and/or its controlling shareholder ("the Purchaser") for the sale of all of its holdings in a sub-subsidiary ("the Sold Company"), which holds a hotel in Hamburg ("the Sold Property") to the Purchaser for a consideration of € 11.9 million (plus adjustments to working capital). The Sold Property with a leasable area of 5,000 square meter is a 3-star hotel with 100 rooms in Hamburg, Germany, leased to a well-known German hotel chain under a lease agreement until 2027. The Sold Property was purchased by the Seller in 2007 for € 8.5 million. The fair value of the Sold Property n the Company's consolidated financial statements as of December 31, 2017 was € 11.6million, taking into consideration deferred taxes assumed by the Purchaser. Upon the completion of the transaction, the Company is expected to recognize an addition profit of EUR 550 thousand. The transaction, the subject of said sale agreement, which is expected to take place during April 2018, is subject to producing senior pledge cancellation documents.

5. Agreement for acquisition of land in an area of approximately 193 thousand square meters in the city of Düsseldorf - On December 8, 2017, the Company entered into a notarized sale agreement with a third party unrelated to the Company and or its controlling shareholder, for the acquisition of all ownership rights in a land with an area of 193 thousand square meters in the Gerresheim neighborhood in Dusseldorf, Germany, for a total consideration of € 141.8 million (including related transaction costs). On the land, 1,300 residential units and 30,000 square meters of commercial spaces, offices and kindergartens and school are planned to be constructed. In order to finance the acquisition, the Company (through a wholly-owned sub-subsidiary) entered into an agreement with a German bank to obtain a loan in the amount of approximately EUR 90 million under recourse terms, the final repayment date of which is 3 years from the date of receiving the loan, bearing interest at a margin of 2% per annum above Euribor's 3 month period. On February 28, 2018 the transaction was completed - the entire consideration was paid to the seller and the full rights in the real estate were transferred to the Company.

7. **<u>6. Agreements for the purchase for 55 residential units in Leipzig, Germany</u>** - During September 2017, the Company entered into a notarized sale agreement with a third party who is unrelated to the Company and/or its controlling shareholder for the purchase of 55 residential units for rental in Leipzig, Germany, at a total price of approximately € 3.9 million. The full consideration was paid to the seller from the Company's own sources at the end of December 2017 and the transaction was completed on January 1, 2018.As to the issue of purchasing shares of Beta from the joint CEOs, see Note 22c.

8. Purchase of residential units in Dortmund - On February 26, 2018, the Company (through a wholly-owned sub-subsidiary) signed a notarized sale agreement with a third party not related to the Company and/or its controlling shareholder for the purchase of 43 residential units in Dortmund for a consideration of € 2.4 million. The transaction completion date is expected at the end of April and will be financed by a bank loan in the amount of about € 1.9 million, bearing fixed annual interest at the rate of 1.46%, and the balance by the Company's shareholders' equity

Appendix of holdings

Material subsidiaries and partnerships

Name of entity	Country of incorporation	December 31, 2017	December 31, 2016
		% in equity	
Brack German Properties BV	The Netherlands	100	100
Brack European Management KFT	Hungary	100	100
Brack Capital (Remscheid) BV	The Netherlands	100	100
Brack Capital (Neubrandenburg) BV	The Netherlands	100	100
Brack Capital (Chemnitz) BV (1)	The Netherlands	60	60
Brack Capital (Hamburg) BV	The Netherlands	100	100
Brack Capital (D-Rosssatrasse) BV	The Netherlands	100	100
Brack Capital (D-Schanzenstrasse) BV	The Netherlands	100	100
Brack Capital Germany (Gelsenkirchen) BV	The Netherlands	99.8	99.8
Brack Capital (Ludiwgsfelde) BV	The Netherlands	100	100
Brack Capital (Bad Kreuznach) BV	The Netherlands	100	100
Brack Capital Germany (Netherlands) XIX BV	The Netherlands	100	100
Brack Capital Beta BV	The Netherlands	83	83
Brack Capital Germany XXVI BV (Netherlands)	The Netherlands	83	83
Brack Capital Germany XXVII BV (Netherlands)	The Netherlands	83	83
Brack Capital Germany XXX BV (Netherlands)	The Netherlands	100	100
Brack Capital Germany XXI BV (Netherlands)	The Netherlands	100	100
Brack Capital Germany (Netherlands) XII B.V.	The Netherlands	100	100
Brack Capital Germany (Netherlands) XLIX B.V.	The Netherlands	100	100
Brack Capital Alfa B.V.	The Netherlands	56.9	56.9
Brack Capital Delta B.V.	The Netherlands	56.9	56.9
Brack Capital Epsilon B.V.	The Netherlands	100	100
Brack Capital Kaufland S.a.r.l.	Luxemburg	100	100
TPL Augsburg S.a.r.l.	Luxemburg	92	92
TPL Bad Aibling S.a.r.l.	Luxemburg	92	92
TPL Borken S.a.r.l.	Luxemburg	92	92
TPL Erlangen S.a.r.l.	Luxemburg	92	92
TPL Geislingen S.a.r.l.	Luxemburg	92	92
TPL Vilshofen S.a.r.l.	Luxemburg	92	92
TPL Biberach S.a.r.l.	Luxemburg	92	92
TPL Ludwigsburg S.a.r.l.	Luxemburg	92	92
TPL Neckarsulm S.a.r.l.	Luxemburg	92	92
BCP Leipzig B.V.	The Netherlands	100	100
BCRE Leipzig Wohnen Nord B.V.	The Netherlands	100	100
BCRE Leipzig Wohnen Ost B.V.	The Netherlands	100	100

(1) jointly controlled

Appendix of holdings (Cont.)

	Country of incorporation	December 31, 2017	December 31, 2016
		% in equity	
BCRE Leipzig Wohnen West B.V.	The Netherlands	100	100
BRACK CAPITAL (WUPPERTAL) GMBH	Germany	94.4	94.4
BCRE Kassel I B.V (former BCRE UK B.V)	The Netherlands	100	100
Brack Capital Germany (Netherlands) XXII B.V.	The Netherlands	100	100
BCRE Dortmund Wohnen B.V.	The Netherlands	100	100
BCRE Duisburg Wohnen B.V.	The Netherlands	100	100
BCRE Essen Wohnen B.V.	The Netherlands	100	100
Brack Capital Germany (Netherlands) XXXVI B.V.	The Netherlands	100	100
Brack Capital Germany (Netherlands) XVII B.V.	The Netherlands	100	100
Brack Capital Germany (Netherlands) XVIII B.V.	The Netherlands	100	100
Brack Capital Germany (Netherlands) XXIII B.V.	The Netherlands	100	100
Brack Capital Germany (Netherlands) XXV B.V.	The Netherlands	100	100
Admiralty Holdings Ltd	Gibraltar	95	95
BCRE Eta B.V.	The Netherlands	100	100
Brack Capital Labda B.V.	The Netherlands	100	100
Hanse Holdings S.á r.l.	Luxemburg	94.9	94.9
Graniak Leipzig Real Estate GmbH & Co. KG	Germany	94.9	94.9
Brack Capital Germany (Netherlands) XXIV B.V	The Netherlands	100	100
Brack Capital Germany (Netherlands) XXXV BV	The Netherlands	100	100
Brack Capital Germany (Netherlands) XXXVII BV	The Netherlands	100	100
Brack Capital Germany (Netherlands) XXXVIII BV	The Netherlands	100	100
Brack Capital Germany (Netherlands) XL BV	The Netherlands	100	100
Parkblick Gmbh & Co. KG	Germany	100	100
Capital Germany (Netherlands) XXXIX BV	The Netherlands	100	100
Brack Capital Germany (Netherlands) XLI BV	The Netherlands	100	100
Brack Capital Germany (Netherlands) XLII BV	The Netherlands	100	100
Brack Capital Germany (Netherlands) XLV BV	The Netherlands	100	100
Brack Capital Theta B.V.	The Netherlands	100	100
Brack Capital Germany (Netherlands) XLIII BV	The Netherlands	100	100
Brack Capital Germany (Netherlands) XLIV BV	The Netherlands	100	100
Brack Capital Germany (Netherlands) XXXI BV	The Netherlands	100	100
Brack Capital Germany (Netherlands) XLVI BV	The Netherlands	100	100
NFB SÜD GmbH & Co. KG (2)	Germany	50	50
Brack Capital Germany (Netherlands) L B.V.	The Netherlands	100	-
Brack Capital Germany (Netherlands) LI B.V.	The Netherlands	100	-
Brack Capital Germany (Netherlands) LII B.V.	The Netherlands	100	-
Brack Capital Germany (Netherlands) LIII B.V.	The Netherlands	100	-
Brack Capital Germany (Netherlands) LIV B.V.	The Netherlands	100	-
Brack Capital Germany (Netherlands) LV B.V.	The Netherlands	100	-
Brack Capital Germany (Netherlands) LVI B.V.	The Netherlands	100	-
Brack Capital Germany (Netherlands) XLVII B.V.	The Netherlands	100	-

Brack Capital Germany (Netherlands) XLVIII B.V.	The Netherlands	100	-
SHIB Capital Future Services Ltd.	Israel	100	-
RT Facility Management GmbH & Co. KG	Germany	94.9	-
Mahren Grundbesitz Magdeburg GmbH	Germany	94.9	-
Mahren Grundbesitz Halle I GmbH	Germany	94.9	-
Mahren Grundbesitz Halle II GmbH	Germany	94.9	-
Mahren Grundbesitz Halle III GmbH	Germany	94.9	-
Mahren Grundbesitz Halle IV GmbH	Germany	94.9	-
Mahren Grundbesitz Halle V GmbH	Germany	94.9	-
Mahren Grundbesitz Leipzig I GmbH	Germany	94.9	-
Mahren Grundbesitz Leipzig II GmbH	Germany	94.9	-
Mahren Grundbesitz Leipzig III GmbH	Germany	94.9	-
Mahren Grundbesitz Leipzig IV GmbH	Germany	94.9	-
Mahren Grundbesitz Leipzig V GmbH	Germany	94.9	-
Mahren Grundbesitz Leipzig VI GmbH	Germany	94.9	-
Mahren Grundbesitz Magdeburg II GmbH	Germany	94.9	-
Mahren Grundbesitz Magdeburg III GmbH	Germany	94.9	-
Mahren Grundbesitz Magdeburg IV GmbH	Germany	94.9	-
Mahren Grundbesitz Magdeburg V GmbH	Germany	94.9	-
Mahren Grundbesitz Magdeburg VI GmbH	Germany	94.9	-

(2) Jointly controlled

BRACK CAPITAL PROPERTIES NV

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

AS OF DECEMBER 31, 2017

IN THOUSANDS OF EUROS

SPECIAL REPORT IN ACCORDANCE WITH REGULATION 9C

FINANCIAL DATA AND FINANCIAL INFORMATION FROM THE CONSOLIDATED FINANCIAL STATEMENTS

ATTRIBUTED TO THE COMPANY ITSELF

The following are financial data and separate financial information attributed to the Company from the consolidated financial statements of the group as of December 31, 2017 published under the periodic reports (consolidated statements) which are presented in accordance with Regulation 9c of the Securities Regulations (Periodic and Immediate Reports), 1970, as the case may be.

The significant accounting policies applied for presenting these financial data were specified in Note 2 of the consolidated financial statements.

Investees are as defined in Note 1b of the consolidated financial statements.

To the Shareholders of Brack Capital Properties NV

Re: special report of the auditor on the separate financial information in accordance with Regulation 9c of the Securities Regulations (Periodic and Immediate Reports), 1970.

We have audited the separate financial information according to regulation 9c of the Securities regulations (Periodic and Immediate Reports), 1970 of Brack Capital Properties NV (hereinafter – the Company), as of December 31, 2017 and 2016 and for the three years ended December 31, 2017 included in the periodic report of the Company. The Board of Directors and Management are responsible for the separate financial information. Our responsibility is to express an opinion on the separate financial information based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Israel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the separate financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the separate financial information. An audit also includes assessing the accounting principles used and significant estimates made by the board of directors and management, as well as evaluating the overall separate financial information presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

Based on our audit, the above separate financial information has been prepared, in all material aspects, in accordance with Regulation 9c of the Securities regulations (Periodic and Immediate Reports), 1970.

Ramat Gan
March 15, 2018

Amit, Halfon, CPAs

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

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

	December 31,	
	2017	**2016**
	Euros in thousands	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (1)	41,382	4,654
Cash and cash equivalents in trust	24,554	2,042
Balances receivable from banks	932	2,221
Other receivables	89	97
	66,957	9,014
NON-CURRENT ASSETS:		
Other financial assets	-	2,146
Investment in investee	657,608	557,960
	657,608	560,106
	724,565	569,120
Current Liabilities		
Other accounts payable	1,655	2,028
Current maturity of debentures	17,399	17,750
Other financial liabilities	492	-
	19,546	19,778
Non-Current Liabilities		
Debentures	110,072	130,169
Other financial liabilities	3,779	
	113,851	
Equity		
Share Capital	77	67
Premium on Shares	144,237	69,221
Treasury Shares	(746)	(883)
Other capital reserves	2,322	6,614
Statutory capital reserve	311,648	233,463
Retained earnings	133,630	110,691
Total equity	591,168	419,173
	724,565	569,120

(1) As of December 31, 2017, the Company has a balance of € 25,109 thousand (in 2016 - € 392 thousand denominated in NIS

March 15, 2018			
Date of approval of the financial statements	Noah Shacham* Independent director	Ofir Rahamim Joint CEO	Guy Priel CFO

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

* Was authorized by the Company's Board of Directors to sign the report on behalf the chairman of the Board Mr. Alexander Dexne on March 15, 2018

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

	Year ended December 31,		
	2017	2016	2015
	Euros in thousands		
Administrative and general expenses	(3,542)	(2,761)	(3,317)
Financial income (expenses), net	(9,395)	(11,187)	2,775
Equity in earnings of investess	114,061	90,224	63,981
Net income	101,124	76,276	63,439
Other comprehensive income	-	-	-
Total comprehensive income	101,124	76,276	63,439

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

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

	Year ended December 31,		
	2017	2016	2015
	Euros in thousands		
Cash flows from operating activities:			
Net income attributed to the Company's shareholders	101,124	76,276	63,439
Adjustments required to present net cash provided by operating activities:			
Adjustments to the profit or loss items:			
Financial expenses (income), net	9,799	11,110	478
Cost of share-based payment	871	1,227	1,525
Capital reserve adjustment in respect of transactions with controlling shareholder	432	80	179
Equity in earnings of investees	(114,061)	(90,224)	(63,981)
	(102,959)	(77,807)	(61,799)
Changes in assets and liabilities items:			
Decrease (increase) in other receivables and related parties	8	(27)	3
Increase (decrease) in other accounts payable and related parties	11	(26)	109
	19	(53)	112
Net cash provided by (used in) operating activities	(1,816)	(1,584)	1,752
Cash Flows from investing activities			
Withdrawal (deposits) of restricted deposits	-	530	(530)
Change in investment in investees, net	(8,146)	(9,853)	(4,805)
Interest received and exercise of derivatives	1,083	25,174	-
Net cash provided by (used in) investing activities	(7,063)	15,851	(5,335)

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

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

	Year ended December 31,		
	2017	2016	2015
	Euros in thousands		
Cash flows from financing activities			
Interest paid	(5,853)	(5,908)	(6,469)
Issuance of shares and stock options, net	46,916	-	-
Repayment of SWAP transactions, transaction costs and sale of derivatives, net	-	-	7,141
Issuance of debentures, net	-	14,127	-
Distribution of capital to the Company's shareholders	-	(6,012)	-
Repayment of debentures	(18,101)	(17,117)	(17,012)
Exercise of stock options	22,645	147	717
Net cash provided by (used in) financing activities	45,607	(14,763)	(15,623)
Change in cash and cash equivalents	36,728	(496)	(19,206)
Balance of cash and cash equivalents at the beginning of the year	4,654	5,150	24,356
Balance of cash and cash equivalents at the end of the year	41,382	4,654	5,150

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

a. - General

This separate financial information has been prepared in a condensed format in accordance with Regulation 9c of the Securities Regulations (Periodic and Immediate Reports), 1970. This separate financial information should be read in conjunction with the annual financial statements as of December 31, 2017 and for the year then ended and the additional information.

b. Material events during and after the reported period

1. Capital issuance – on January 31, 2017, the Company completed a public offering in Israel of 598,540 shares and 299,270 warrants (Series 1) exercisable into 299,270 shares of the Company at a total monetary scope of EUR 49.5 million (gross) by a uniform offer in the tender on the unit price pursuant to a shelf offering report that was published on January 29, 2017 by virtue of the shelf prospectus bearing the date of May 29, 2015. In the second and third quarters of 2017, 268,130 warrants (Series 1) were exercised into the Company's shares for a total consideration of EUR 22,644 thousand. The remaining 31,140 warrants (Series 1) that were not exercised until the last exercise date (July 31, 2017) have expired.

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

3. Notice of interested party to the Company pursuant to the provisions of Section 37 of the Securities Law, -1968, on February 17, 2018, Redzone and ADLER Real Estate AG ("Adler") issued notices to the Company in accordance with the provisions of Section 37 of the Securities Law. As part of these notices, the Company was informed that on February 16, 2018, Redzone entered into an agreement for the purchase of shares with the purchaser pursuant to which the purchaser undertook to purchase from Redzone all of the Company's shares Redzone holds 3,172,910 ordinary shares of the Company, constituting 41.04% of the issued and paid-up share capital and voting rights at a price per share of NIS 440 (i.e., for a total consideration of NIS 1,396 million). The completion of the agreement is subject to several suspending conditions, the principal of which are: (1) approval by the German Federal Cartel Office (German Anti Trust Authority) of the transaction that is the subject of the agreement; (2) completion of the tender offer in such a manner that the purchaser will purchase ordinary shares of the Company constituting at least 5% of the Company's capital, as well as other customary terms. The parties estimate that the completion of the transaction under the agreement is expected to take place at the beginning of April 2018.

4. Special tender offer - further to what is stated above in the notice of the interested party, on February 19, 2018, according to the provisions of the Companies Law, -1999 and the Securities Regulations (Tender Offer), -2000, Adler published specifications of the special tender offer for the purchase of up to 1,994,278 ordinary shares of the Company, constituting, as of the date of the report, about 25.8% of the Company's issued and paid up share capital and voting rights on fully diluted basis (excluding 31,688 dormant shares held by the Company).

In the Specifications, Adler indicated that it received commitments from Gal Tenenbaum, Ofir Rahamim and Fred Ganea to respond to the tender offer in relation to all of their holdings in the Company's shares (434,559 ordinary shares of the Company, constituting approximately 5.62% of the Company's capital). The purchaser has granted the management team an option, which will come into effect subject to the completion of the tender offer, to sell to it (at a price per share equal to the price offered in the tender offer) the balance of their holdings in the Company's shares that will not be sold to the purchaser as part of the tender offer.

Brack Capital Properties N.V.
Chapter D - Additional Details about the Corporation

Regulation 10a Quarterly Condensed Consolidated Statements of Profit or Loss (EUR thousands):

	2017				
	Q1	Q2	Q3	Q4	Total for four quarters
Income from the lease of assets	18,129	18,233	18,536	19,226	74,124
Income from the management of assets and other	7,153	7,013	6,944	5,912	27,022
Asset management expenses	(6,750)	(6,883)	(6,728)	(6,152)	(26,513)
Maintenance cost of assets for lease	(2,289)	(2,510)	(2,466)	(2,424)	(9,689)
Net lease and management income	16,243	15,853	16,286	16,562	64,944
Revenues from the sale of apartments	8,371	857	2,336	47,394	58,958
Cost of sale of apartments	(6,627)	(2,679)	(1,564)	(36,333)	(47,203)
Profit from sale of apartments	1,744	(1,822)	772	11,061	11,755
Other income	-	2,008	-	-	2,008
General and administrative expenses	(2,355)	(2,893)	(2,604)	(3,647)	(11,499)
General and administrative expenses attributed to the Dusseldorf project	(724)	(460)	(502)	(455)	(2,141)
Marketing and selling expenses attributed to the project in Dusseldorf	(172)	(125)	(30)	(62)	(389)
Cost of share-based payment	(218)	(653)	-	-	(871)
Operating profit before change in value of investment property and other investments, net	14,518	11,908	13,922	23,459	63,807
Appreciation (depreciation) of investment property, net	21,207	71,790	8,807	6,932	108,736
Operating profit (loss)	35,725	83,698	22,729	30,391	172,543
Financing income	26	13	-	-	39
Financing expenses without impact of exchange rate, index and currency hedging transactions	(4,924)	(4,976)	(5,116)	(4,513)	(19,529)
Impact of exchange rate, index and currency hedging transactions, net	(4,749)	(771)	3,635	(1,120)	(3,005)

Increase (decrease) of value of loans and interest rate swaps, net	288	(142)	128	411	685
Profit (loss) before income taxes	26,366	77,822	21,376	25,169	150,733
Tax benefit (expenses)	(2,204)	(18,165)	(3,931)	(7,389)	(31,689)
Net profit (loss)	24,162	59,657	17,445	17,780	119,044
Net profit (loss) attributable to:					
Shareholders of the Company	22,582	44,839	15,908	17,795	101,124
Non-controlling interests	1,580	14,818	1,537	(15)	17,920

<u>Regulation 11</u> Investments in Material Subsidiaries and Associated Companies

Company name	Number of shares in registered capital	Issued and paid up capital	Par value	The value of the separate financial statements of December 31, 2017 (EUR thousands)	Equity rate	Voting rate	Rate of authority to appoint directors	Balance of bonds and loans provided (received) in the financial statement as of December 31, 2017 (USD thousands)
Brack German Properties BV	9,000,000	1,978,261	EUR 0.01	651,493	100%	100%	100%	-
Brack European Kft	N/A	3,100,000	N/A	83	100%	100%	100%	-

<u>Regulation 12</u> Changes in Investments in Material Subsidiaries and Associated Companies in 2017

See the section "Material and other events during the reported period" in Chapter B, "Directors' Report on the State of the Company's Affairs", which is attached to this periodic report.

<u>Regulation 13</u> Income of Material Subsidiaries and Associated Companies

Company name[1]	As of December 31 2017			
	Dividends and management fees Received by the Company in EUR thousands	**Interest revenue received by the Company in EUR thousands**	**Profit (loss) after tax**	**Profit (loss) before tax**
Brack German Properties BV[2]	22,784	2	9,753	10,193
Brack European KFT	-	-	12	12
Brack Capital Germany (Netherlands) XLV BV[3]	1,861	14,047	15,902	15,902
Brack Capital (Hamburg) B.V	-	-	936	1,090
Brack Capital (Dusseldorf-Rossstrasse) B.V	-	-	678	777
Brack Capital (Dusseldorf-Schanzenstrasse) B.V	-	-	(489)	(583)
Brack Capital (Gelsenkirchen) B.V	-	-	1,303	1,507
Brack Capital (Bad Kreuznach) B.V	-	-	(704)	(782)
Brack Capital (Chemnitz) B.V	-	-	-	-
Brack Capital (Neubrandenburg) B.V	-	-	192	272
Brack Capital (Ludwigsfelde) B.V	-	-	906	1,049
Brack Capital (Remscheid) B.V	-	-	17	19
Brack Capital Germany (Netherlands) XIX B.V	-	-	1,455	1,742
Brack Capital Beta B.V[4]	-	-	15,848	19,967
Brack Capital Germany (Netherlands) XXX B.V	-	-	4,809	6,008
Brack Capital Germany (Netherlands) XXI B.V	-	-	4,415	5,242
Brack Capital Alfa B.V	-	-	2,095	2,537
Brack Capital Delta B.V	-	-	1,722	2,357
Brack Capital Epsilon B.V	-	-	1,384	1,603
Brack Capital Kaufland S.a.r.l[5]	-	-	(1,135)	(1,119)
BCP Leipzig B.V[6]	-	-	26,882	44,512
Invest Partner Gmbh	-	-	2,035	2,535
Object Kassel invest. Gmbh & Co. KG	-	-	704	1,027
BCRE Eta B.V. and Admiralty holdings ltd.	-	-	3,095	3,633
Brack Capital Theta B.V and Graniak Leipzig Real Estate GmbH & Co. KG	-	-	4,245	5,583
Brack Capital Labda B.V and Hanse Holdings S.a r.l	-	-	12,380	15,373

[1] Excluding inactive companies in which the investment and operating results are negligible.

[2] Constitutes part of the consolidation of companies for tax purposes; the attribution of taxes is performed on the level of the parent company.

[3] Constitutes part of the consolidation of companies for tax purposes; the attribution of taxes is performed on the level of the parent company.

[4] Including the consolidation of Brack Capital Germany (Netherlands) XXVI B.V, Brack Capital Germany (Netherlands) XXVII B.V.

[5]Including consolidation of the companies TPL Augsburg S.a.r.l., TPL Bad Aibling S.a.r.l, TPL Biberach S.a.r.l., TPL Borken Sar.l, TPL Erlangen S.a.r.l., TPL Geislingen S.a.r.l, TPL Ludwigsburg S.a.r.l., TPL Neckarsulm S.a.r.l, TPL Vilshofen S.a.r.l, Brack Capital Kaufland S.a.r.l .

[6] Including the consolidation of the companies: BCRE Leipzig Wohnen Nord B.V. ,BCRE Leipzig Wohnen Ost B.V. , BCRE Leipzig Wohnen West B.V..

Company name[1]	As of December 31 2017			
	Dividends and management fees Received by the Company in EUR thousands	**Interest revenue received by the Company in EUR thousands**	**Profit (loss) after tax**	**Profit (loss) before tax**
Brack Capital Germany (Netherlands) XXII B.V.[1]	-	-	5,832	6,955
Brack Capital Germany (Netherlands) XXXVI B.V.	-	-	1,798	2,298
Brack Capital Germany (Netherlands) XXIV B.V	-	-	2,135	2,536
Tethys Nord[2]	-	-	15,191	18,049
Brack Capital Germany (Netherlands) XL BV	-	-	9,142	10,857
Brack Capital Germany (Netherlands) XLI BV	-	-	6,155	7,190
Brack Capital Germany (Netherlands) XLII BV	-	-	3,078	3,655
Brack Capital Germany (Netherlands) XLIV BV	-	-	2,442	2,813
Brack Capital Germany (Netherlands) XXXI BV	-	-	1,182	1,388
Brack Capital Germany (Netherlands) XLVI BV	-	-	397	443
Brack Capital Germany (Netherlands) XLIX BV	-	-	(177)	(182)
Brack Capital Germany (Netherlands) XLVII BV	-	-	(1,354)	(1,670)
Brack Capital Germany (Netherlands) LI BV	-	-	(1,714)	(1,703)
Brack Capital Germany (Netherlands) LII BV and LIII BV[3]	-	-	53	53
SHIB Capital Future Services Ltd.	1,244-	-	(388)	(198)
RT Facility Management GmbH & Co. KG	-	-	-	-

Regulation 20 Trade on the Stock Exchange - Securities Listed for Trade in the Report Period

In the Report period, there was no cessation of trade (that was not fixed) in securities of the Company, other than a full cessation of trade in the Company's securities from May 23, 2017 effective from 12:25 in view of the Company's intention to publish a report regarding a material event. In this regard, it is added that at 13:25 on that date, the company published an immediate report on the control transfer in the company to a company controlled by Tedi Sagi.

[1] Including the consolidation of the companies BCRE Dortmund Wohnen BV, BCRE Duisburg Wohnen BV, and - BCRE Essen Wohnen BV.

[2] Including the consolidation of the companies: Brack Capital Germany (Netherlands) XXXV BV, Brack Capital Germany (Netherlands) XXXVII BV, Brack Capital Germany (Netherlands) XXXVIII BV and Capital Germany (Netherlands) XXXIX BV.

[3] Including the consolidation of the companies: Brack Grundbesitz Magdeburg GmbH, Brack Grundbesitz Halle I GmbH, Brack Grundbesitz Halle II GmbH, Brack Grundbesitz Halle III GmbH, Brack Grundbesitz Halle IV GmbH, Brack Grundbesitz Halle V GmbH, Brack Grundbesitz Leipzig I GmbH, Brack Grundbesitz Leipzig II GmbH, Brack Grundbesitz Leipzig III GmbH, Brack Grundbesitz Leipzig IV GmbH, Brack Grundbesitz Leipzig V GmbH, Brack Grundbesitz Leipzig VI GmbH, Brack Grundbesitz Magdeburg II GmbH, Brack Grundbesitz Magdeburg III GmbH, Brack Grundbesitz Magdeburg IV GmbH, Brack Grundbesitz Magdeburg V GmbH, Brack Grundbesitz Magdeburg VI GmbH

On February 2, 2017, 598,540 shares and 299,270 warrants (Series 1) exercisable into shares were listed for trade, which were issued to the public under a shelf offering report dated January 29, 2017, under a shelf prospectus of the Company dated May 29, 2015.

In the report period, 268,130 ordinary shares of the Company were listed for trade, which were issued for the exercise of 268,130 warrants (Series 1). On July 31, 2017, 31,140 warrants (Series 1) expired without exercise.

In the report period, 251,386 ordinary shares of the Company that were issued for the exercise (by officers of the Company) of 426,274 non-marketable options were listed for trade.

Regulation 21 **Payments to senior officers:**

(1) The following details the amounts paid by the Company in 2017 to each of the five highest compensated individuals from the senior officers of the Company or companies under its control, based on the Sixth Schedule of the Securities Regulations (Periodic and Immediate Reports), 5730-1970 (hereinafter: the "**Report Regulations**"):

Details of the recipient of the compensation:				**Compensation for services (EUR thousands)**								**Total (EUR thousands)**
Name	**Position**	**Scope of Position**	**Rate of holdings in the Company's issued share capital (less "dormant shares") (as of the date of signing the Report)**	**Salary**	**Bonus**	**Share-based payment[1]**	**Management Fees**	**Consulting fees**	**Commission**	**Other**	**Comments**	
Ophir Rahamim	Co-CEO	Consulting services are provided in the scope of	2.70%	-	204	282	405	---	---	502	The grant is for 2016. Under other employment termination costs were included	1,393

[1] In accordance with the IFRS rules regarding share-based compensation. It is noted that in accordance with the IFRS rules, the division is no linear and equal, but instead is directed in favor of the first years of the plan, i.e. a larger part of the total expenses of the Company for each officer will be recorded in its financial statements in the first years of the options plan. The Company believes that for the purpose of presenting the **representative** annual cost of the total remuneration components, a linear and equal division of the share-based compensation component over the term of the plan is more appropriate from a presentation perspective, **in a manner enabling a correct comparison over the years.** It is noted that in accordance with the linear and equal division over five years (the term of the plan) of the total cost to the Company for share-based compensation as determined by an independent external appraiser, the costs to the Company for Ophir Rahamim, Gal Tenenbaum, Fred Genia, Claus Dieter Trapp and Ulrich Tappe in 2017 amounted to about EUR 381, 381, 123, 69 and 85 thousand each, respectively. Therefore, the total payments to officers in 2017, given the cost of the component of share-based compensation in accordance with a linear and equal distribution over five years (the term of the plan) of a total cost to the Company for Ophir, Gal, Fred, Claus and Ulrich is EUR 1,492, 1,732, 488, 365, and 465 thousand respectively.

Details of the recipient of the compensation:				Compensation for services (EUR thousands)								Total (EUR thousands)
Name	**Position**	**Scope of Position**	**Rate of holdings in the Company's issued share capital (less "dormant shares") (as of the date of signing the Report)**	**Salary**	**Bonus**	**Share-based payment[1]**	**Management Fees**	**Consulting fees**	**Commission**	**Other**	**Comments**	
		hours as required for the fulfillment of the position and without										
Gal Tenenbaum	Co-CEO	Full	2.51%	405	204	282	---	---	---	742	The grant is for 2016. Under other employment termination costs were include	1,633

2

Fred Ganea	Director of the Economic Department	Full	0.42%	202	53	91	-	-	-	70	The grant is for 2016 and under other, updated provisions for vacation and severance pay were included.	416
Claus Dieter Trapp	Chief Operating Officer	Full	--	214	58	-	-	-	-	24	The grant is for 2016, and housing expenses are included under the	347

Details of the recipient of the compensation:				Compensation for services (EUR thousands)								
Name	**Position**	**Scope of Position**	**Rate of holdings in the Company's issued share capital (less “dormant shares”) (as of the date of signing the Report)**	**Salary**	**Bonus**	**Share-based payment[1]**	**Management Fees**	**Consulting fees**	**Commission**	**Other**	**Comments**	**Total (EUR thousands)**
											section of “Other.”	
Ulrich Tappe	CEO of the subsidiary (83%) of the company Brack Capital Beta B.V and director of the Company.	Full	---	210	144	63	-	-	-	26	Annual director remuneration is included under the section “other.”	443

Alexander Dexne (Chairman), Noam Sharon (Director), Noa Shaham (independent director), Meir Jacobson (external director) Jan van der Meer (former Chairman) Nansia Koutsu (former director), Bert van den Huvel (external director), Robert Israel (former independent director), Or Levkovitz (former director) and Willem Van Hassel (external director)	Directors	---	---	-	-	-	-	-	-	451	Directors' remuneration	451

(2) Additional details about remuneration terms to senior officers of the Company

(2.1) Messes. Ofir Rahamim (hereinafter: "**Ofir**") and Gal Tenenbaum (hereinafter: "**Gal**") have served as co-CEOs[1] of the Company since its founding[2]. The following describes the main remuneration terms for the co-CEOs as of this date:

(a) **Cost of employment -** as of January 2015, about NIS 136 thousand per month, linked to the increase in the Consumer Price Index in Israel compared to the base index (the index for January 2015) (about NIS 136 thousand per month, as of December 2017). The cost of employment includes social provisions as accepted and vehicle maintenance expenses. Phone expenses, fuel expenses and expenses during the fulfillment of the position are covered separately by the Company.

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[1] It is noted that Ofir provides co- CEO services to the Company by a foreign company he owns.

[2] It is noted that prior to its establishment, Ofir and Gal served as co-CEOs of Brack Capital in Germany.

(b) **Term of employment -** is not limited in time and each of the parties may announce termination with prior written notice three months in advance. In addition, the Company will be entitled to request from Gal and Ofir to continue to provide consulting services to the Company for periods that overlap with the new replacements for a period of at least three months (beyond the prior notice period) and that will not exceed 12 months (beyond the prior notice period), in consideration for the continued payment of the monthly cost of their employment in the aforesaid overlap period;

(c) **Bonuses -** for details regarding the bonuses provided to each of the co-CEOs in the years 2014-2017, see the table below:

Date of approval by the competent organs of the Company	**Cost of the bonus to the Company**	**Bonus for year**	**Comments**
January 2014	Four salaries (EUR 100 thousand)	2013	Although the co-CEOs met all of the measurable objectives set forth them for 2013, in a manner entitling them to an annual bonus in the amount of five salaries (employer cost) (EUR 125 thousand cost to the Company), the co-CEOs requested from the Company's board of directors the approval of an annual bonus in the amount of only four salaries, as provided in the previous years.
January 2015	Four salaries (EUR 106 thousand)	2014	Although the co-CEOs met five of the six measurable objectives set forth them for 2014, in a manner entitling them to an annual bonus in the amount of 4.25 salaries (employer cost) (EUR 112 thousand cost to the Company), the co-CEOs requested from the Company's board of directors the approval of an annual bonus in the amount of only four salaries, as provided in the previous years.
February 2016	Five salaries (employer cost) (about EUR 158 thousand cost to the Company)	2015	

February 2017	Six salaries (employer cost) (about EUR 202 thousand cost to the Company)	2016	The cost of the bonus includes an additional salary (employer's cost) (approximately € 33.6 thousand cost to the Company) for their overall contribution to achieving the other targets specified in the Company's business plan for 2016.

In January 2018, the Company's remuneration committee and board of directors approved for each of Messrs. Gal and Ophir an annual bonus in the amount of five salaries (employer cost) (about EUR 160 thousand cost to the Company - based on an exchange rate of NIS 4.24 per euro, known as of January 31, 2018), in accordance with the performance-based remuneration objectives for 2017 approved by the general meeting of the Company's shareholders in March 2017 (after the receipt of approval of the remuneration committee and board of directors of the Company in January 2017 and February 2017, respectively)[1], in addition to an additional salary (employer cost) (about EUR 32.1 thousand cost to the Company), for their overall contribution to achieving the other objectives listed in the Company's 2017 business plan such that the annual bonus amounted to 6 salaries (employer cost).

(d) **Shares of Beta -** On June 5, 2008, upon the completion of the acquisition of the land in Dusseldorf by the property companies fully held and controlled by Brack Capital Beta B.V. (a second-tier subsidiary of the Company) (above and hereinafter: "**Beta**"), Ophir and Gal, each, acquired from Brack Capital First B.V. (hereinafter: "**First**") 100 ordinary shares of EUR 1 par value each of Beta representing 0.5555% of Beta's share capital in consideration for payment of the par value thereof. In August 2010, First undertook to pay Gal and Ophir a bonus (Promote) whereby each of them would be entitled to 2.75% of the minority profit (as defined below) (Promote). "Minority profit" - profit of the minority of Beta (excluding the shares of Gal and Ophir in the minority) after the repayment of the principal of the shareholder loans provided by the minority shareholders of Beta in addition to aggregate annual interest of 8%. "Minority shareholders of Beta" - are First (6.3%), and two additional shareholders holding 4.6% and 5% of the shares of Beta, respectively;

(e) **Loans** - Gal and Ophir are entitled to receive from the Company non-recourse loans bearing annual interest at a rate of 1.3% and Euro Libor 3 Months, which will be payable no later than the end of five years from the date of being provided. The balance of all of the existing loans, in addition to all of the future loans, will be hereinafter: the "**Loans**." The total amount of the Loans (excluding accrued interest) including existing loans, which each Gal and Ophir are entitled to take, will amount to the lower of: (a) 50% of the aggregate value of the shares and options (options that have vested only) to shares of the officer in the Company and in Beta; and (b) EUR 3.6 million. As of December 31, 2017, the total amount of the Loans received by Gal and Ophir from the Company and/or a subsidiary and that are not yet repaid is zero;

(f) **Payment in securities** see Section 1.11.3.4 of Chapter A, "Description of the Corporation's Business," in the Periodic Report for 2016.

[1] For details on the objectives see section 1(a)(3) of the Company's immediate reoport dated February 7, 2017 (reference 013563-01-2017).

Further to the resolution of the Company's Board of Directors dated September 5, 2017, as stated in sub-section 1.11.5.1 in Chapter A, "Description of the Corporation's Business", which is attached to this periodic report and according to the instructions of the Company's Board of Directors from that date, the Company's remuneration committee negotiated with Gal and Ophir, for the purpose of entering into agreements with them, which will anchor both the conditions of their terms of service during the transition period and the terms of their retirement. On October 30, 2017, the remuneration committee forwarded its recommendation on this subject to the Company's Board of Directors and recommended that the Company's Board of Directors approves the retirement terms. On November 16, 2017, the Company's Board of Directors accepted the recommendation of the remuneration committee and approved (subject to the approval of the general meeting of the shareholders of the Company) the aforementioned retirement terms. On December 27, 2017, the general meeting of Company's shareholders approved with the majority required by law the retirement terms of Gal and Ophir.

Below is a description of the main terms of the retirement agreements with Gal and Ofir that **were approved by said meeting**[1]:

(I) The term of the agreement - Gal and Ophir will remain in their position as joint CEOs of the Company until June 30, 2018. The Company will be entitled to give Gal and Ophir advance notice of one month in advance of any date prior to the termination date (when the Company locates a suitable substitute) but the Company will pay the employment/service costs (as the case may be) in full by June 30, 2018, if their employment/rendering of the services (as the case may be) by Gal and Ophir has been terminated earlier by the Company. The new CEO will take his position officially and will assume legally the CEO's duties only after the position transfer process is completed. Only on that date the obligations of Gal and Ophir with respect to their positions will expire.

(II) Retirement grants - Gal and Ofir, each, will be paid retirement grants in the amount of 12 monthly salaries, in accordance with the provisions of section 9.4.2 of the Company's remuneration policy[2], taking into consideration that they have served in the Company as joint CEOs for over ten years and subject to the approvals required by any law.

(III) Acquisition of Beta shares - the full holdings of Gal and Ofir in the Beta shares including their entitlement to Promote will be purchased by the Company for a total consideration of approximately € 1,485 thousand to each of them. The payment was made in January 2018.

(IV) Redemption of Ofir's vacation days - Ofir company will be entitled to redeem 65 vacation days as accrued until the termination date, in the amount of NIS 402 thousand (approximately € 97 thousand). The final amount to be paid for the redemption of vacation days will be calculated by the Company's CFO and will be approved by the Company's audit committee prior to the payment, based on the final amount of vacation

[1] For the avoidance of doubt, it is clarified that the retirement agreements contain other components that do not require the meeting's approval.
[2] That was approved by the Company's shareholders' meeting on March 21, 2016 (further to the approval of the Company's remuneration committee and Board of Directors from January 27, 2016 and February 4 , 2016, respectively)

days accrued until the termination date. (This calculation will take into account the pro rata entitlement in 2018 to vacation days until the termination date, excluding vacation days that were used until that date).

Below is a description of the main terms of the retirement agreements with Gal and Ofir that were approved by the Company's remuneration committee and Board of Directors **which were not** subject to the approval of the meeting:

(V) Compensation **-** in accordance with Gal's existing employment agreement, the Company will supplement the part of the severance pay that was not transferred to Gal's pension insurance in the amount of 8.33% for each of the years from August 1, 2003 until the termination date ("the number of years of employment") of the last wage multiplied by the number of years of employment and the balance of the redemption value of the severance pay in the funds in which the Company deposited on an ongoing basis an amount of NIS 890,492 (about € 215 thousand). The final amount to be paid as a supplement of the severance pay will be calculated by payroll software, will be reviewed by the Company's CFO and will be approved by the Company's audit committee prior to the payment.

(VI) Redemption of vacation days – in accordance with Gal's existing employment agreement, Gal will be entitled to redeem 105 vacation days as accrued until the termination date, in the amount of NIS 544,825 thousand (approximately € 131 thousand) .The final amount to be paid for the redemption of vacation days will be calculated by payroll software, will be reviewed by the Company's CFO and will be approved by the Company's audit committee prior to the payment, based on the final amount of vacation days accrued until the termination date. (This calculation will take into account the pro rata entitlement in 2018 to vacation days until the termination date, excluding vacation days that were used until that date).

(VII) Transfer of RT Facility shares[1] at no consideration - on December 31, 2017, the Company and/or any other third party on behalf of the Company will acquire 100% of Ofir's holdings in RT Facility shares, in their condition as is, without any indemnities and/or representations, without any consideration to Ophir and/or Ophir company in respect of the shares being acquired. The transaction was completed in December 2017.

(VIII) Bonus: Target based bonus for 2017: as was approved by the general meeting of the Company's shareholders on March 22, 2017 (following the approval of the remuneration committee and the Board of Directors of the Company on January 17, 2017 and February 7, 2017, respectively) will be calculated on the basis of financial and/or operational data (as the case may be) of the Company as of December 31, 2017 and will be paid to Gal and Ofir - if and to the extent that they meet all/some of the aforesaid targets that were determined and as the case may be - until the end of January 2018[2].

(IX) Lack of mutual claims - Gal and Ofir on the one hand and the Company on the other hand waive any allegation and/or claim in respect of and/or arising from their employment/provision of services to the Company and in respect of and/or deriving from their holdings in Beta shares and/or RT Facility, subject to the fulfillment of each party's obligations under the retirement agreement.

For additional details regarding the terms of said retirement terms, see the immediate report dated November 19, 2017 [Ref. 107445-01-2017], the information contained therein is presented in this report by way of reference.

(2.2) Mr. Fred Genea (hereinafter: "**Fred**") has served as Director of the Economic Department in the Company since November 2006. Fred's employment is not limited in time and each of the parties may announce termination with prior written notice of three months in advance.

[1] RT Facility Management GmbH & Co. KG , A German partnership that employs the employees of the bookkeeping and finance, marketing, administration and operation of the Company's properties in the commercial income-producing real estate sector and in the residential income-producing real estate sector and is responsible for asset and property management (the Property Operations Company"). The property management company was owned by Ofir company until the transaction completion date. Ofir and Ofir company did not accept and will not accept any consideration whatsoever (including, without derogating from the foregoing, compensation, salary, dividends, etc.) from the Company or from The property management company in respect of Ophir's holdings in the property operations company.

[2] Said bonus was paid to gal and Ofir in the last week of January 2018.

The following are additional details about the terms of Fred's employment in the Company:

(a) **Cost of employment** - NIS 67 thousand per month. The cost of employment includes his salary, vehicle maintenance, and social provisions as customary. Additionally, the Company provides him with a mobile phone and bears its costs and bears the expenses that he incurs within his position;

(b) **Loans -** the Company (and/or the subsidiary, BGP), may provide Fred, in accordance with the resolution of the co-CEOs, with nonrecourse loans bearing annual interest at a rate of 1.3% and Euro Libor 3 months, which will be payable no later than the end of five years from the date of being provided. The total amount of all of the loans received by Fred will not exceed 50% of the value of his holdings in the Company. As of December 31, 2017, the balance of the loan amount received by Fred from the Company and outstanding is zero;

(c) **Non-marketable options-** see section 1.11.3.4 of Chapter A, "Description of the Corporation's Business," in the Periodic Report for 2016;

(d) **Annual bonus -** on January 17, 2017, and February 7, 2017, the remuneration committee and board of directors of the Company (respectively) approved the granting of an annual bonus to Fred in the amount of three salaries (employer cost) (about NIS 201 thousand cost to the Company) in accordance with the performance-based compensation objectives for 2016, which were approved by the remuneration committee and board of directors of the Company in January 2016 and February 2016, respectively. On January 17, 2018, the remuneration committee and board of directors of the Company approved granting an annual bonus to Fred in the amount of four salaries (employer cost) (about NIS 272 thousand cost to the Company) in accordance with the performance-based compensation objectives for 2017, which were approved by the remuneration committee and the board of directors of the Company in January 2017 and February 2017, respectively;

(2.3) Mr. Claus Dieter Trapp (hereinafter: "**Claus**"), has served as Vice President of Operations of the Company as of May 1, 2014. The term of employment of Claus is fixed for five years (i.e. until the end of April 2019). Each of the parties may announce the termination of the agreement while providing prior notice six months in advance and in writing. During the prior notice period, Claus will continue to fulfill his position and execute his obligations, unless the board of directors resolves to release him from his obligations before the end of the prior notice period, and he will be entitled to continue all of the terms of his service and employment until the end of the prior notice period. The following are additional details about the terms of Claus's employment in the Company:

(a). **Cost of employment -** as of the end of December 2016, Claus was entitled to, in consideration for his employment, a monthly salary of EUR 14 thousand. In addition, Claus was paid a "signing bonus" when signing the aforesaid agreement in the amount of EUR 17 thousand. As of January 2017 (after the approval of the remuneration committee and board of directors of the Company), Claus's salary was updated in a rate of 10% to the monthly salary of EUR 15.4 thousand (as of the salary from January 2017). Claus is given a cellular phone, laptop, vehicle[1] and apartment for use (hereinafter jointly: the "**Fringe Benefits**"). It is noted that the Company bears all of the expenses related to the Fringe Benefits. Additionally, the Company bears

1t is noted that during 2016, the engagement with Claus was updated such that the Company does not bear the expenses of Claus's vehicle and his salary was updated accordingly.

the expenses incurred by Claus in connection with his employment at the Company, all in accordance with the Company's policy, against receipts provided by Claus to the Company;

(b)

Annual bonus - on January 17, 2017, and February 7, 2017, the remuneration committee and board of directors of the Company (respectively) approved the granting of an annual bonus to Claus in the amount of four salaries (employer cost) (about NIS 58 thousand cost to the Company) in accordance with the performance-based compensation objectives for 2016, which were approved by the remuneration committee and board of directors of the Company in January 2016 and February 2016, respectively. In January 2018, the remuneration committee and board of directors of the Company approved granting an annual bonus to Claus in the amount of four salaries (gross) (about NIS 61.5 thousand cost to the Company) in accordance with the performance-based compensation objectives for 2017, which were approved by the remuneration committee and the board of directors of the Company in January 2017 and February 2017, respectively;

2.4) Mr. Ulrich Tappe (hereinafter: "**Ulrich**") has served since February 15, 2011 as CEO of the subsidiary Beta (83%), as manager of the Development Division of the Company and responsible for the development of the Grafental project established by the Company in Dusseldorf. Additionally, Ulrich serves as director of private Dutch companies held by the Company (83% final indirect holdings) and also serves as a director and manager of a private German company held by the Company (83% final indirect holdings).
On August 26, 2013, the general meeting of the Company's shareholders (after that on July 8, 2013 and July 17, 2013, the remuneration committee and board of directors (respectively) approved to extend the engagement of the Company in Ulrich's employment agreement as VP of Development in the Company and the person in charge for the development of the Grafental project established by the Company in Dusseldorf, which was concluded on December 31, 2013, for an undefined period of time as of January 1, 2014, while amending a number of terms in connection with the prior notice period and annual bonus, in order to adjust the terms of his employment to the terms set forth within the remuneration policy for the aforesaid position.

The following are the main points of the new agreement:

(a)

(a) **Salary and fringe benefits -** the monthly cost of employment in 2016 - EUR 15.6 thousand per month.

The cost of employment includes his salary (EUR 14.5 thousand per month), vehicle maintenance, the cost of insurance policies, and social provisions as accepted. Additionally, the employing company gives him access to a vehicle, mobile phone and laptop and bears their expenses, and bears expenses that he incurs in the framework of his position. It is noted that on March 22, 2017, the Company's general meeting of shareholders following the approval of the remuneration committee and board of directors of the Company from January 17, 2017 and February 7, 2017 (respectively) approved the update of Ulrich's salary at a rate of 10% to a monthly salary of EUR 16.5 thousand (as of the salary from January 2017). The cost of Ulrich's employment after the aforesaid raise will be in the amount of about EUR 17.5 thousand per month.

(b)

Term of the agreement and prior notice period - the agreement is for an indefinite period. Each of the parties may announce the termination of the agreement while providing prior notice six months in advance and in writing. During the prior notice period, Ulrich will continue to fulfill his position and execute his obligations, unless the board of directors resolves to release him from his obligations before the end of the prior notice period, and he will be entitled to continue all of the terms of his service and employment until the end of the prior notice period.

(c) **Annual bonus based on measurable parameters -** Ulrich is entitled to an annual bonus in the rate of 1.25% of the total net profit (after tax) from the development of the project in Dusseldorf as reflected in the consolidated financial statements of Beta. The bonus will be provided upon the completion of each stage, and the profits are recognized in the Company's financial statements and not on an annual basis. The maximum amount of the bonus that will be paid to the VP of Development will not exceed EUR 300 thousand for each stage of the project in which the profits generated are recognized on the Company's financial statements. As a result, the bonus mechanism of the VP of Development will be granted based on the aforesaid formula, provided that the following conditions are met: (a) The internal and external audit reports with respect to the areas of responsibility of the VP of Development do not include substantial flaws with respect to the existing work procedures in the Company; and (b) no officer has breached the various procedures of the Company;

(d) **Additional annual bonus -** without derogating from the generality of the above, the remuneration committee may provide the VP of Development with a special annual bonus of up to three monthly salaries (however, not more than 20% of the bonus per stage granted to him in the same calendar year), if in a given calendar year, he personally contributed substantially to the business objectives of the Company that are not under his direct control, at the discretion of the remuneration committee;

(f) **Recovery in the event of an error -** on the date of payment of the annual bonus, Ulrich will sign an undertaking to repay the Company the bonus amount or part thereof in the case in which it is later discovered that the calculation of the bonus as stated was made on the basis of data that has been discovered to be incorrect and is restated on the Company's financial statements during a period of four subsequent financial statements following approval of the annual bonus. The Company will be required to pay Ulrich the difference between the amount actually paid and the amount to which he was originally entitled, in accordance with the aforesaid restatement, if the amount actually paid is lower therefrom. Notwithstanding the above, the amendment following a change to the law, regulations or accounting rules, that occurs after the publication of the Company's financial report for the same year, will not be considered to be an amendment based on which the above will apply.

On January 19, 2016, and February 4, 2016 , the remuneration committee and board of directors of the Company approved granting an annual bonus to Ulrich in a total of EUR 223 thousand, in accordance with the formula of the bonus listed in subsection c above for the profit in stages B1 and B2 of the Grafental project. It is noted that on January 17, 2017, and February 7, 2017, the remuneration committee and board of directors of the Company (respectively) approved granting an annual bonus to Ulrich in a total of EUR 144 thousand, in accordance with the formula of the bonus listed in subsection c above for the profit in stage B3 of the Grafental project. In January 2018, the Company's remuneration committee and Board of Directors approved, respectively, the granting of an annual bonus to Ulrich in the amount of € 137 thousand, in accordance with the grant formula specified in sub-section C above for the profit to the Company in stage C of the Grafental project. In addition, the Company's remuneration committee and board of directors approved on January 15, 2018 and on January 25, 2018 (respectively) an additional annual bonus to Ulrich for 2017 in the amount of EUR 27.5 thousand according to the provisions of sub-section d above.

(g) **Loans -** The general meeting of the Company's shareholders approved, on January 29, 2013 (after approval of the remuneration committee and board of directors of the Company on December 13, 2012) that Ulrich would be entitled to receive from the Company (subject to approval of the Company's CEO) non-recourse loans bearing annual interest at a rate of 1.3% and Euro Libor 3 Months, which will be payable no later than the end of five years from the date of being provided, provided that the total amount of all of the loans received by Ulrich will not exceed 50% of the value of his holdings in shares and/or options for shares of the Company. If Ulrich, at his discretion, sells the options and/or shares in his possession, the consideration funds will be used for the repayment of the loan amounts, if outstanding by the aforesaid sale date. However, it is emphasized that Ulrich does not provide the lending company with any right, proprietary or otherwise, to the options and/or shares in his possession, which will remain in his possession free of any lien, pledge or charge on the part of or for the Company. As of December 31, 2017, no loans have been received by Ulrich..

(h) **Director remuneration -** on August 22, 2011, the audit committee and board of directors of the Company, in accordance with Regulation 1a(2) of the Companies Regulations (Relief in Transactions with Interested Parties), 5760-2000, approved providing only annual remuneration to directors to Ulrich, in the maximum amount set forth in the Second Schedule to the Companies Regulations (Rules Regarding Remuneration and Expenses to an External Director), 5760-2000, as updated and entered into force on March 6, 2008 (hereinafter: the "**Remuneration Regulations**"), and in accordance with the rank at which the Company is classified, in accordance with the First Schedule of the Remuneration Regulations. It is noted that on October 3, 2011, the general meeting of the Company's shareholders approved the appointment of Ulrich as director of the Company, and as of the same date, he has served in the position in addition to being CEO of the subsidiary as stated above;

Regulation 21a Name of the Controlling Shareholder of the Company

Mr. Teddy Sagi

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

Regulation 22 Transactions with the controlling shareholders

None

Regulation 24 Holdings of Interested Parties and Senior Officers

See the immediate reports from January 4, 2018 [reference no.: 002128-01-2018) and from January 11, 2018 (Ref. 004936-01-2018) which are brought in this report by way of reference.

- Notice of interested party to the Company pursuant to the provisions of Section 37 of the Securities Law, -1968, on February 17, 2018, Redzone and ADLER Real Estate AG ("Adler") issued notices to the Company in accordance with the provisions of Section 37 of the Securities Law. As part of these notices, the Company was informed that on February 16, 2018, Redzone entered into an agreement for the purchase of shares with the purchaser pursuant to which the purchaser undertook to purchase from Redzone all of the Company's shares Redzone holds (3,172,910 ordinary shares of the Company, constituting 41.04% of the issued and paid-up share capital[1] and voting rights ("the Company's Capital") at a price per share of NIS 440 (i.e., for a total consideration of NIS 1,396 million)[2]. The completion of the agreement is subject to several suspending conditions, the principal of which are: (1) approval by the German Federal Cartel Office (German Anti Trust Authority) of the transaction that is the subject of the agreement which was received on February 23, 2018[3]; (2) completion of the tender offer in such a manner that the purchaser will purchase ordinary shares of the Company constituting at least 5% of the Company's capital, as well as other customary terms. The parties estimate that the completion of the transaction under the agreement is expected to take place at the beginning of April 2018. For additional details, see the immediate report of February 18, 2018 [Ref. 016024-01-2018) which is brought in this report by way of reference.

- Special tender offer - further to what is stated above in the notice of the interested party, on February 19, 2018, according to the provisions of the Companies Law, -

[1] Net of 31,688 dormant shares held by the Company.

[2] The above amount will be paid in EURO according to the last representative exchange rate of the EURO to be published by the Bank of Israel prior to the completion date.

[3] See also immediate report in this regard from February 25, 2018 (018379-01-2018).

1999 and the Securities Regulations (Tender Offer), -2000, Adler published specifications of the special tender offer (below and respectively: the Specifications and "The Tender Offer") for the purchase of up to 1,994,278 ordinary shares of the Company, constituting, as of the date of the report, about 25.8% of the Company's issued and paid up share capital and voting rights on fully diluted basis (excluding 31,688 dormant shares held by the Company). In the Specifications, Adler indicated that it received commitments from Gal Tenenbaum[1], Ofir Rahamim[1] and Fred Ganea[2] (hereinafter jointly: "the Management Team") to respond to the tender offer in relation to all of their holdings in the Company's shares (434,559 ordinary shares of the Company, constituting approximately 5.62% of the Company's capital). The purchaser has granted the management team an option, which will come into effect subject to the completion of the tender offer, to sell to it (at a price per share equal to the price offered in the tender offer) the balance of their holdings in the Company's shares that will not be sold to the purchaser as part of the tender offer. For additional details see the specifications that were attached to the Company's immediate report dated February 19, 2018 (reference 016600-01-2018).). On March 12, 2018, the Company's Board of Directors announced, in accordance with the provisions of Section 329 of the Companies Law and the provisions of Regulation 21 of the Securities Regulations (Purchase Offer), -2000, following a number of discussions in which it examined the tender offer that it decided to refrain from expressing an opinion on its profitability. Regarding the reasons for this decision as well as the details to which the Board of Directors of the Company drew the attention of the Offerees see an immediate report from that date [Reference No. 2018-01-023644] presented in this report by way of reference.

Regulation 24a **Registered capital, issued capital and convertible securities as at the date of signing this Report**

Registered capital: 22,500,000 shares par value EUR 0.01 each.

Issued and outstanding capital: 7,762,563 shares par value EUR 0.01 each.

Issued and outstanding capital net of dormant shares[3]: 7,730,875 shares par value EUR 0.01 each.

[1] Joint CEO in the Company
[2] Manager of the Company's economic department
[3] 31,688 dormant shares held by the Company

Regulation 24b **Register of Shareholders of the Company as of the Date near Signing the Report**

Name of registered shareholder	ID number type	ID number	Stock Exchange Security Number	Class of shares and par value	Number of Shares	Is it holding the shares as trustee?
The Nominee Company of Bank Leumi of Israel Ltd.	Number with Israeli Companies Registrar	510098064	1121607	Brack NV Ordinary Share par value EUR 0.01	7,762,563	No

Regulation25a **Registered address**

Company Name:	Brack Capital Properties N.V.
Registered address:	Barbara Strozzilaan 201, Amsterdam 1083HN, the
E-mail:	fganea@brack-capital.com
Phone:	0031-20-240-4330
Fax:	0031-20-240-4339

Address in Israel for service of process

The Company's address in Israel for the purpose of the trust deeds between the Company on the one hand and Reznik Paz Nevo Trust Company Ltd. on the other hand as trustee for the holders of the Bonds (Series A, B and C) and for service of legal process is:

C/O Shimonov & Co - Attorneys
11 Menachem Begin Street, Ramat Gan
Rogovin Tidhar Tower, 23rd Floor
Tel.: 03-6111000
Fax: 03-6133355

Regulation 26: **The Directors of the Company**

Name	Alexander Dexne (Chairman of the Board	Noam Sharon	Ulrich Tappe	Noah Shacham	Bert Van den Heuvel	Liudmila Popova	Willem Van Hassel	Meir Jacobson
English name as it appears on a passport	Alexander Dexne	Noam Sharon	Ulrich Tappe	Noah Shacham	Lambertus Van den Heuvel	Liudmila Popova	Wilhelmus Gerardus Van Hassel	Meir Jacobson
ID number	L1TYJWJJ1[1]	059104539	505734352[1]	488636073	NTJ54DHR7[2]	NW44K53C1[3]	NRRRPR796[3]	051181345
Date of Birth	20.04.1965	19.10.1964	15.07.1955	26.09.1964	23.07.1947	03.04.1980	04.09.1946	01.02.1952
Address for service of legal process	Droste-Hulshoff-Str. 29, Hamburg, 22609, Germany	1 Haerez Savion	Grune Matte 1, 45133 Essen, Germany	Tintorettostraat 7-2, 1077 RM Amsterdam, the Netherlands	Vijverlaan 51, 3737 RG, Groenekan, The Netherlands	Van Leijenberghlaan 18-w, 1082GM Amsterdam	Schuringsedijk 66, Numansdorp, 3286 KR, the Netherlands	11a Nitzanim, Ramat Gan 5258727
Citizenship	German	Israeli	German	American and Israeli	Dutch	Dutch and Kyrgyz	Dutch	Israeli
Membership of a board of directors' committee or committees	No	No	No	Audit Committee, Remuneration Committee, the Financial Statements Review committee and appointments committee	Audit Committee, Remuneration Committee, the Financial Statements Review committee and appointments committee	No	Audit Committee, Remuneration Committee, the Financial Statements Review committee and appointments committee	Audit Committee, Remuneration Committee, the Financial Statements Review committee

1. German passport number.
2. Dutch passport number

Name	Alexander Dexne (Chairman of the Board	Noam Sharon	Ulrich Tappe	Noah Shacham	Bert Van den Heuvel	Liudmila Popova	Willem Van Hassel	Meir Jacobson
Is he an external director or independent director as defined in the Companies Law	Independent director	Is not an independent director or external director	Is not an independent director or external director	Independent director	External director	Is not an independent director or external director	External director	External director
Does this member of the board of directors have accounting and financial expertise or professional qualifications?	Accounting and financial expertise	Does not have accounting and financial expertise. Has professional qualifications	Accounting and financial expertise	Does not have accounting and financial expertise. Has professional qualifications	Accounting and financial expertise	Accounting and financial expertise	Accounting and financial expertise	Accounting and financial expertise
Is he an expert external director?	No	No	No	No	Yes	No	Yes	Yes
Is he an employee of the Company, a subsidiary,								

Name	Alexander Dexne (Chairman of the Board	Noam Sharon	Ulrich Tappe	Noah Shacham	Bert Van den Heuvel	Liudmila Popova	Willem Van Hassel	Meir Jacobson
related company of the Company, or have an interest therein?	No	Yes, Mr. Noam Sharon provides professional services through a wholly-owned company to Redzone Empire Holding Limited, a Cypriot private company wholly owned and controlled by Mr. Teddy Sagi, the controlling shareholder of the Company.	Yes, the CEO of the subsidiary (83%) Brack Capital Beta B.V.	No	No	No	No	No
Date of commencement of service	16.10.2017	25.07.2017	03.10.2011	25.07.2017	30.09.2014	25.07.2017	07.05.2015	23.11.2017

Education	Master in Economics Gottingen University, Germany MBA Massey University, New Zealand	Bachelor in Law (Tel Aviv University)	Bachelor in Education (Bielefeld University, Germany)	Bachelor in Philosophy (Tel Aviv University) Master in Communications (New York Institute of Technology) MBA (Kellogg School of Management) Certificate in Nonprofit Management / Global Philanthropy (New York University)	Graduate of the Netherlands Institute of Registered Accountants (NIVRA) Certified Public Accountant (since 1979)	Executive MBA (Kellogg School of Management WHU) Master in Econometric Sciences (University of Amsterdam) Bachelor in Econometric Sciences (University of Amsterdam)	Bachelor in Law (Erasmus University, Rotterdam) Attorney at law Certified Director (on behalf of INSEAD)	Bachelor in Economics and Accounting (Tel Aviv University) Law school (Law School College of Management)

Name	Alexander Dexne (Chairman of the Board	Noam Sharon	Ulrich Tappe	Noah Shacham	Bert Van den Heuvel	Liudmila Popova	Willem Van Hassel	Meir Jacobson
Employment in the past 5 years	CFO Alstria Office Reit AG From June 2007	Head of Capital Market and Corporations department The law firm of Meitar, Liquornik, Geva, Leshem, Tal & (July 2006 to December 2016)	CEO of the subsidiary (83%), Beta (as of February 2011), CEO and owner Tappe Immobilien Projekte GmbH, a private real estate consulting firm (from 2010)	Manager and owner Catalyst Ventures BV (From June 2015 onwards) VP Operations and Board Member Stoomhamer Business Group (April 1999 to June 2015)	Former KPMG partner (retired in 2006)	Head of Asset Management and Investor Relations Department, member of the executive management team of Atrium Group Services NV (January 2015 onwards) Head of the Business Development and Investor Relations Department member of the executive management team of Atrium Group Services NV (March 2012 - January 2015). Financial analyst Atrium Group Services NV (April 2009 – March 2012).	Former and chairman of the law firm Trenité Van Doorne (until 2000) Chairman of the board of directors, supervisor of Eurocommercial Properties NV (1997-2014) ASVB BV (2007 – 2016) Foundation HW Wonen (2010 – 2016) Arbitrator at the Arbitration Dutch Institution, liquidator on behalf of the Economic Department at the Court of Appeal in Amsterdam, the editor of newsletters for directors and chairman in an organization that promotes corporate governance procedures in companies and	Manager and owner Equity M.I - Investment banking (mergers, acquisitions and financial consulting)

Name	Alexander Dexne (Chairman of the Board	Noam Sharon	Ulrich Tappe	Noah Shacham	Bert Van den Heuvel	Liudmila Popova	Willem Van Hassel	Meir Jacobson
Director of the following companies	Managing director in all the wholly-owned subsidiaries of Alstria Office Reit AG.	Noam Sharon, law firm, Mezzidence Partners Limited	Managing director of German and Dutch private companies, and German partnerships owned by the company operating in the sector of land development and betterment.	Serves as a director in several Dutch and English companies and several non-profit organizations.	Serves as director of several nonprofit organizations.	No	Member / Chairman of the Board, member / chairman of the supervisory board in several private companies and Dutch associations	Crow Ltd. (Chairman since 2000), Discount Investments Ltd. (external director since 2016) and Solgreen Ltd. (external director since 2013).

Name	Alexander Dexne (Chairman of the Board	Noam Sharon	Ulrich Tappe	Noah Shacham	Bert Van den Heuvel	Liudmila Popova	Willem Van Hassel	Meir Jacobson
Family relationship with another interested party in the Company	None	None	None	None	None	None	None	None
Is he a director that the Company considers as possessing accounting and financial expertise for the purpose of fulfilling the minimal number determined by the board of directors according to Section 92(a)(12)	Yes	No	Yes	No	Yes	Yes	Yes	Yes
Is he an independent authorized signatory?	No	No	No	No	No	No	No	No

<u>Regulation 26</u> Senior officers:

Name	Gal Tenenbaum	Ofir Rahamim	Claus Dieter Trapp	Fred Ganea	Guy Priel	Zoltan Mak	Irene Ben- Yakar
English name as it appears on a passport	Gal Tenenbaum	Ofir Rahamim	Claus Dieter Trapp	Fred Ganea	Guy Priel	Zoltan Mak	Irena Ben-Yakar
ID number	025218496	024308983	C5N2JRHKF[1]	037582061	49030042	LA 266305 [2]	304669864
Date of Birth	30.05.1973	05.02.1970	13.08.1965	09.08.1975	18.01.1982	13.01.1977	08.01.1973
The position that he fulfills in the Company, its subsidiary, in its affiliated company or an interested party therein	Co-CEO, a director in the Israeli second-tier company[3]	Co-CEO of the Company Managing director at the Hungarian subsidiary and a managing limited partner in property companies of residential assets in Gelsenkirchen and Duisburg	VP of Operations and director and manager in the property operations company	Manager of the Economic Department, a director of an Israeli second-tier subsidiary[3]	CFO Managing director in several foreign subsidiaries of the Company	Comptroller Director in the company's foreign subsidiaries	Internal auditor
Date of commencement of service	21.06.2006	21.06.2006	01.05.2014	November 2006	01.11.2011	21.06.2006[4]	25.05.2011

[1] German passport number.
[2] Hungarian identity number.
[3] S.I.B Future Capital Markets Limited. [4] Actual.

Name	Gal Tenenbaum	Ofir Rahamim	Claus Dieter Trapp	Fred Ganea	Guy Priel	Zoltan Mak	Irene Ben- Yakar
Education	Bachelor of Economics (Tel Aviv University) MBA, specializing in Finance (Tel Aviv University)	Law and Economics Graduate (University of Haifa) MBA (majoring in finance) (Technion)	Civil engineering graduate (University Frankfurt/Germany)	Bachelor of Economics and Management, Master of Business Administration (Tel Aviv University)	Bachelor in Business Administration, majoring in accounting (College of Management), MSc in Finance CEU University Certified Public Accountant	MSc graduate in Economics, majoring in Finance, University of Pecs Hungary	Accounting graduate (College of Management) Licensed CPA
Employment in the past 5 years	Co-CEO of the Company since its inception (June 2006 onwards)	Co-CEO of the Company since its inception (June 2006 onwards)	Senior Director / Managing Director at DTZ Zadelhoff Tie Leung GmbH (from August 2012 until April 2014). Senior Asset Manager at RT Facility Management UG & Co. KG (from May 2011 until June, 2012)	Manager of the Economic Department (since November 2006)	CFO of the Company since November 2011	Comptroller of the Company (from June 2006 onwards)	Partner in the firm of Brightman Almagor Zohar Accounting & Co.
Is he an interested party in the Company or a relative of another senior officer or interested	Not an interested party by virtue of holdings but by virtue of his position as CEO	Not an interested party by virtue of holdings but by virtue of his position as CEO	No	No	No	No	No

Name	Gal Tenenbaum	Ophir Rahamim	Claus Dieter Trapp	Fred Ganea	Guy Priel	Zoltan Mak	Irene Ben- Yakar
party in the Company?							
Is he an independent authorized signatory?	No	No	No	No	No	No	No

Regulation 26b **Independent Authorized Signatories of the Company**

None.

Regulation 27 **Accountant of the Company:**

In Israel
Name: Amit Halfon
Address: 16 Abba Hillel Silver Street, Ramat Gan

In the Netherlands
Name: IUS Statutory Audits Cooperatie UA
Address: Crown South Building Amsterdam
Hullenbergweg 365a
1101 CP Amsterdam

Regulation 28 **Amendments to the Company's Articles of Association:**

The special general meeting of the Company's shareholders approved on July 3, 2017 (following the approval of the Company's Board of Directors on May 18, 2017) that since the Company's shares were first offered to the Israeli public and listed for trading on the stock exchange under Israeli law, the provisions of Section 39A of the Securities Law, 1968, apply to the Company, and therefore some of the provisions of the Israeli Companies Law also apply to the Company, in addition to the Company's articles of association and the Dutch law. The laws applicable to the Company pursuant to said provisions of the Law must be fully incorporated into the articles of association of the Company, mutatis mutandis, and as far as possible. Accordingly, in order to act to ensure that all steps required under the Israeli law and the Dutch law will be implemented in order to comply with these two sets of laws, as applicable from time to time, the shareholders approved the amendment of the Company's articles of association in accordance with the draft amendment of the articles of May 19, 2017 prepared by the Dutch civil law offices Notariskantoor Spier & Hazenberg in Amsterdam, and was available for examination on the Company's website and offices. The draft amendment includes a combination, inter alia, of the provisions of Israeli legislation and regulation by virtue of the Companies Law.

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

It should be noted that the changes in the Company's articles of association came into effect on July 4, 2017. For details, see also the immediate report from that date [Ref. 2017-01-069852].

Regulation 29(a)

None.

Regulation 29(c)[25]

a. For details regarding the resolutions of the special general meeting of the Company's shareholders dated March 22, 2017, see the immediate report from that date regarding the results of the meeting [reference no.: 2017-01-027492], which is brought in this report by way of reference.

b. For details regarding the resolutions of the special general meeting of the Company's shareholders dated July 3, 2017, see the immediate report from that date regarding the results of the meeting [reference no.: 2017-01-069030], which is brought in this report by way of reference.

c. For details regarding the resolutions of the special general meeting of the Company's shareholders dated October 16, 2017, see the immediate report from that date regarding the results of the meeting [reference no.: 2017-01-099237], which is brought in this report by way of reference.

d. For details regarding the resolutions of the special general meeting of the Company's shareholders dated November 23, 2017, see the immediate report from that date regarding the results of the meeting [reference no.: 2017-01-109398], which is brought in this report by way of reference.

e. For details regarding the resolutions of the special general meeting of the Company's shareholders dated December 27, 2017, see the immediate report from that date regarding the results of the meeting [reference no.: 2017-01-117634], which is brought in this report by way of reference.

Regulation 29a

(4) Exemption, insurance or indemnification of officers as defined in the Companies Law, in force at the reporting date

Insurance

a. On July 26, 2017, the general meeting of the Company's shareholders (further to the approval of the Company's remuneration committee and board of directors dated June 16, 2017) approved the inclusion of Noam Sharon, Noa Shacham, Liudmila Popova who were appointed at the time as directors on the Company's board of directors, in the previous liability insurance policy for current directors and officers of the Company, in accordance with the provisions of Section 9.3.8(a) of the Company's remuneration policy.

b. On July 26, 2017, the general meeting of the Company's shareholders (further to the approval of the Company's remuneration committee and board of directors dated June 16, 2017) approved the inclusion of Noam Sharon, Noa Shacham, Liudmila Popova who were appointed at the time as directors on the Company's board of directors, in future policies, in accordance with the provisions of Section 9.3.8(a) of the Company's remuneration policy.

c. On October 16, 2017, the general meeting of the Company's shareholders (further to the approval of the Company's remuneration committee and board of directors dated September 5, 2017) approved the inclusion of Mr. Alexander Dexne who was appointed at the time as an independent director on the Company's board of directors, in the previous liability insurance policy for current directors and officers of the

[25] Shareholders' Meetings held in Amsterdam, the Netherlands under the laws of this country.

Company, in accordance with the provisions of Section 9.3.8(a) of the Company's remuneration policy.

d. On October 16, 2017, the general meeting of the Company's shareholders (further to the approval of the Company's remuneration committee and board of directors dated September 5, 2017) approved the inclusion of Mr. Alexander Dexne who was appointed at the time as an independent director on the Company's board of directors, in future policies, in accordance with the provisions of Section 9.3.8(a) of the Company's remuneration policy.

e. On November 23, 2017, the general meeting of the Company's shareholders (further to the approval of the Company's remuneration committee and board of directors dated October 17, 2017) approved the inclusion of Mr. Meir Jacobson who was appointed at the time as an external director on the Company's board of directors, in the previous liability insurance policy for current directors and officers of the Company, in accordance with the provisions of Section 9.3.8(a) of the Company's remuneration policy.

f. On November 23, 2017, the general meeting of the Company's shareholders (further to the approval of the Company's remuneration committee and board of directors dated October 17, 2017) approved the inclusion of Mr. Meir Jacobson who was appointed at the time as an external director on the Company's board of directors, in future policies, in accordance with the provisions of Section 9.3.8(a) of the Company's remuneration policy.

g. On March 21, 2016, the general meeting of the Company's shareholders (further to the approval of the Company's remuneration committee and board of directors dated January 19, 2016 and February 4, 2016, respectively) approved a new remuneration policy for directors and officers of the Company (hereinafter: the "**Remuneration Policy**"). Within the Remuneration Policy, it was determined that the Company's engagement in a director and officer liability insurance policy based on the terms set forth below (hereinafter: the "**Terms of the Future Policy**") would not require approval of the general meeting and can be approved by the remuneration committee alone, provided that the engagement is in market conditions and is not able to materially impact the Company's profitability, property or liabilities. The terms of the future policies are as follows: limitations of liability of the policy of up to USD 20 million (per occurrence and for the period). The deductible (to the Company alone) will amount to a total of up to USD 15 thousand per occurrence and period (in Israel and/or abroad), a total of up to USD 70 thousand per occurrence and period in the United States and/or Canada and a total of up to USD 80 thousand per occurrence and for the period for securities related claims (outside of the United States and/or Canada). The cost to the Company for the period of coverage (annual premium) will amount to up to USD 35 thousand. Further to the above, it is noted that the remuneration committee of the Company approved the Company's previous policy on May 19, 2016 (above and below: the **previous policy**). This policy is for the period from June 1, 2016 until November 30, 2017.

The limitations of liability of the policy are USD 20 million (per occurrence and for the period). The deductible (to the Company alone) will amount to a total of up to USD 7.5 thousand per occurrence and period (in Israel and/or abroad), a total of up to USD 35 thousand per occurrence and period in the United States and/or Canada and a total of up to USD 40 thousand per occurrence and for the period for securities related claims. The cost to the Company for the entire coverage period (premium for 18 months) amounts to about USD 35 thousand.

On July 26, 2017, the general meeting of the Company's shareholders (further to the approval of the remuneration committee and the Board of Directors of the Company dated June 16, 2017) decided to approve in advance that in any case of non-renewal or cancellation of the existing policy for insuring the liability of such officers, including – without derogating from the foregoing - the previous policy, the Company will purchase insurance coverage for such liability for a period of up to seven years after the end of the previous policy, with respect to claims that will be filed after the end of that policy in respect of acts committed before the end of the period (Run-Off format) in return for insurance fees to be agreed with the insurers provided that they will not exceed 300% of the annual premium paid in respect of the last policy that ended and in the liability limits per claim and cumulatively for the insurance period specified above.

h. On July 25, 2017, the Company entered into a directors' and officers' liability insurance policy in the Run-Off format. This policy is for a period of 7 years from July 25, 2017. The liability limits of the policy are US $ 20 million (per occurrence and period). The deductible (for the Company only) amounts to US $ 7.5 thousand per event and period (in Israel and/or abroad), an amount of $ 35 thousand per occurrence and for the period in the US and/or Canada, and a total of $ 40 thousand per occurrence and for the period for claims in securities law. The cost to the Company for the entire coverage period amounts to approximately $ 65 thousand.

i. On July 19, 2017, the Company's remuneration committee approved a directors' and officers' liability insurance policy in the Company (in the format of claims made) retroactively from June 15, 2017. This policy is for 18 months from July 25, 2017. The liability limits of the policy are US $ 20 million (per occurrence and for the period). The deductible (for the Company only) amounts to US $ 7.5 thousand per occurrence and the period (in Israel and/or abroad), US $ 35 thousand per occurrence and for the period in the US and/ or Canada and a total of $ 40 thousand per occurrence and for the period for claims in securities law. The cost to the Company for the entire coverage period (premium for 18 months) amounts to approximately $ 40 thousand.

j. On March 12, 2018, the Company's remunerations committee approved, in accordance with its authority as detailed in sub-section (d) above, that in the event of a change of control in the Company following the completion of the special tender offer specified under Regulation 24 above, if and when completed, the Company will enter into a directors and officers liability insurance policy in a run-off format that will have the same conditions as the current insurance policy in the form of claims made, which will expire if and to the extent that the special tender offer is completed and the control in the company changes, provided that the premium in respect thereof does not exceed 300% of the annual premium paid in respect of the last policy that has ended and in the liability limits per claim and cumulatively for the insurance period as detailed in sub-section (d) above.

k. On March 12, 2018, the Company's remunerations committee approved, in accordance with its authority as set forth in sub-section (d) above, that in the event of a change of control in the Company following the completion of the special tender offer detailed under Regulation 24 above, the Company will enter into a new insurance policy for directors and officers (instead of the current one) in the "claims made" format, in accordance with the terms specified in sub-section (g) above.

Indemnification

l. It is noted that on July 4, 2012, the general meeting of the Company's shareholders (after approval of the audit committee and board of directors on March 2012) approved the issuance in the Company's name of letters of indemnity for officers of the Company (including for all of the members of the board of directors), including the Company's undertaking to indemnify them for any liability or expense as set forth in the letter of indemnify imposed on any of them following one or more of the following: (a) by virtue of being an officer and/or employed by the Company and/or subsidiaries of the Company; (b) by virtue of being, at the request of the Company, an officer, employee or agent of the Company in any other corporation. The total indemnification amount that the Company will pay to all of the officers of the Company in the aggregate, under any indemnification issued thereto by the Company, will not exceed 25% of the equity of the Company.

It is noted that due to the members of the Company's board of directors being beneficiaries of the aforesaid indemnification, the approval of the engagement involves a conflict of interests between the fulfillment of their roles as directors of the Company and their personal interests, and therefore, in accordance with the provisions of Dutch law applicable to the Company, the issuance of the letters of indemnify by the board of directors as stated is subject to approval of the meeting authorizing the Company's board of directors to issue, on behalf of the Company, letters of indemnity to the officers (including the directors) and the aforesaid letters of indemnity were not issued until after approval of the meeting as stated.

m. On July 26, 2017, the general meeting of the Company's shareholders (further to the approval of the Company's remuneration committee and board of directors dated June 16, 2017) authorized the board of directors of the Company to issue a letter of indemnify on behalf of the Company to Noam Sharon, Noa Shacham Liudmila Popova, who were appointed at the time as directors on the Company's board of directors, in accordance with the provisions of Section 9.3.8(b) of the Company's Remuneration Policy, in the form identical to the letters of indemnity issued to the other directors and other officers of the Company.

n. On October 16, 2017, the general meeting of the Company's shareholders (further to the approval of the Company's remuneration committee and board of directors dated September 5, 2017) authorized the board of directors of the Company to issue a letter of indemnify on behalf of the Company to Mr. Alexander Dexne, who was appointed at the time as an independent director on the Company's board of directors, in accordance with the provisions of Section 9.3.8(b) of the Company's Remuneration Policy, in the form identical to the letters of indemnity issued to the other directors and other officers of the Company.

o. On November 23, 2017, the general meeting of the Company's shareholders (further to the approval of the Company's remuneration committee and board of directors dated October 17, 2017) authorized the board of directors of the Company to Meir Jacobson, who was appointed at the time as an external director on the Company's board of directors, in accordance with the provisions of Section 9.3.8(b) of the Company's Remuneration Policy, in the form identical to the letters of indemnity issued to the other directors and other officers of the Company.

Exemption

p. It is noted that on July 26, 2017, the annual general meeting of the Company's shareholders approved the exemption of members of the board of directors from liability for the execution of their actions, in the 2016 financial year, if actions performed are reflected in the Company's 2016 financial report. It is noted that this resolution is a standard resolution of the annual general meetings of shareholders in the Netherlands. As part of the adoption of the financial report, it is customary in the Netherlands to exempt the members of the board of directors from existing or potential liability, *inter alia*, vis-a-vis the company for the execution of their position, only if the execution of their positions is reflected in the annual report of the company or if the general meeting is made aware, before the approval of the financial report of the company for 2016. The scope of the exemption will be subject to the limitations of the general law in the Netherlands, such as a duty of care and the principles of reasonableness and fairness, although there is no specific provision of the law in this regard. Additionally, the principles of reasonableness and fairness as stated may, under certain circumstances, prevent the grant of an exemption from liability to members of the board of directors. The aforesaid exemption is not binding vis-a-vis a third party and will not qualify the provisions of securities laws in Israel applicable to the Company, including the rights granted thereunder to its shareholders.

Brack Capital Properties N.V.

Names of signatories:	Position	Signature
(1) Noah Shacham *	Independent director	
(2) Ofir Rahamim	Co-CEO	

* Was authorized by the Company's Board of Directors to sign the report on behalf the chairman of the Board Mr. Alexander Dexne on March 15, 2018

CORPORATE GOVERNMENT QUESTIONNAIRE

INDEPENDENCE OF THE BOARD OF DIRECTORS

			Correct	Not correct
1.		Throughout the reporting year two or more external Directors served in the Corporation. A response of "correct" may be given for this question if the period of time during which two external Directors did not serve does not exceed 90 days, as provided in Section 363A.(b)(10) of the Companies Law. However, whatever the response (correct / not correct), the period (in days) during which two or more external Directors did not serve during the reporting year (including also a period of service that was approved retroactively) must be indicated, separating between the different external Directors: Director A : **Lambertus (Bert) Van den Heuvel**. Director B : **Willem Van Hassel** . Director C : Meir Jacobson[1] The number of external Directors serving in the Corporation as at the date of publishing this questionnaire: **3**	√	

[1] See Endnote No. 1

2.		The proportion[2] of independent Directors[3] serving in the Corporation as of the date of publication of this questionnaire: **5/8** The proportion of independent Directors set forth in the Articles of Association[4] of the Corporation[5]: ______ X Not applicable (not determined in the Articles of Association)	-	
3.		During the reporting year an examination was conducted with the external Directors (and the independent Directors) and it was found that they had complied during the reporting year with the provisions of Section 240(b) and (f) of the Companies Law regarding the absence of a connection of the external (and independent) Directors serving in the Corporation, and that they satisfy the conditions for service as an external (or independent) Director.	√	
4.		All of the Directors who served in the Corporation during the course of the reporting year are not subordinate[6] to the General Manager, directly or indirectly (other than a Director who is a representative of employees, if the Corporation has an employees' representative body). If your response is "not correct" (i.e. any Director is subordinate to the General Manager, as stated) – the number of Directors who did not satisfy this restriction shall be indicated: 1[7]		X
5.		All of the Directors who gave notice of the existence of a personal interest in the approval of a transaction which is on the agenda of the meeting, did not attend the discussion and did not participate in the voting (other than a discussion and/or vote as in accordance with the circumstances provided in Section 278(b) of the Companies Law): If your response is "not correct: - Was it for the purpose of presenting a specific issue by the Director in accordance with Section	√	

2. In this questionnaire, "proportion" - a certain number of the total. For example, 3/8.
3. Including "external Directors" as defined in the Companies Law.
4. Regarding this question - "rules" including under a specific legal provision applicable to the Corporation (e.g. banking Corporation - the Supervisor of Banks).
5. Debentures Corporation is not required to answer this section.
6. Regarding this question - the very serving as a Director of a Corporation is held under the control of the Corporation, shall not be considered as a "subordination", on the other hand, a Director serving as an officer of a Corporation (other than a Director) and / or employee of a Corporation controlled by the Corporation shall be deemed as being "subordinate" with regard to this question.
7. See concluding remark No. 2

		278(a) ☐ Yes. ☐ No The proportion of meetings in which Directors as stated participated in the discussion and/or vote, except for circumstances as described in sub-section A: _______		
6.		A controlling shareholder (including a relative and/or anyone acting on his behalf), who is not a Director or other senior officer in the Corporation, was not present at meetings of the Board of Directors that were held during the reporting year. If your response is "not correct" (i.e. the controlling shareholder and/or a relative and/or anyone acting on his behalf who is not a Board member and/or senior officer in the Corporation was present at meetings of the Board of Directors as stated) – indicate the following details regarding the presence of the additional person at such meetings of the Board of Directors: Identity: Position in the company (if applicable): Details of the connection to the controlling shareholder (if the person present was not the controlling shareholder himself): Was it for the purpose of presenting a particular subject by the controlling shareholder: ☐ Yes ☐ No (Mark an X in the appropriate box) Rate of presence [8] at meetings of the Board of Directors held during the reporting year: _______ For the purpose of presenting a particular subject by him: _______Other presence: _______ ☐ Not applicable (the Corporation has no controlling shareholder).	√	

DIRECTORS' COMPETENCE AND QUALIFICATIONS

			Correct	Not correct
7.		The Corporation's Articles of Association do not include a provision that restricts the possibility of immediate termination of the service of all the Directors in the Corporation who are not external Directors (in this regard – a determination by a simple majority is **not** considered a restriction) [9]	√	

8. Separating between the controlling shareholder, a relative and / or his representative.
9. A Debenture Corporation is not required to answer this section.

		If your response is "not correct" (i.e. such a restriction exists), indicate –			
		a.	The period of time set forth in the Articles of Association for the service of a Director: ______		
		b.	The required majority set forth in the Articles of Association for termination of the service of the Directors: ______		
		c.	The legal quorum set forth in the Articles of Association for a General Meeting for the purpose of terminating the service of the Directors: _____.		
		d.	The required majority for changing these provisions in the Articles of Association: _________		
8.		The Corporation arranged for a training program for new Directors in the area of the Corporation's business and in the area of the law applying to the Corporation and the Directors, as well as preparing a continuation program to train serving Directors that is adapted, *inter alia*, to the position that is fulfilled by the Director in the Corporation. If your response is "correct" – indicate whether the program was operated during the reporting year: ☐ Yes ☐ No (Mark an X in the appropriate box)			X
9.		a.	In the Corporation, a minimum number of board members who are required to have accounting and financial expertise has been determined. If your response is "correct," indicate the minimum number that was determined : 2 [10].	√	
		b.	The number of Directors who served in the Corporation during the course of the reporting year:		

10. See concluding remark No. 3

			Having accounting and finance expertise [11]: **6** Having professional competence [12]: **2** In the event of changes in the number of such Directors during the reporting year, the lowest number of Directors of each type who served during the reporting year (except during a period of 60 days after the occurrence of the change) will be provided.		
10.		a.	Throughout the reporting year the Board of Directors was composed of members of both genders. If your response is "not correct" – indicate the period of time (in days) during which the above was not fulfilled: ______ A response of "correct" may be given on this question if the period of time during which Directors of both genders did not serve does not exceed 60 days. However, whatever the response (correct/not correct), the period of time (in days) during which Directors of both genders did not serve in the Corporation must be indicated:	√	
		b.	The number of Directors of each gender serving on the Corporation's Board of Directors as of the date of publication of this questionnaire: Men:**6** Women: **2.**		

	MEETINGS OF THE BOARD OF DIRECTORS (AND CONVENING OF A GENERAL MEETING)			
			Correct	**Not correct**

11. Following evaluation by the Board of Directors according to the guidelines of the Companies Regulations (criteria and examinations of a Director with accounting and finance expertise and of Director with professional competence), 2005
12. See previous footnote 11

11.	a.		Number of meetings of the Board of Directors held in each quarter of the reporting year: First quarter (2017): 7 Second quarter: 3 Third quarter: 4 Fourth quarter: : 7		
	b.		Indicate next to the name of each of the Directors who served in the Corporation during the reporting year the rate [13] of his attendance at meetings of the Board of Directors (in this sub-section – including meetings of Committees of the Board of Directors of which he is a member, and as noted hereinafter) that were held in the course of the reporting year (referring to his period of service): (Add lines in accordance with the number of Directors)	_______	_______

	Name of the Director	Rate of his attendance at meetings of the **Board of Directors**	Rate of his attendance at meetings of the **Audit Committee** [14]	Rate of his attendance at meetings of the **Committee for examining the Financial Statements** [14]	Rate of his attendance at meetings of the **Remuneration Committee** [14]	Rate of attendance at meetings of the **Special Ad Hoc Committee**[14, 15]	Rate of his attendance at meetings of the **Appointments Committee**[14,16]		

[13] See footnote 2.

14.For a Director who is a member of this committee.

[15] A committee established pursuant to a decision of the Company's Board of Directors dated March 10, 2017, whose function was to examine the request of an interested party (at the time) in the Company - Brack Capital First B.V. (which is a private company fully owned and controlled by BCRE - Brack Capital Real Estate Investments NV (Hereinafter "**BCRE**")) - in connection with an application to convene a special meeting of the Company's shareholders for the purpose of appointing three new directors to the Company's Board of Directors and ending the term of office of Mr. Robert Israel, who was then serving as an independent director of the Company. Messrs. Bert Van den Heuvel and Willem Van Hassel who serve as external directors on the Board of Directors of the Company and Mr. Jan Van Der Meer, then Chairman of the Board of Directors, were appointed by the Board of Directors as members of the Committee.

	Jan Hylke Van Der Meer[16]	82%	N.A.	N.A.	N.A.	100%	N.A.		
	Ulrich Tappe	95%	N.A.	N.A.	N.A.	N.A.	N.A.		
	Nansia Koutsou[16]	73%	N.A.	N.A.	N.A.	N.A.	N.A.		
	Lambertus Van den Heuvel	90%	100%	100%	100%	100%	69%		
	Robert Israel[16]	91%	100%	100%	N.A.	N.A.	100%		
	Willem Van Hassel	95%	100%	100%	100%	100%	69%		
	Alexander Dexne[17]	100%	N.A.	N.A.	N.A.	N.A.	N.A.		

[16]Ceased to service on 25th of July, 2017.

[17] Nominated on 16th of October, 2017.

	Noam Sharon[18]	100%	N.A.	N.A.	N.A.	N.A.	N.A.		
	Or Levkovich[19]	73%	N.A.	N.A.	N.A.	N.A.	N.A.		
	Noa Shacham[18]	100%	100%	100%	100%	N.A.	100%		
	Liudmila Popova[18]	100%	N.A.	N.A.	N.A.	N.A.	N.A.		
	Meir Jacobson[20]	100%	100%	N.A. Was appointed on November 23, 2017, and as of that date no notice meetings were held	N.A. Was appointed on November 23, 2017, and as of that date no notice meetings were held	N.A.	N.A.		

12.				In the reporting year, the Board of Directors held at least one meeting on the management of the Corporation's business by the General Manager and the officers subordinate to him, without their presence, and they were given the opportunity to state their position.	√	

[18] Nominated on 25th of July, 2017.

[19] Nominated on 5th of January, 2017 and ceased to service on 25th of July,2017.

[20] Nominated on 23rd of November, 2017.

SEPARATION BETWEEN THE FUNCTIONS OF GENERAL MANAGER AND CHAIRMAN OF THE BOARD OF DIRECTORS				
			Correct	**Not correct**
13.		Throughout the reporting year a Chairman of the Board of Directors served in the Corporation. A response of "correct" may be given on this question if the period of time during which a Chairman of the Board of Directors did not serve in the Corporation does not exceed 60 days, as provided in Section 363A.(2) of the Companies Law. However, whatever the response (correct/not correct), the period of time (in days) during which a Chairman of the Board of Directors did not serve in the Corporation must be indicated: 22 days..	√	
14.		Throughout the reporting year a General Manager served in the Corporation. A response of "correct" may be given on this question if the period of time during which a General Manager did not serve in the Corporation does not exceed 90 days, as provided in Section 363A.(6) of the Companies Law. However, whatever the response (correct/not correct), the period of time (in days) during which a General Manager did not serve in the Corporation must be indicated: ____	√	
15.		In a Corporation in which the Chairman of the Board of Directors also serves as and/or exercises the powers of General Manager, the dual office was approved in accordance with Section 121(c) of the Companies Law [21]. X Not applicable (if no such dual office exists in the Corporation).		

[21] In a Debentures Company – an approval according to section 121(d) of the Companies Law.

				Correct	Not correct
16.		The General Manager is <u>not</u> a relative of the Chairman of the Board of Directors. If your response is "not correct" (i.e. the General Manager is a relative of the Chairman of the Board of Directors) –		√	
		a.	Indicate the family relationship between the parties: _____	_______	_______
		b.	The service of the General Manager was approved in accordance with Section 121(c) of the Companies Law [22] ☐ Yes ☐ No (Mark an X in the appropriate box)	_______	_______
17.		The controlling shareholder or a relative <u>does not</u> serve as General Manager or as a senior officer in the Corporation, other than as a Director. ☐ Not applicable (there is no controlling shareholder in the Corporation).		√	

THE AUDIT COMMITTEE

				Correct	Not correct
18.		The following <u>did not serve</u> on the Audit Committee during the reporting year:		√	
		a.	The controlling shareholder or a relative. ☐ Not applicable (there is no controlling shareholder in the Corporation).		
		b.	The Chairman of the Board of Directors.		

[22] In a Debentures Company – an approval according to section 121(d) of the Companies Law.

		c.	A Director who is employed by the Corporation or by the controlling shareholder in the Corporation or by a Corporation under his control.		
		d.	A Director who provides services to the Corporation or to the controlling shareholder in the Corporation or to a Corporation under his control on a regular basis.		
		e.	A Director whose main livelihood derives from the controlling shareholder. ☐ Not applicable (there is no controlling shareholder in the Corporation).		
19.		A person who is not entitled to be a member of the Audit Committee, including a controlling shareholder or a relative, was not present during the reporting year at meetings of the Audit Committee, other than in accordance with Section 115(e) of the Companies Law.		√	
20.		A legal quorum for transacting business and passing resolutions at all meetings of the Audit Committee that were held during the reporting year was a majority of the members of the Committee, a majority of those present being independent Directors and at least one being an external Director. If your response is "not correct" – indicate the rate of meetings at which this requirement was not satisfied: ______		√	
21.	The Audit Committee held during the reporting year at least one meeting attended by the internal auditor and the external auditor, and without the presence of officers in the Corporation who are not members of the Committee, regarding deficiencies in the business management of the Corporation.			√	
22.	At all meetings of the Audit Committee at which a person who is not permitted to be a member of the Committee was present, this was with the approval of the Chairman of the Committee and/or at the request of the Committee (regarding the General Counsel and Secretary of the Corporation who is not a controlling shareholder or a relative).			√	
23.	In the reporting year there were valid arrangements determined by the Audit Committee regarding the handling of complaints of employees in relation to deficiencies in managing the Corporation's business and the defense granted to such employees.			√	

24.	The Audit Committee (and/or the Committee for examining the Financial Statements) was satisfied that the scope of the work of the independent auditor and his fee in relation to the Financial Statements during the reporting year were fair for the performance of proper auditing and review.	√	

FUNCTIONS OF THE COMMITTEE FOR EXAMINING THE FINANCIAL STATEMENTS (HEREINAFTER – THE COMMITTEE) IN ITS WORK PRIOR TO APPROVAL OF THE FINANCIAL STATEMENTS				
			Correct	**Not correct**
25.	a.	Indicate the period of time (in days) determined by the Board of Directors as a reasonable time for submitting the Committee's recommendations prior to the meeting of the Board of Directors at which the periodic or quarterly reports are to be approved: 2 business days [23].	_______	_______
	b.	The number of days that actually elapsed between the date of submission of the recommendations to the Board of Directors and the date of approval of the Financial Statements: First quarter report (2017): 2 Second quarter report: 2 Third quarter report: 3 Annual report: 2	_______	_______

[23] See concluding remark No. 4

	c.	The number of days that elapsed between the date of delivery of the draft of the Financial Statements to the Directors and the date of approval of the Financial Statements (The number in parentheses indicates the number of days between the date of transferring the financial statement draft to the members of the Financial Statements Review Committee and the date on which they were discussed by the Board of Directors): First quarter report (2017): 7 (9) Second quarter report: 7 (10) Third quarter report: 8 (9) Annual report: 7 (14)		
26.	The Corporation's external auditor participated in all the meetings of the Committee and the Board of Directors at which the Corporation's Financial Statements for the periods included during the reporting year were discussed. If your response is "not correct" – indicate the rate of his participation: _______		√	
27.	Throughout the reporting year and until the publication of the annual report the Committee complied with all of the conditions set out below:		√	
	a.	The number of its members was not less than three (at the time of the meeting of the Committee and the approval of the Financial Statements as stated).		
	b.	It complied with all the conditions prescribed in Section 115(b) and (c) of the Companies Law (in respect of the service of members of the Audit Committee)		
	c.	The Chairman of the Committee is an external Director.		
	d.	All its members are Directors and a majority of its members are independent Directors.		
	e.	All its members are able to read and understand Financial Statements, and at least		

		one of the independent Directors possesses accounting and financial expertise.		
	f.	The members of the Committee submitted a declaration prior to their appointment.		
	g.	The legal quorum of the Committee for meeting and for passing resolutions was a majority of its members, provided that a majority of those present were independent Directors including at least one external Director.		
	If your response is "not correct" on one or more of the sub-sections of this question, specify for which report (periodic/quarterly) the said condition was not met and also the condition that was not complied with : _______________ .		_____	_____

REMUNERATION COMMITTEE				
			Correct	**Not correct**
28.		The number of its members in the Committee during the reporting year was not less than three and the external Directors comprised the majority of the members (at the time of the meeting of the Committee). ☐ Not applicable (there were no meetings)	√	

		a.	The controlling shareholder or a relative. ☐ Not applicable (there is no controlling shareholder in the Corporation).		
		b.	The Chairman of the Board of Directors.		
		c.	A Director who is employed by the Corporation or by the controlling shareholder in the Corporation or by a Corporation under his control.		
		d.	A Director who provides services to the Corporation or to the controlling shareholder in the Corporation or to a Corporation under his control on a regular basis.		
		e.	A Director whose main livelihood derives from the controlling shareholder. ☐ Not applicable (there is no controlling shareholder in the Corporation).		
31.		The controlling shareholder or a relative did not attend meetings of the Remuneration Committee during the reporting year, unless the Chairman of the Committee determined that one of them is required for the presentation of a certain subject.		√	
32.	The Remuneration Committee and the Board of Directors did not use their authority in accordance with sections 267a (c) and 272 (c1)(1)(c) in order to approve a transaction or remuneration policy, despite the objection of the General Meeting. If your answer is “not correct” please indicate – The type of the aforesaid approved transaction: ______ The number of times in which such authority was used during the reporting year: ______			√	

INTERNAL AUDITOR

		Correct	Not correct
33.	The Chairman of the Board of Directors or the CEO of the Corporation is the organizational supervisor in charge of the internal auditor of the Corporation.		√
34.	The Chairman of the Board of Directors or of the Audit Committee approved the working plan during the reporting year. In addition, the subjects of the audit with which the internal auditor dealt during the reporting year will be detailed: Examination of the effectiveness of the work of the Board of Directors, the process of acquiring new assets and IT auditing as part of the conversion of an information system.	√	
35.	The scope of engaging the internal auditor in the Corporation during the reporting year (in hours [24]): **450** In accordance with the audit plan approved at the beginning of the year, in addition, during 2017 additional examinations were performed at the request of the Company's audit committee, for a total of 167 work hours**.**		
	In the reporting year a discussion was held (in the Audit Committee or the in the Board of Directors) on the findings of the internal auditor.	√	
36.	The internal auditor is not an interested party in the Corporation, a relative, auditing CPA or anyone on his behalf and also he does not have any significant business relations with the Corporation, its controlling shareholder, a relative or Corporations under their control.	√	

INTERESTED PARTY TRANSACTIONS

[24] Including work hours invested in held Corporations and audit external of Israel, as the case may be.

		Correct	Not correct
37.	The controlling shareholder or a relative (including companies controlled by him) is not employed by the Corporation and does not provide management services to it. If your response is "not correct" (i.e. the controlling shareholder or a relative is employed by or provides services to the Corporation), indicate this – - The number of relatives (including the controlling shareholder) employed by the Corporation (including companies controlled by them and/or through management companies): _____________ . - Were such employment agreements and/or management services approved by the organizations stipulated by law: ☐ Yes ☐ No (Mark an X in the appropriate box) ☐ Not applicable (the Corporation has no controlling shareholder) ____________ .	√	

38.	To the best of the Corporation's knowledge, the controlling shareholder does not have any additional business dealings in the Corporation's field of activities (in one area or more). If your response is "not correct" – indicate whether an arrangement was established between the Corporation and its controlling shareholder that delimits their activities in it : ☐ Yes ☐ No (Mark an X in the appropriate box) ☐ Not applicable (the Corporation has no controlling shareholder).		X

Endnotes

(1) For the purposes of Section 1 - Mr. Meir Jacobson was appointed as an external director to the Board of Directors of the Company on November 23, 2017.

(2) For the purposes of section 4 - Mr. Ulrich Tappe serves as Director and also Manager of the Initiation Division of the Company, and is organizationally subordinate to the joint CEOs of the Company.

(3) For the purposes of section 9 (a) - This statement also includes the mandatory requirement that at least one of the external Directors shall have accounting and financial expertise.

(4) For the purposes of section 25 (a) – the period of time determined by the Board of Directors as being a reasonable time period to transfer the recommendations of the Committee to examine the Financial Statements prior to discussion by the Board of Directors to approve the Financial Statements has been determined as two business days only, because the draft of the Financial Statements are transferred at the same time both to the Committee members and to other members of the Board who are not members of this Committee at least seven days prior to the hearing of the Board of Directors to approve the Financial Statements.

15. 03.2017

Independent director: **Noah Shacham*** Chairman of the Audit Committee: **Lambertus (Bert) Van den Heuvel**

* Was authorized by the Company's Board of Directors to sign the report on behalf the chairman of the Board Mr. Alexander Dexne on March 15, 2018