Board of Directors Report:

Corporation's State of Affairs

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

Brack Capital Properties NV (hereinafter: "the Company" or "the Corporation") hereby submits the Board of Directors' report for the six months and three months ending June 30, 2023 (hereinafter: "the Reported Period" or "the Report Period”, respectively) in accordance with the Securities Regulations (Periodic and Immediate Reports – 1970, the Reports' Regulations).

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

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

In this report:

"The report date” or "the date of the report" refers to June 30, 2023.

"Report signing date" or "the date of signing the report" or " the report signing day" refers to August 28, 2023.

" The reported quarter" or "the report period" – the first quarter of 2023.

The review presented below is limited in scope, relating to material events and changes that occurred in the state of the Company's affairs during the report period, the impact of which is material and should be reviewed together with the Company's periodic report for 2022; including the financial statements and the Company's board of directors' report, as of December 31, 2022, published on March 31, 2023 (reference number: 2023-01-036915) (The 2022 Periodic Report).

Preamble

Below are the Company's principal results for six months ending June 30, 2023.

1. **Profitability** – Further to the immediate report dated July 30, 2023 (reference 2023-01-070840) which is included herein by way of reference, the Company advises that the net loss attributed to the Company's shareholders for the second quarter of 2023 amounts to approximately EUR 99.1 million compared to a loss of EUR 16.2 million in the corresponding quarter last year.

   The loss attributed to the second quarter of 2023 is mainly due to fair value adjustment in relation to the entire portfolio of the Company's assets in a total amount of approximately EUR 114.5 million (of this amount, approximately EUR 82.4 million is attributed to investment property and approximately EUR 32.1 million to real estate inventory). For further details regarding valuations for the second quarter of 2023 that were conducted for the Company's assets, see part B of this report.

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

   - **Income-producing real estate -** In the second quarter of 2023, the NOI amounted to EUR 10.4 million compared to EUR 12.4 million in the corresponding quarter last year. In addition, for the second quarter of 2023 the Company's EBITDA amounted to EUR 7.1 million (compared to EUR 9.5 million in the corresponding quarter last year) and the FFO of the Company amounted to a total of EUR 4.4 million (compared to EUR 6.4 million in the corresponding quarter last year). It should be indicated that the sharp decrease in the levels of FFO, NOI and EBITDA during the current quarter compared to the corresponding quarter of 2022 is due to the completion of the sale of the residential properties located in the city of Leipzig on December 30, 2022.

For further details regarding the terms of the transaction and the consideration, see the Company's immediate report from January 1, 2023 (reference number: 2023-01-000007) and section 1.1.4.1a to the 2022 periodic report. For details regarding the financial indices presented in this report which are not based on generally accepted accounting principles see section 10 below.

- The growth in rent in the field of residential income producing real estate in the second quarter of 2023 amounted to about 2.3% in rent from identical assets compared to the corresponding quarter in 2022. As of the report date, the average rent is EUR 7.16 per square meter and the rental in new leases in the residential market is about 7.91% higher than the current average.

- The occupancy rate as of the report date in the residential income producing real estate is 96.6%.

    - **Residential development** - The company did not recognize a profit or loss from the sale of apartments in 2023. It is clarified that the Company's real estate development is not under construction. For further details regarding the impairment of the Company's residential development real estate assets, including in light of the rising interest rates and inflation in the economy and their effects on the Company's results of operations, see 'Part B - Disclosure regarding material and very material valuations and material appraisers' below.

2. Operating segments – key operational data

2.1 Income-producing real estate [1]

Zoning	Area ('000 square meters)	NRI Return	ERV Return[2]	Actual NOI return[3]	NOI return according to ERV	Occupancy rate
Residential	588	5.1%	5.5%	4.4%	4.8%	96.6%
Commercial	16	9.0%	9.0%	-	-	71.9%
Total	604	5.1%	5.5%	4.3%	4.7%	96.2%

3. Balance sheet structure and financial solvency -

3.1 **Equity and EPRA NTA**: The equity attributed to the Company's shareholders amounted to approximately EUR 609.8 million and the EPRA NTA[4] amounted to EUR 768.8 million, as of the report date.

3.2 **Debt ratios**: The LTV ratio[5] is 38.40% as of the report date compared to 38.29% in the corresponding quarter last year. It should be noted that in the case of completion of the sale of the income generating real estate assets, which were classified as held for sale (see note 6 to the Company's financial statements), the LTV ratio decreased after the sale to a level of approximately 29.71%. For further details in connection with the Company's assessments regarding the completion of the sale of the assets, see section 4 below. The ratio of EBITDA from the income producing portfolio only to interest expenses is about 3.29 in the second quarter of 2023.

3.3 **Liquidity**: Cash balances (consolidated) amounted to approximately EUR 211.1 million as of the report date.

3.4 **Financing**: the Company has bank loans with a total balance of EUR 362.5 million, at an average annual interest of 3.03% and duration of 6.42 years and marketable bonds in the amount of EUR 159.4 million as of the report date at average NIS interest (CPI linked) of 4.04%. in addition, after the reported period, on August 9, 2023, the Company successfully completed an exchange offer in which it acquired 91.99% of all of the Company's' bonds (Series B) in exchange for the Company's bonds (Series C) and cash consideration. For further details regarding the Company's financing sources and its liquidity situation see section 9.1 below.

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[1] Assets consolidated in the Company's financial statements, including assets for which binding sale agreements were signed.

[2] ERV (Estimated Rental Value) the expected annual income production given that all properties are rented with current occupancy in exchange for customary market rate.

[3] Data of June 2023 on annual basis divided by the carrying value.

[4] EPRA NTA – for details regarding the index and the calculation manner see section 10.2 of this report.

[5] Net debt to total real estate assets and inventory

4. Concise description of the Corporation and its business environment

As of the report date, the Company, its subsidiaries and associates (hereinafter, collectively: ("**the Group"**) have been operating in three main areas of activity: residential income producing real estate (Residential), commercial income producing real estate (Commercial), (collectively: **the income producing segment**); residential development real estate and the betterment of land in Dusseldorf (collectively: **the group's areas of activity**).

The Company continues to implement the strategy in the area of income generating and residential development real estate including carrying out operations to sell assets to improve its liquidity. For further details in connection with the Company's strategy, see section 1.20 of chapter A of the 2022 periodic report.

Further to the Company's report from January 1, 2023 (reference number: 2023-01-000007), which is included herein by way of reference, as of the publication date of the report, the Company continues to negotiate the sale of additional properties **from its residential real estate portfolio, located in East Germany**. The Company's management expects that this sale will be completed in the coming year.

To this end, the Company entered into agreements with various brokers for the purpose of **examining the sale of all assets in the Company's development portfolio**, where the scope of the assets to be sold by the Company from the aforementioned portfolio depends on the Company's liquidity needs, as they will be at that time.

4.1 Changes in the Company's board of directors in the reported period:

On March 6, 2023, Mr. Taco Tammo Johannes de Groot was appointed as an external director to the Company's board of directors. For further details, see the Company's immediate report dated March 6, 2023 (reference number: 2023-01-020371) included herein by way of reference.

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

4.2.1 **Residential Income-Producing Real-Estate -** As of the report date, the Group owns 9,608 apartments with a total leasing area of approximately 588,000 m^2**.**

4.2.2 **Commercial Income-Producing Real-Estate -** As of the report date, the Group owns 3 commercial income-producing properties in the commercial segment (offices) with an overall leasable area of approximately 16,000 m^2.

4.2.3 **Residential development and land improvement in Dusseldorf -** The Company owns three land complexes in Dusseldorf, Germany, two of which are undergoing procedures for obtaining building permits and for one land a building permit was received.

For details regarding pre-emptive right (pre-emptive right) for the municipality of Dusseldorf, among other things, in connection with the Company's premises, see the Company's immediate report dated September 14, 2022 (reference number: 2022-01-117691), which is included herein by way of reference. For details regarding the cost of the projects see sections 5-6 below.
It should also be noted that during the fourth quarter of 2022, difficulties arose in the negotiations with the municipality of Dusseldorf in connection with the approval of the urban building plan of Gerresheim project, which may lead to a further delay in receiving the permit or thwart its receipt at all. For further details, see the Company's immediate report dated November 27, 2022 (reference number: 2022-01-113352), which is included herein by way of reference. It should be noted that as of the date of the report, following the directive of the board of directors, the Company's management commenced to examine the Company's possible actions, including by brokers, among other things, in accordance with the Company's general strategy to examine the **sale of all assets in the Company's development portfolio**. For further details, see Section 1.8.3.4 of Chapter A of the 2022 periodic report.

For further details regarding changes in the general environment in which the Company operates and which may have implications on the Company's activities, see section 1.5 of chapter A of the 2022 periodic report.

5. Costs of the Grafenberg project (EUR in thousands)

	Costs invested	Quarter 2 – 2023	Quarter 1 – 2023	2022	2021
Costs invested	Cumulative costs for land at the end of the period	11,900	11,900	11,900	11,900
	Cumulative costs for development, taxes and fees	4,749	4,672	4,671	2,448
	Construction costs	-	-	-	-
	Cumulative costs for financing (capitalized)	-	-	-	-
	Total cumulative cost	**16,649**	**16,572**	**16,571**	**14,348**

6. Costs of the Gerresheim project (EUR in thousands)

	Costs invested	Quarter 2 – 2023	Quarter 1 – 2023	2022	2021
Costs invested	Cumulative costs for land at the end of the period	141,645	141,645	141,645	141,645
	Cumulative costs for development, taxes and fees	10,597	9,595	8,830	4,393
	Construction costs	-	-	-	-
	Cumulative costs for financing (capitalized)	36,293	33,162	30,376	18,769
	Total cumulative cost	**188,535**	**184,402**	**180,851**	**164,807**

7. Financial Position:

Assets	**June 30, 2023**	**June 30, 2022**	**December 31, 2022**	**Explanation for the change**
Current assets	**EUR in thousands**			
Cash and cash equivalents	211,095	130,248	210,477	See details in the statement of cash in the Company's financial statements attached to this report.
Restricted deposits, financial assets, and other receivables	33,646	36,730	32,354	
Income receivable from the sale of apartments	257	271	264	
Tenants and trade receivables, net	2,693	2,438	2,167	
Assets of disposal groups held for sale	158,166	13,600	143,823	Balance is mainly due to the classification of residential assets to disposal groups held for sale and the classification of the land in Granfenberg following the Company's intention to sell these assets. For further details, see note 6 of the Company's financial statements.
Total current assets	**405,857**	**183,287**	**389,085**	
Non-current assets:				
Investments and loans in companies measured at equity	-	2,928	-	
Investments in financial assets, measured at fair value through profit or loss	5,287	7,908	5,287	
Inventory of real estate	182,000	214,434	206,351	Decrease derives from impairment of inventory which resulted from impairment in valuations of the Company's lands. For further details, see Note 7 to the consolidated financial statements of the Company.
Investment property – real estate rights and investment property under construction	-	79,200	35,300	Decrease derives from classification of the land in Grafenberg to disposal group held for sale.
Investment property – income-producing assets	854,804	1,367,172	925,123	Decrease is mainly due to the classification of residential assets to disposal groups held for sale and from the sale of residential assets in Leipzig. In addition, the decrease stems from impairment of the company's income producing real estate assets.

Restricted deposits for investments in assets	5,450	7,478	4,997	
Other accounts receivable, and other financial assets	164	165	175	
Deferred taxes	298	8,829	236	
Total non-current assets	**1,048,003**	**1,688,114**	**1,177,469**	
Total assets	**1,453,860**	**1,871,401**	**1,566,554**	

Liabilities	**June 30, 2023**	**June 30, 2022**	**December 31, 2022**	**Explanation for the change**
	EUR in thousands			
Current liabilities				
Current maturities of loans from banking corporations	7,762	190,306	99,794	Decrease in the reported period is mainly due to the agreement to extend a loan in the amount of approximately EUR 94 million, which was extended for an additional 3 years. See section 11.4 below.
Current maturities of debentures	60,159	63,334	62,944	
Other financial liabilities	12,329	-	7,795	Increase is due to a liability to hedging transactions hedging the Company's EUR/ NIS exchange rate.
Loan from controlling shareholder	150,448	100,125	151,330	Loan of EUR 150 million received from a controlling shareholder in 2022 includes EUR 0.4 million interest payable. For details see section 11.3 below.
Accounts payable and other financial liabilities	26,047	32,678	25,993	
Deferred tax liabilities	1,321	1,822	410	
Liabilities of disposal groups held for sale	59,003	346	66,780	
Total current liabilities	**317,069**	**388,611**	**415,046**	
Non-current liabilities:				
Loans from banks	301,947	267,265	212,460	Increase is mainly due to loan extension agreement of EUR 94 million and the classification of the entire loan amount to long term loans. See section 11.3 below.
Debentures	99,286	170,015	104,774	Decrease is mainly due to the payment of series B bonds in December 2022 in the amount of about EUR 70 million (principal + interest).
Other financial liabilities	26,205	24,293	15,491	Increase is mainly due to a liability from hedging transactions that hedge

				the Company's Euro/NIS exchange rate.
Deferred taxes	72,512	138,991	84,542	Decrease is mainly due to the classification of deferred taxes attributed to residential assets to disposal groups held for sale and from the sale of the companies that held the residential assets in Leipzig.
Total noncurrent liabilities	499,950	**600,564**	**417,267**	
Total liabilities	817,019	**989,175**	**832,313**	
Equity				
Equity attributable to equity holders of the company	609,830	847,374	705,732	
Non-controlling interests	27,011	34,852	28,509	
Total equity	**636,841**	**882,226**	**734,241**	
Total liabilities and equity	**1,453,860**	**1,871,401**	**1,566,554**	

8. Activity Results:

	Six months ended June 30		**Three months ended June 30**		**Year ended December 31**	**Explanation for the change**
	2023	**2022**	**2023**	**2022**	**2022**	
	EUR in thousands					
Revenues from rental of properties	24,810	29,786	12,389	14,880	59,887	Decrease in scope of revenues and expenses is due to sale of residential assets in Leipzig and from the sale of commercial assets during 2022.
Revenues from property management	12,762	12,079	6,690	6,155	24,837	
Property management expenses	(12,183)	(11,992)	(6,386)	(5,870)	(24,830)	
Cost of maintenance of rental properties	(4,664)	(5,265)	(2,247)	(2,804)	(10,102)	
Rental and management revenues, net	**20,725**	**24,608**	**10,446**	**12,361**	**49,792**	
Revenues from sale of apartments	-	-	-	-	-	The cost of apartments in the period derives entirely from impairment of buildings under construction and real estate inventory
Cost of sale of apartments	(32,150)	(10,868)	(32,150)	(10,868)	(13,556)	
Loss from the sale of apartments	**(32,150)**	**(10,868)**	**(32,150)**	**(10,868)**	**(13,556)**	
Equity in earnings (losses) of companies accounted at equity	-	859	-	859	859	

General and administrative expenses	(7,461)	(5,799)	(3,724)	(2,886)	(13,119)	
General and administrative expenses attributed to inventory of buildings under construction and inventory of real estate	(842)	(878)	(291)	(324)	(1,669)	
Increase (decrease) in value of investment property, net	(82,389)	12,482	(80,370)	12,482	(158,872)	For further details, see part B below.
Operating profit (loss) before financing expenses	**(102,117)**	**20,404**	**(106,089)**	**11,624**	**(136,565)**	
Financing expenses excluding the effect of exchange rate differences, CPI, and currency hedging transactions	(4,443)	(6,162)	(1,725)	(3,214)	(10,880)	
Effect of exchange rate differences, CPI, and currency hedging transactions	(1,093)	(18,307)	(3,495)	(17,538)	(20,301)	
Change in fair value of financial instruments, credit losses and others	-	(6,898)	-	(8,326)	(9,533)	
Other income (expenses), net	(150)	(21,715)	(17)	509	(21,135)	
Loss before taxes on income	**(107,803)**	**(32,678)**	**(111,326)**	**(16,945)**	**(198,414)**	
Tax benefit (Taxes on income)	10,403	3,469	10,985	343	21,220	
Net comprehensive income (loss) for the period	**(97,400)**	**(29,209)**	**(100,341)**	**(16,602)**	**(177,194)**	
Net and comprehensive income (loss) attributed to:						
Company shareholders	(95,902)	(28,916)	(99,098)	(16,249)	(170,558)	
Non-controlling interests	(1,498)	(293)	(1,243)	(353)	(6,636)	

9. Financing sources, liquidity and Cash flows:

	Six months ended June 30		Three months ended June 30		Year ended December 31	Explanation for the change
	2023	2022	2023	2022	2022	
	EUR in thousands					
Cash flows provided by (used in) operating activities	7,720	(3,038)	5,378	3,616	(569)	See cash flow statement
Cash flows provided by (used in) investing activities	9,206	(4,811)	(1,302)	764	122,474	See cash flow statement
Cash flows provided by (used in) financing activities	(16,133)	113,236	(2,844)	(53,574)	65,759	See cash flow statement

9.1 Access to financing sources:

As of the report date and its publication, the Company finances its operating activities mainly from cash flows received from the Company's subsidiaries from bank financing, financing from the controlling shareholder, from debentures issued to the public in Israel and from asset sale, among others, as follows;

(a) Financing by bank debt - as of the date of the report, the balance of the Company's bank debt is approximately EUR 362.5 million with an average interest rate of 3.03% and an average duration of 6.42. during the period, the Company entered into an agreement to extend the repayment date of one of the Company's loans (at a scope of EUR 34.5 million). For further details, see the Company's immediate report dated March 28, 2023 (reference number: 2023-01-033288) and section 1.12.2a of chapter A of the 2022 periodic report. In addition, the Company extended the maturity date of a very material loan (Approximately EUR 94.0 million) by an additional three years. For additional details, including in connection with the extension of the aforementioned loan repayment date and compliance with such financial covenants see Sections 11.2 and 11.4 below.

(b) Financing by bonds - The Company has marketable bonds in the amount of approximately EUR 159.4 million as of the report date, with an average NIS interest rate (CPI linked) of 4.04%. For additional details regarding the Company's bonds, including the upcoming maturity dates of the bonds and their balance, see part B of this report. It should be noted that, after the report date, on August 9, 2023, the Company completed an exchange offer for the Company's bonds (series B), in which the Company purchased NIS 390,324,629 par value of bonds (series B), constituting approximately 91.99 % of all of the Company's bonds (series B) that were in circulation in exchange for NIS 213,702,734 par value of bonds Series C and NIS 222,563,103 in cash. For further details, see the Company's immediate reports dated July 20, July 26, August 1, August 6, 2023 and August 9 (reference number: 2023-01-083271, 2023-01 -085842, 2023-01-071986 and 2023-01-073066, 2023-01-074137 and 2023-01-074137, respectively).

(c) Loan from the controlling shareholder - as of the report publication date, a credit line is available to the Company from which the Company has drawn down EUR 150 million. In the reported period until the report publication date, and taking into account, among other things, the cash needs of the Company as detailed in this section, the Company approached the controlling shareholder requesting to extend the maturity date of the credit line or any part thereof. In response to the Company's request, the parties reached agreements the main points of which are as follows: the maturity date of EUR 75 million from the amount the Company has drawn down, as above, will be extended until December 29, 2024 ("**the remaining amount**"); the balance of EUR 75 million will be repaid by the end of August 2023 ; updating the interest rate regarding the remaining amount; and expiration of the unutilized credit line in the amount of EUR 50 million ("**the amendment to the agreement**").

The other terms of the credit line remain unchanged. The amendment to the agreement replaced one sided commitment ADLER provided the Company in connection with the credit line. For further details regarding the amendment to the agreement, its approval and the terms of the credit line, see section 11.3 below as well as the Company's immediate report dated August 28, 2023 (reference number: 2023-01-080680), which is included herein by way of reference.

Asset sale - for the purposes of financing its operating activities and meeting its obligations, the Company entered into and completed during 2022 a number of transactions for the sale of the Company's assets, totalling approximately EUR 148.2 million, which were received in cash during the period. Also, as of the report date and the publication report date, the Company takes measures for the sale of additional assets from the Company's asset portfolio as specified in section 4 above.

It is clarified that the Company's estimates in connection with future transactions for the sale of assets and refinancing of the Company's loans constitute forward-looking information, as defined in the Securities Law, which may not be realized or may be realized in a different way than the above, due, among other things, to factors beyond the control of the Company, including changes in the state of the markets and the agreements of third parties that are not related to the company.

It should be noted that the Company constantly examines all the financing methods available to the Company, including those detailed above, taking into account, among other things, the market conditions the Company's financial position and the fact that the controlling shareholder in the Company is ADLER as detailed below:

In 2022, the Company's access to external financing sources was effected, among others, from the war in Ukraine, and the rising inflation and interest rates in the economy, the significant decline suffered by ADLER in the rating of its bonds and also the announcement by the rating company Maalot S&P about lowering the Company's rating to 'ilBBB-' and lowering the rating of the Company's bond series to 'ilBBB+' following its assessment that the Company has limited access to funding sources and its liquidity is weak (as specified in this section above and below). Further to the foregoing, in 2022, the Company has encountered significant challenges in receiving long-term financing from German banking corporations, to the best of the Company's knowledge, among other things due to ADLER's situation. It is indicated that the changes in the real estate market and the capital market in Germany and throughout the world had also a considerable effect on obtaining long term financing in this regard. For further details regarding the changes in the economic environment in which the Company operates see section 1.5 of Chapter A of the 2022 periodic report.

Without derogating from the foregoing, it should be noted that effective from the last quarter of 2022 and during 2023 and as of the report publication date, in the Company's estimation, there is some improvement in the Company's access to bank financing sources, which is reflected, among other things, in the Company's success to refinance the Company's loans as detailed in sections 11.2 and 11.4 below. Also, there is an improvement in the Company's accessibility to the Israeli capital market, which is reflected in high responsiveness of bondholders to the tender offer as detailed in section 11.7 below.

It should also be noted that during April 2023, the ADLER Group reached an arrangement with the bondholders, within which, among other things, the terms of the aforementioned bonds were amended, including, but not limited to, for the purpose of the restrictions for creating new debt and maintaining certain financial ratios. It should be noted that while the Company has not committed to meet any of the limitations that ADLER has committed to as detailed above, as part of examining ADLER's compliance with the aforementioned limitations, the Company's data may also be taken into account. In addition, as a result of the aforementioned debt arrangement, the ADLER group's credit rating has improved.

Further to the foregoing, the Company examined several scenarios for the purpose of assessing the ability of the Company to cope with the consequences of the foregoing on its financial position and its liquidity situation. The Company's board of directors considered the consequences of the foregoing on its financial position and its liquidity situation, among other things, in accordance with the various scenarios presented to the Company's board of directors in connection with the Company's ability to meet its obligations even under stress conditions (including considering the difficulties stated above) as well as the estimated effects on the Company's activities and the value of its assets in light of the above and found that the Company is able to meet such obligations in 24 months (24) following the inspection date (namely, as of the date of the financial statements for the second quarter of 2023). For further details, see the discussion regarding the existence of warning signs in the Company in this section below.

As per the Company's estimate, as of the publication date of this report, the Company has access to additional funding sources (including as detailed above and below), among other things, through additional sale of part of the Company's property portfolio, entering into agreements to extend the maturity dates of the Company's existing loans and the Company is examining the possibility of obtaining financing from additional financing sources and continues to examine the possibility of obtaining long-term financing, whether from banking corporations and other financial corporations or through the capital market, among others, taking into account the situation of the real estate market in Germany and the capital market in Germany and throughout the world.

For further details regarding the financing sources of the group see section 1.12 of Chapter A of the 2022 periodic report.

The Company's assessments in relation to the foregoing, including the effects of the inflation rate and rising interest rates in the economy, ADLER's debt rating, the Company's debt rating, significant challenges in obtaining long-term financing from German banking corporations, completion of asset sale and its ability to deal with the economic consequences of the above constitute forward-looking information as defined in the Securities Law. These estimates may not be realized or may be realized differently from the Company's estimates, and this, among other things, due to circumstances beyond the Company's control, including the changes in the state of the capital markets in the world and ADLER's rating.

Examination of warning signs

Without qualifying the review report, the auditors drew attention to Note 1 of condensed consolidated financial statements regarding uncertainty concerning the realization of the management's plans for the payment of the Company's obligations. The management's plans include, among other things, realization of the Company's assets and refinancing of existing loans. In the estimate of the Company's board of directors and management, the Company will comply with these plans and repay its obligations on time.

Accordingly, as of the report date, there was a warning sign in the Company as defined in regulation 10(b)(14) of the report regulations, resulting from drawing attention of the Company's auditor as mentioned above.

The Company's board of directors examined the projected cash flow of the Company and the subsidiaries in the group, based on the Company's financial statements as of June 30, 2023, for a period of two years ended June 30, 2025 ("**the projected cash flow period**") and determined that, as detailed among other things below, the Company is expected to generate cash flow during the projected cash flow period, which is expected to allow it finance its current activities and repay its obligations during the projected cash flow statement period.

Below is a table detailing the Company's projected cash flow statement during the projected cash flow period:

Projected cash flow statement for the period ended June 30, 2025 (EUR in thousands)

	July 1, 2023 – December 31, 2023	January 1, 2024 – December 31, 2024	January 1, 2025 – June 30, 2025
Cash balance at the beginning of the period	**154,255**	**76,698**	**107,734**
Solo sources:			
Cash flows from investing activities			
Interest income from deposits	602	280	280
Cash flows from financing activities			
Loan from banking corporation and others (1)	-	20,000	-
Sources from investees			
Cash flows from investing activities			
Loan repayment from an investee (3)	28,597	143,643	-
Loan repayment from an investee (4)	66,042	15,301	7,403
Total sources	**95,241**	**179,224**	**7,683**
Solo uses:			
Cash flows from financing activities			
Depositing funds in interest bearing deposits	(7,360)	-	-
Bond principal payment (Series B and C) (5)	(69,117)	(28,711)	-
Interest payments of Solo company – Solo (5)	(6,059)	(10,039)	(3,047)
Loan repayment from controlling shareholders (2)	(75,000)	(75,000)	-
Uses in investees:			
Cash flows from financing activities			
Loan granted to investee	(10,107)	(21,043)	(10,809)
Cash flows from investing activities			
Loan granted to investee (6)	(3,965)	(11,895)	-
Loan granted to investee (7)	(1,190)	(1,500)	-
Total uses	**(172,798)**	**(148,188)**	**(13,856)**
Closing balance	**76,698**	**107,734**	**101,561**

(1) The projected cash flow report was prepared using a conservative assumption, according to which the scope of the new financing the Company will raise is low in relation to the scope of its assets. It should be noted that in the reported period, the Company completed refinancing for a very material loan. For further details, see section 11.4 below.
(2) For details regarding ADLER's updated commitment see section 11.3 below.
(3) Repayment of a loan from a subsidiary of the Company, the source of which in 2023 is the Company's share in the consideration from the sale of additional assets from the residential income generating portfolio and from the development income generating portfolio of EUR 41.2 million. In addition, in 2024, the Company anticipates that it will complete the sale of additional assets from the Company's residential income generating asset portfolio which are located in eastern Germany (in a scope of EUR 70.0 million), which were not yet sold by the subsidiary further to what was stated in the Company's immediate report of January 1, 2023 (reference number 2023-01-000007) and section 4 above in connection with the activities performed by the Company, through subsidiaries to sell additional assets from the income generating asset portfolio of the group. Further to what was stated in the above immediate report in connection with selling a part of its income generating assets, the Company continues negotiations for performing the sale of the remaining part, and the Company's board of directors anticipates that the Company will be able to complete the sale of such assets during 2024.

In addition, in 2024, the more significant part of this amount (approximately EUR 73.8 million under the Company's assumption) refers to additional assets of the Company from both the income producing and the development portfolio for which the Company entered into agreements with brokers who work for selling these assets. In the Company's estimation, in light of the nature of the assets, the Company's board of directors anticipates that as long as it is necessary and a binding decision is made by the Company's board of directors to carry out the aforementioned sales, the Company will be able to complete the sale of such assets during 2023-2024.

(4) Repayment of a loan from a subsidiary of the Company, the source of which is the Company's share in excess cash from the subsidiaries' operating activities.

(5) Interest payments of the Company, which consist of interest payments to bondholders and also interest payments on the loan received from the controlling shareholder. It should be noted that the interest payments on the bonds, as well as the principal repayment payments on the bonds, reflect the Company's updated future payments, upon the completion of the exchange offer for the Company's bonds (series B) on August 6, 2023, as indicated in section 11.7 below.

(6) Loan granted to investee for expected real estate tax payments (RETT) in subsidiaries.

(7) Loan granted to investee for investment in project development. These loans are essential in order to move forward in the various development stages and in order to increase the value of these assets.

The projected cash flow in this report and the underlying assumptions are forward-looking information as defined in the Securities Law, 1968. Said information is based, among other things, on various assessments and estimates that are not solely under the Company's control. Also, the Company's forecasts are affected by the state of the economy and parameters external to the Company such as the state of the market in Germany and the realization of other risk factors of the Company. The aforementioned information may not materialize, in whole or in part, or materialize in a materially different way observed by the Company, among other things, due to external factors that are not controlled by the company.

It is clarified that the foregoing, including in connection with the Company's estimates regarding its access to sources of financing and the impact of ADLER's financial position in this regard and in general, are forward-looking information, as defined in the Securities Law, which may not materialize or materialize differently than the aforesaid, among others, due to factors beyond the Company's control, including changes in relation to ADLER and the state of the markets.

10. Financial indices not based on generally accepted accounting principles

10.1 FFO (Funds from Operations):

The FFO index is calculated as the net profit (loss) attributed to the Company's shareholders **from the income generating activity only**, with certain adjustments for non-operating items, affected by the revaluation of the fair value of assets and liabilities. The main adjustments include the fair value of investment properties, miscellaneous capital profits and losses, miscellaneous amortizations, adjustment of management expenses and holding lands for betterment, changes in fair value recognized for financial instruments, deferred taxes, and non-controlling interests for the above items.

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

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

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

	Three months ending June 30, 2023	**Three months ending June 30, 2022**	**Year ending December 31, 2022**
Net profit (loss) attributed to the Company's shareholders[6]	(99,098)	(16,249)	(170,558)
Adjustments for net profit (loss)			
a. Adjustments for revaluations			
Decrease (increase) in value of investment property and adjustments of liability value relating to investment property	79,205	(12,343)	150,957
Group's share in losses (earnings) of companies accounted at equity	-	(859)	(859)
Impairment of goodwill or negative goodwill	-	-	-
Purchase costs recognized in profit or loss (IFRS3R)	-	-	-
Change in fair value of financial assets and interest swap transactions at fair value	22	8,325	9,533
b. Adjustments for non-cash items			
Effects of indexing, and non-cash exchange rate differences and hedging transactions	2,435	18,263	19,610
Deferred tax expenses and taxes for prior years	(11,199)	40	(19,564)
c. one-off items / new activities / discontinued activities / other			
One-off adjustments and others	3,868	(866)	22,631
Expenses relating to project management and marketing in connection with the establishment of the residential project in Düsseldorf and adjustments in respect of current leasing activity in the project	261	292	1,501
Adjustments for impairment of inventory	28,903	9,771	12,188
Total of adjustments to net profit	103,495	22,623	195,997
Nominal FFO according to management approach (excluding expenses from linkage to CPI)	**4,397**	**6,374**	**25,439**
Adjustments from linkage to CPI	(688)	(1,289)	(2,883)
Real F.F.O according to ISA's provisions	**3,709**	**5,085**	**22,556**

[6] That is, excluding non-controlling interests. For more details, see the Company's profit and loss statement presented in the Company's financial statements attached to this report.

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

10.2 **EPRA indices– Net Asset Value (EUR in millions):**

The EPRA indices are indices purported to show the net asset value of a real estate company. According to the status paper of EPRA - European Public Real Estate Association, which was published in 2019 and implemented for the first time in 2020, the EPRA NAV Index has been replaced by three different new indices: EPRA Net Reinstatement Value (NRV), EPRA Net Tangible Asset (NTA) and EPRA Net Disposal Value (NDV). The new indices replace the EPRA NAV index that the Company presented in the past. In addition, the Company continues to present the EPRA NAV index according to the previous guidelines and in addition, the Company presents the new EPRA indices. The Company clarifies that the EPRA NRV, EPRA NTA and EPRA NDV index data do not constitute a valuation of the Company or a substitute for the data appearing in the financial statements. It is also clarified that these data are not audited by the Company's auditors:

- The EPRA Net Reinstatement Value Index (NRV) - the purpose of the index is to reflect the net asset value of the company deriving from long-term real estate holdings. For the purpose of calculating the index the Company neutralizes the effect of deferred taxes on investment property, revaluation of derivative financial instruments, transaction costs (as reflected in appraisal reports) and also revalues the assets presented as inventory at their fair value.

- The EPRA Net Tangible Assets (NTA) Index - the purpose of the index is to reflect the establishment costs of the company, including involved costs (transaction costs, etc.).

- EPRA Net Disposal Value (NDV) - the purpose of the index is to present the value of the company to shareholders under the scenario of immediate realization ("liquidation sale") of all assets. Therefore, this index takes into account all the effects of deferred taxes and transaction costs that are expected to materialize in this scenario.

The following is the calculation of the Company's EPRA indices as of June 30, 2023:

	EPRA NRV	EPRA NTA	EPRA NDV
Equity attributed to the Company's shareholders	609.8	609.8	609.8
Plus deferred taxes for EPRA adjustments (net of non-controlling interests)	82.0	82.0	-
Net of the fair value of derivative financial instruments, net	32.7	32.7	-
Revaluation of inventories[7]	-	-	-
Plus Real Estate Transfer tax (RETT) and other transaction costs	71.2	44.3	-
Fair value of fixed interest bearing nominal liabilities[8]	-	-	42.3
total	**795.7**	**768.8**	**652.1**

For the purpose of comparative figures, the following is calculation of the Company's EPRA indices as of December 31, 2022:

	EPRA NRV	EPRA NTA	EPRA NDV
Equity attributed to the Company's shareholders	705.7	705.7	705.7
Plus deferred taxes for EPRA adjustments (net of non-controlling interests)	95.2	95.2	-
Net of the fair value of derivative financial instruments, net	20.8	20.8	-
Inventory revaluation	4.7	4.7	4.7
Plus Real Estate Transfer tax (RETT) and other transaction costs	73.8	49.7	-
Fair value of fixed interest bearing nominal liabilities	-	-	50.8
total	**900.2**	**876.1**	**761.2**

[7] the difference between fair value and book value

[8] EPRA NDV updates the value of the difference between current interest on the Company's loans and the market interest according to the loans' duration

10.3 NOI index - net operating income

The NOI index is an operational index that reflects the profit resulting from rental income of properties less the cost of their maintenance and operation. The Company believes that this index correctly reflects the current return on its assets in the field of income generating real estate and enables the comparisons of the Company's operating results in connection with renting and management to other real estate companies in Israel and Europe. To the best of the Company's knowledge, the presentation of this index is acceptable among companies in the field of activity in which the Company operates.

The Company clarifies that the NOI index does not reflect cash flows from operating activities according to generally accepted accounting principles, does not reflect cash held by the Company and its ability to distribute funds, and should not be considered a substitute for comprehensive income for the purpose of evaluating the Company's operating results.

10.4 EBITDA index

The EBITDA index is calculated as profit before interest, taxes, depreciation and amortization. The index examines the operating profit of the company, excluding items that are included in the operating profit and do not involve changes in cash. The company believes that this index allows to examine and compare the financial performance of the company and its ability to meet its obligations in relation to other real estate companies in Israel and Europe. To the best of the company's knowledge, the presentation of this index is acceptable among companies in the field of activity in which the company operates.

The company clarifies that the EBIDTA index data are not a substitute for the data appearing in the financial statements and are not audited by the company's auditors.

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

11.1 On January 31, 2023, the sale of another property from the Company's commercial income generating real estate portfolio in the city of Ludwigsburg was completed for a total of approximately EUR 12.8 million.

11.2 On March 27, 2023, the Company entered into an agreement with the lending banking corporation, the purpose of which was to extend the repayment date of part of an existing loan of the Company in the amount of approximately EUR 41.5 million. According to the terms of the loan, the repayment date in the amount of approximately EUR 34.5 million of the loan amount will be extended by two years so that it will apply on March 31, 2025. Accordingly, the Company repaid the remaining part of the loan in the amount of approximately EUR 7 million on March 29, 2023. The remaining terms of the loan are without substantial changes, with the exception of a change in interest rate, which for the extension period will be 5.51%. For further details, see the Company's immediate report of March 28, 2023 (reference number: 2023-01-033288).

11.3 Credit line from ADLER, ADLER'S commitment and the amendment to the credit line agreement

As of the report publication date, a credit line is available to the Company from which the Company has drawn down EUR 150 million. During the reported period until its publication date, while taking into account, among other things, the Company's cash needs as detailed in the above section 9.1, the Company approached the controlling shareholder requesting to extend the maturity date of the credit line or any part thereof. In response to the Company's request:

- On March 31, 2023, ADLER provided the Company with one-sided commitment under which ADLER committed to extend the maturity date of EUR 70 million out of the amount the Company has drawn down as aforesaid by an additional six (6) months until June 30, 2024 subject to updating the interest terms, providing a collateral and the fulfillment of certain conditions precedent ("**ADLER's commitment**"). For further details regarding the main terms of ADLER's commitment, see the Company's immediate report dated March 31, 2023 (reference number: 2023-01-036906).

- ADLER's updated commitment: on August 28, 2023, the parties reached agreements, according to which the credit line agreement will be amended, the main points of which are as follows: the maturity date of EUR 75 million from the total amount the Company has drawn down as mentioned above, will be extended until December 29, 2024 ("**the remaining amount**"); The balance of EUR 75 million will be repaid by the end of August 2023 ("**the repaid amount**"); updating the interest rate in relation to the remaining amount; and the expiration of the unutilized credit line in the amount of EUR 50 million ("**the amendment to the agreement**"). The other terms of the credit line remain unchanged. The amendment to the agreement replaced one-sided commitment ADLER has provided to the Company in connection with the credit line.

The amendment to the agreement, as well as the payment of the repaid amount, were approved by the Company's audit committee and board of directors on August 23, 2023, subject to approval by the competent parties at ADLER (which was received on August 28, 2023), in accordance with the provisions of regulation 1(5) to the Companies' Regulations (Relieves in Transactions with Interested Parties), 2000 (the "**Relief Regulations**"). For further details, including in relation to the terms of the amendment to the agreement and the approvals received by the Company and the underlying reasons, see the Company's immediate report dated August 28, 2023 (Reference No.: 2023-01-080680, which is included herein by way of reference.

It should be noted that the original line of credit was signed on May 19, 2022 when the Company entered into an agreement with ADLER, the controlling shareholder to obtain a line of credit in a total amount of EUR 200 million, while on May 23, 2022 an amount of EUR 100 million was received in the Company's account. In addition, on August 13, 2022, the Company entered into a number of amendments to the credit line agreement with ADLER, the main purpose of which is to update the availability period of the credit line. On September 23, 2022, the Company drew down an additional amount of EUR 50 million. For further details regarding the credit line, see the Company's immediate reports of August 14, 2022, May 19, 2022, May 23, 2022, and September 27, 2022 (reference numbers: 2022-01-102571, 2022-01-098262, 2022-01-050802, 2022-01-061300 and 2022-01-102571, respectively), which are included herein by way of reference.

11.4 On May 24, 2023, the Company entered into agreement with a German bank for the purpose of extending the maturity date of an existing loan of the Company in the amount of approximately EUR 94.0 million. According to the terms of the loan, the maturity date of the loan will be extended by another three years, so that it will apply on June 30, 2026. The other terms of the loan remain without substantial changes, except for a change in the interest rate, which for the extension period will be:

- <u>First group</u> - approximately EUR 85 million will bear interest at an annual fixed rate of 4.70%.

- <u>Second group</u> - approximately EUR 9 million, will bear interest at a variable rate, based on three-month EURIBOR plus a margin of 1.71%.

In addition, with this engagement, there was no change in collaterals and liens, except for the removal of the collaterals and liens related to one of the loan assets, which is a commercial real estate asset located in the city of Remscheid, effective from July 1, 2023.

As of the report publication date, the Company meets the financial covenants stipulated in the agreement. Below are the calculation results of the financial covenants:

The financial covenant	**Ratio stipulated in the agreement**	**The covenant on the examination date by the lender**	**The covenant as of March 31, 2023 and as of the report publication date**
LTV	≤ 65 %	48%	48%
DSCR	≥ 135 %	149%	261%

It should be noted that the LTV ratio in the above table is calculated based on a valuation performed by the bank for the purpose of extending the loan.

For further details, see the Company's immediate reports dated May 24 and June 6, 2023 (reference 2023-01-048010 and 2023-01-062322, respectively.

11.5 On June 28, 2023, investigators from the Dutch Fiscal Information and Investigation Service (Fiscal Information and Investigation Service), acting under the directive of the German investigative authorities, conducted a search of the Company's offices and some of its subsidiaries. To the best of the Company's knowledge, the search was conducted against the background of valuation transactions carried out by the controlling shareholder of the Company, Adler Real Estate AG, in 2019, and which lasted until 2020. The aforementioned valuation transactions include transactions related to the Gerresheim project. To the best of the Company's knowledge, the investigations are not directed at the Company or any of its officers, and at this time, the Company and its subsidiaries are witnesses and not suspects.

11.6 Further to the approval of the authorities to amend the regulations and guidelines of the stock exchange from June 6, 2023, among other things, regarding the proportion of public holdings which constitutes grounds for transferring a security to the maintenance list, on July 12, 2023 the stock exchange announced that the Company does not comply with the maintenance rules, and that if it does not comply with the maintenance conditions also on December 31, 2023, then the Company's shares will be transferred to the maintenance list. In this regard, it should be noted that the Company's management and board of directors are examining the consequences of the amendment on the Company and its possible courses of action and contacted the Company's main shareholders in order to examine possible courses of action to increase the proportion of public holdings in the Company. For further details, see the Company's immediate reports from June 22 and July 13, 2023 (reference number: 2023-01-058636 and 2023-01-066583, respectively).

11.7 On August 9, 2023, the Company completed an exchange offer for the Company's bonds (series B), in which the Company repaid NIS 390,324,629 (series B) par value of bonds in exchange for NIS 213,702,734 par value of bonds Series C and NIS 222,563,103 in cash. For further details, see the Company's immediate reports from July 20, July 26, August 1, August 6, 2023 and August 9, 2023 (reference number: 2023-01-083271, 2023-01-085842, 2023-01-071986, 2023-01- 073066 and 2023-01-074137, respectively).

11.8 For further details regarding material events in the reported period and thereafter see also Note 5 to the Company's financial statements for the second quarter of 2023 which are attached to this report.

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

Valuations of the Company's residential real estate assets were performed by CBRE appraisers, who are the leading appraisers in the German market in the fields of real estate services. The rate of the assets being appraised by CBRE constitutes 67% of the total assets on the Company's balance sheet. During the reported period, the company recognized impairment loss from of the residential income generating real estate assets, which is largely due to increase in discount rates (which result, among other things, from the increase in interest and inflation rates) during the reported period.

During the reported period, there was an increase in discount rates used to measure the fair value of some of the Company's investment properties in the income generating residential real estate sector at a rate of approximately 0.3% due to a change in market conditions during the relevant period. As a result, there was a decrease in the fair value of income generating residential real estate assets and a loss was recognized from a change in the fair value of the income generating real estate assets of the Company in the amount of approximately EUR 72.9 million.

It should be noted that the valuations of the development real estate assets in the Company were carried out by NAI APOLLO appraisers. The rate of the assets being appraised by NAI APOLLO constitutes 15% of the total assets on the Company's balance sheet. During the reported period, the Company recognized an impairment loss of real estate development assets, which is largely due to increase in discount rates (which result, among other things, from increase in interest and inflation rates), as well as from an increase in construction costs during the reported period.

For further details regarding the material assumptions underlying the valuations that were carried out for the Company's assets see Note 8 to the consolidated financial statements for the second quarter of 2023 which are attached to this report.

The valuations of "material"[9] investment properties[10] are not attached to this report as they are "material" but not "very material" [11].Below is the summary of the data regarding these valuations. The valuation in relation to real estate inventory was not attached to this report in accordance with the provisions of Regulation 8b(g) of the reports' regulations, since it is a "very material"[12] valuation made in connection with inventory balances.

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[9] as defined in the reports' regulations.

[10] as defined in the reports' regulations.

[11] as defined in the reports' regulations.

[12] as defined in the reports' regulations.

identification of the valuation subject	Valuation timing (validation date)	The value of the valuation subject before the valuation date (assuming the accepted accounting principles, including depreciation and amortizations would not have required the change of its value according to the valuation) (EUR in thousands)	Value of the valuation subject as determined according to its value (Euro in thousands)	Identification of the appraiser and its characteristics including education, experience in performing valuations for accounting purposes in reporting corporations in scopes similar to the reported valuation or exceeding these scopes and the dependency upon the party who ordered the valuation including reference to indemnification agreements with the appraiser	The valuation model used by the appraiser	The assumptions under which the appraiser performed the valuation according to the valuation model				
						Capitalization rate – Exit Cap rate	long term inflation rate	Terminal rate	Prices used as a basis for comparison	Number of comparison bases.
Bremen Residential portfolio	Signing – August 7, 2023 Effective date – June 30, 2023	83,140	76,890	CBRE MRICS, RICS) Michael Schlatterer (Registered valuer Independent appraisers with experience in appraising assets of similar scale. No indemnification agreement, except indemnification with respect to liabilities arising from incorrect or inaccurate information provided by the Company.	**DCF**	4.23%	-1.50% 2.00%	99,155	Comparative transactions, which include a price per square meter, for properties with similar characteristics	CBRE database regarding signed lease agreements for approximately 238 apartments in Bremen
Kiel Residential portfolio	Signing – August 7, 2023 Effective date – June 30, 2023	88,130	80,070	CBRE MRICS, RICS) Michael Schlatterer (Registered valuer Independent appraisers with experience in appraising assets of similar scale. No indemnification agreement, except indemnification with respect to liabilities arising from incorrect or inaccurate information provided by the Company.	**DCF**	4.02%	-1.75% 2.50%	108,499	Comparative transactions, which include a price per square meter, for properties with similar characteristics	CBRE database regarding signed lease agreements for approximately 140 apartments in Kiel

Land for construction in Gerresheim, Dusseldorf	Signing – August 15, 2023 Effective date – June 30, 2023	188,535	159,700	NAI APOLLO Stefan Mergen; Dr. Peter Stark Independent appraisers with experience in appraising assets of similar scale. No indemnification agreement, except indemnification with respect to liabilities arising from incorrect or inaccurate information provided by the Company.	**Residual value**	NA	NA	794,600 (estimated value upon project's completion)	NA	NA

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

	Bonds (Series B)	Bonds (Series C)
Is the series material as this term is defined in Regulation 10(B)(13)(a) of the Reports' Regulations?	Yes	Yes
Date of issue	May 21, 2013	July 22, 2014
Date of expanding series	February 4, 2014, March 9, 2022	April 4, 2016
Par value on the date of issue (thousands NIS)	175,000	102,165
Par value on the date of expanding series (thousands NIS)	636,440	160,180
Par value as at 30.06.2023 (thousands NIS)	424,294	137,297
Linked par value as at 30.06.2023 (thousands NIS)	474,196	151,345
Sum of cumulative interest plus linkage differentials (thousands NIS) as at 30.06.2023	-	2,726
Value in financial statements as at 30.06.2023 including interest payable (thousands NIS)	489,385	154,071
Value at the stock exchange as at 30.06.2023 (thousands NIS)	469,778	150,148
Type and rate of interest	4.04% (annual, linked, fixed rate), subject to adjustments in case of changes in the rating of the bonds (Series B) and/or non-compliance with the financial covenants as specified in Sections 2.8.4.12 and 2.8.4.13 of the shelf prospectus [13] [14]	4.05% (annual, linked, fixed rate), subject to adjustments in case of changes in the rating of the bonds (Series C) and/or non-compliance with the financial covenants as specified in Sections 2.8.4.12 and 2.8.4.13 of the shelf prospectus

[13] The Company's shelf prospectus dated May 24, 2012 and its amendments from May 24, 2012, May 9, 2013 and July 14, 2014 (Reference: 2012-01-134232, 2012-01-135258, 2012-01-058417 and 2014 -01-113694, which is hereby included by way of reference (in this regard "shelf prospectus").

[14] it is indicated that on May 16, 2022, following the announcement of Maalot S&P on lowering the Company's rating to ilA- there was an increase of 0.25% in the interest rate on the bonds (series B and series C) to a rate of 3.54% (series B) and to 3.55% (series C). For further details, see the Company's immediate report of May 19, 2022 (reference number: 2022-01-061216). Also, on September 8, 2022, following Maalot S&P's announcement of lowering the Company's rating to 'ilBBB-' and lowering the Company's bond series to 'ilBBB+', there was an additional 0.50% increase in the interest rate on the bonds (series B and series C) to a rate of 4.04% (series B) and to 4.05% (series C). For more details, see the Company's immediate report from September 12, 2022 (reference number: 2022-01-116473).

Dates of paying principal	Payable in 12 unequal annual instalments on December 31 of each year 2013 to 2024 (inclusive), as such that each of the first seven instalments will constitute 4% of the principal of the total par value of the bonds (Series B), and each of the last five instalments will constitute 14.4% of the principal of the total par value of bonds (Series B); the first principal payment is on December 31, 2013.	Payable in 12 unequal annual instalments on July 20 of each year 2015 to 2026 (inclusive), as such that each of the first nine instalments will constitute 2% of the principal of the total par value of the bonds (Series C), the tenth payment will constitute 17% of the principal of the total par value of bonds (Series C), and each of the final two instalments will constitute 32.5% of the principal of the total par value of bonds (Series C); the first principal payment is on July 20, 2015.
Dates of paying interest	Payable on December 31 and June 30 of each year 2013 to 2024 (inclusive), effective from December 31, 2013. The last interest instalment will be paid on December 31, 2024.	Payable on January 20 and July 20 of each year 2015 to 2026 (inclusive), effective from January 20, 2015. The last interest instalment will be paid on July 20, 2026.

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

It is indicated that on August 6, 2023, the Company completed an exchange offer for the Company's bonds (series B), in which the Company purchased NIS 390,355,898 (series B) par value of bonds in exchange for NIS 213,719,854 par value of bonds Series C and NIS 222,580,933 in cash. For further details, see the Company's immediate reports from July 20, July 26, August 1 and August 6, 2023 (reference number: 2023-01-083271, 2023-01-085842, 2023-01-071986 and 2023-01- 073066, respectively).

13. Details on the trustee

Bonds (Series B) and 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

14. Rating:

For further details regarding the Company's rating in 2022 see section 17 of Chapter B to the 2022 periodic report.

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
March 2018	ilAA-	ilAA-, stable
March 2019	ilAA-	ilAA-, stable
March 2020	ilAA-	ilAA-, stable
March 2021	ilAA	ilAA-, stable
February 2022	ilAA	ilAA- negative outlook
March 2022	ilAA	ilAA- negative outlook
April 2022	ilAA	ilAA- negative outlook
May 2022	ilA	ilA- negative outlook
September 2022	ilBBB+	ilBBB- , negative outlook
July 2023	ilBBB+	ilBBB- , negative outlook
Rating of the issuer and bonds as of the date of the report	ilBBB+	ilBBB- , negative outlook
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
March 2018	ilAA-	ilAA-, stable
March 2019	ilAA-	ilAA-, stable
March 2020	ilAA-	ilAA-, stable
March 2021	ilAA	ilAA-, stable
February 2022	ilAA	ilAA- negative outlook
March 2022	ilAA	ilAA- negative outlook
April 2022	ilAA	ilAA- negative outlook
May 2022	ilA	ilA- negative outlook
September 2022	ilBBB+	ilBBB- , negative outlook
July 2023	ilBBB+	ilBBB- , negative outlook
Rating of the issuer and bonds as of the date of the report	ilBBB+	ilBBB- , negative outlook

It should be noted that on July 20, 2023, Ma'alot announced the grant of ilBBB+/Watch Neg rating for the issuance of the bonds (series C) as part of the exchange offer completed by the Company on August 8, 2023, as mentioned above.

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

To the Company's best knowledge, as of the report date and over the reported year, the Company has complied with all terms and liabilities according to the deeds of trust[15], including 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) that were fully repaid as specified in section 11.4 above and in the deed of trust dated May 9, 2013 (as amended on January 29, 2017, July 3, 2017 and May 27, 2018) between the Company and Reznik Paz Nevo Trust Ltd, the trustee for the bond holders (series B), and in the deed of trust for bond holders dated July 14, 2014 (as amended on January 29, 2017, July 3, 2017 and May 27, 2018) between the Company and Reznik Paz Nevo Trust Ltd, the trustee for the bond holders (Series C), (below and respectively: the trustee and the deeds of trust) including the following financial covenants[16]:

A. At the end of each quarter the ratio of the Company's equity to its financial debt, net, according to solo reports for that date, will not be under 187.5%[17]:

The Company's equity, which is attributed to the majority shareholders at the Report Period, namely, as of June 30, 2023, is EUR 609.8 million.

The financial debt, net, according to solo reports of the Company, as of the same date, is EUR 106.8 million.

Therefore, the ratio of the Company's equity to the financial debt, net, according to solo reports as of the end of the Report Period, namely, as of June 30, 2023, is approximately 571.02%.

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

With respect to the bond holders (Series B):

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

[16] It is clarified that the data below refers to the Company's bonds prior to the exchange offer according to the shelf offering report dated July 20, 2023, which was amended on July 26, 2023.

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

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

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

The number of charged shares of BGP as of June 30, 2023: 765,027.

The total issued share capital of BGP as of June 30, 2023 and the report signing date: 1,978,261.

The rate of charged shares out of the issued capital share of BGP as of June 30, 2023 and as of the report signing date: 38.7%.

BGP's equity, attributed to its shareholders, as appears in the Company's financial statements as of June 30, 2023: EUR 748,894 thousand.

The EUR/NIS representative exchange rate known, published by the Bank of Israel, as of the signing date of the report: NIS 4.0941

The value of the charged shares: NIS 1,185,692 thousand.

Net debt: NIS 474,196 thousand.

Accordingly, the ratio between the charged shares' value to net debt, as of the end of the Report Period, is approximately 250%, therefore the Company meets this ratio as well.

With respect to the bond holders (Series C):

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

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

The number of charged shares of BGP as of June 30, 2023: 394,430.

The total issued share capital of BGP as of June 30, 2023 and the report signing date:1,978,261

The rate of charged shares out of the issued capital share of BGP as of June 30, 2023 and the report signing date - 19.9%.

BGP's equity, attributed to its shareholders, as appears in the Company's financial statements as of June 30, 2023: EUR 748,894 thousand.

The EUR/NIS representative exchange rate known, published by the Bank of Israel, as of the signing date of the report: NIS 4.0941.

The value of the charged shares: NIS 611,315 thousand.

Net debt: NIS 154,071 thousand.

Accordingly, the ratio between the charged shares' value to net debt, as at the end of the Report Period, is approximately 397%, 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 B and C deeds of trust - the equity attributed to the majority shareholders shall not fall below EUR 150 million and EUR 190 million, respectively. As of the report date, the equity attributed to the majority shareholders is EUR 609.8 million.

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

As of the report date, the equity attributed to the majority shareholders is EUR 609.8 million and the debt ratio to CAP is 41.86% (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 75% pursuant to the 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) (the data below are in EUR in thousands):

	EUR in Thousands
Financial liabilities according to solo reports	309,894
Financial liabilities of the subsidiaries	362,053
Net of cash, cash equivalents and deposits	(213,438)
Net financial debt – consolidated	**458,509**
CAP[18]	
Equity including non-controlling interests	636,841
Net financial debt, consolidated	458,509
CAP	**1,095,350**

Therefore, **this ratio is 41.86%** whereas according to the deeds of trust such a ratio should be lower than 75% for Series B and C.

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

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

For details regarding the charges for securing the Company's undertakings pursuant to the terms of the Company's bonds (Series B and Series C), which are in force pursuant to any law and the Company's incorporation instruments, as of the report date, see section 20 of the board of directors' report for 2018 attached as Chapter B to the periodic report of the Company for 2018 (reference number 2019-01-021453) which is included herein by way of reference.

It should be noted that in 2020, and following the early and full redemption of the Company's bonds (series A), the Company applied to the trustee of the bonds (series A) on April 20, 2020, requesting the release and cancellation of the liens registered to secure the Company's obligations in connection with the bonds (series A), in accordance with the terms of the trust deed. The Company received approval to remove the liens on May 7, 2020.

Also, following the private placement that took place during of March, 2022, the Company pledged additional 125,000 shares of Brack German Properties B.V. to the holders of the Series B bonds.

It should be noted that after the report date, following an exchange offer completed by the Company on August 6, 2023 (for further details, see section 11.7 above), the Company applied to the trustee of the bonds (series B) with a request for the release and removal some of the liens registered to secure its obligations in connection with the bonds (series B), in accordance with the terms of the trust deed. The Company received approval for the removal of the liens on August 22, 2023. Also, the Company has charged an additional 399,727 shares of Brack German Properties B.V. to the holders of the bonds (series C).

17. Attaching the financial statements of BGP:

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

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

The following is data as of June 30, 2023, with respect to the assets and liabilities of the Group which are not included in the consolidated statements of the pledged investee company, compared to the assets and liabilities of the pledged investee and the total consolidated balance sheet:

Data as of June 30, 2023 (EUR in thousands)	**The Company Consolidated**	**Assets/liabilities In the pledged investee company**	**Assets/liabilities In unpledged companies**
Total assets	1,453,860	1,249,888	203,972
Current assets	405,587	202,394	203,193 *
Noncurrent assets	1,048,003	1,047,224	779
Total liabilities	817,019	473,983	343,036
Current liabilities	317,069	93,666	223,403 **
Noncurrent liabilities	499,950	380,317	119,633 ***
Non- controlling interests	27,011	27,011	-
Total equity	609,830	748,894	(139,064)
Rate of assets out of the total assets in the balance sheet	100%	86%	14%
Rate of liabilities out of the total liabilities in the balance sheet	100%	58%	42%
Rate of equity out of the total equity in the balance sheet	100%	123%	(23%)

* Mainly cash and liquid balances held by the Company (solo);
** Mainly a loan from the controlling shareholder (including interest payable) of EUR 150.4 million which was received in 2022. In addition, current maturity of principal of bonds (Series B – C) issued by the Company and interest payable for said bonds;
*** Mainly balance of bonds principal (Series B – C) issued by the Company.

Names of signatories	Position	Signature
Thomas Zinnocker	Chairman of the Board of Directors	________________
Thierry Beaudemoulin	CEO	________________

August 28, 2023

BRACK CAPITAL PROPERTIES N.V.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2023

UNAUDITED

IN THOUSANDS OF EUROS

Table of Contents

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Somekh Chaikin
KPMG Millennium Tower
17 Haarbaa Street, P.O. Box 609
Tel Aviv 6100601

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

Introduction

We have reviewed the accompanying financial information of Brack Capital Properties N.V. and its subsidiaries (hereinafter – the Group), which includes the condensed consolidated statement of financial position as of June 30, 2023 and the condensed consolidated statements of profit and loss and comprehensive income, changes of equity and cash flows for the six-month and three-month periods ending that date. The Board of Directors and Management are responsible for preparing and presenting financial information for this interim period in accordance with IAS 34, Interim Financial Reporting, and are responsible for preparing financial information for these interim periods in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.Our responsibility is to express our conclusions with regard to the financial information for this interim period, based on our review.

Scope of the Review

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

Conclusion

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

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

Emphasis of matter

Without qualifying our above conclusion, we draw attention to what is stated in note 1 to the condensed interim consolidated financial statements regarding uncertainty regarding the realization of the management's plans for the repayment of the Company's obligations. As stated in such note, management plans include, among others, realization of the Company's assets and refinance of existing loans. In the assessment of the Company's board of directors and management, the Company will comply with these plans and repay its obligations on time.

Somekh Chaikin
Certified Public Accountants (Isr)
August 28, 2023

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2023	June 30, 2022	December 31, 2022
	(Unaudited)		(Audited)
	€ in thousands		
Current Assets			
Cash and cash equivalents	211,095	130,248	210,477
Restricted deposits, financial assets and other receivables	33,646	36,730	32,354
Income receivable and other receivables from the sale of apartments	257	271	264
Tenants and trade receivables, net	2,693	2,438	2,167
Assets of disposal groups held for sale	158,166	13,600	143,823
Total current assets	405,857	183,287	389,085
Non-Current Assets			
Investments and loans in companies accounted at equity	-	2,928	-
Investment in financial assets measured at fair value through profit or loss	5,287	7,908	5,287
Inventory of real estate	182,000	214,434	206,351
Investment property – real estate rights and investment property under construction	-	79,200	35,300
Investment property – income generating assets	854,804	1,367,172	925,123
Restricted deposits for investments in assets	5,450	7,478	4,997
Other accounts receivable and other financial assets	164	165	175
Deferred taxes	298	8,829	236
Total non-current assets	1,048,003	1,688,114	1,177,469
Total assets	1,453,860	1,871,401	1,566,554

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30,		December 31,
	2023	2022	2022
	(Unaudited)		(Audited)
	€ in thousands		
Current Liabilities			
Current maturities of loans from banks	7,762	190,306	99,794
Current maturities of debentures	60,159	63,334	62,944
Other financial liabilities	12,329	-	7,795
Loan from controlling shareholder	150,448	100,125	151,330
Accounts payable and other financial liabilities	26,047	32,678	25,993
Deferred tax liabilities	1,321	1,822	410
Liabilities of disposal groups held for sale	59,003	346	66,780
Total current liabilities	317,069	388,611	415,046
Non-Current Liabilities			
Loans from banks	301,947	267,265	212,460
Debentures	99,286	170,015	104,774
Other financial liabilities	26,205	24,293	15,491
Deferred taxes	72,512	138,991	84,542
Total non-current liabilities	499,950	600,564	417,267
Total liabilities	817,019	989,175	832,313
Equity Attributable to Company Shareholders			
Share capital	77	77	77
Premium on shares	144,237	144,237	144,237
Treasury shares	(746)	(746)	(746)
Other capital reserves	(531)	(531)	(531)
Statutory capital reserve	283,336	542,533	350,956
Retained earnings	183,457	161,804	211,739
Total equity attributable to Company shareholders	609,830	847,374	705,732
Non-controlling interests	27,011	34,852	28,509
Total equity	636,841	882,226	734,241
Total liabilities and equity	1,453,860	1,871,401	1,566,554

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

August 28, 2023			
Date of approval of the financial statements	Thomas Zinnocker Chairman of the Board of Directors	Thierry Beaudemoulin CEO	Eran Edelman CFO

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT AND LOSS AND COMPREHENSIVE INCOME

	Note	Six months ended June 30, 2023	Six months ended June 30, 2022	Three months ended June 30 2023	Three months ended June 30 2022	Year ended December 31 2022
		Unaudited				Audited
		€ in thousands (except for net earnings per share data)				
Revenues from rental of properties		24,810	29,786	12,389	14,880	59,887
Revenues from property management		12,762	12,079	6,690	6,155	24,837
Property management expenses		(12,183)	(11,992)	(6,386)	(5,870)	(24,830)
Cost of maintenance of rental properties		(4,664)	(5,265)	(2,247)	(2,804)	(10,102)
Rental and management revenues, net		20,725	24,608	10,446	12,361	49,792
Revenues from sale of apartments		-	-	-	-	-
Cost of sale of apartments	7	(32,150)	(10,868)	(32,150)	(10,868)	(13,556)
Loss from sale of apartments		(32,150)	(10,868)	(32,150)	(10,868)	(13,556)
Equity in earnings of companies accounted at equity		-	859	-	859	859
General and administrative expenses		(7,461)	(5,799)	(3,724)	(2,886)	(13,119)
General and administrative expenses relating to inventory of buildings under construction and real estate inventory		(842)	(878)	(291)	(324)	(1,669)
Operating profit (loss) before change in value of investment property, net		(19,728)	7,922	(25,719)	(858)	22,307
Appreciation (impairment) of investment property, net	8	(82,389)	12,482	(80,370)	12,482	(158,872)
Income (loss) before finance expenses		(102,117)	20,404	(106,089)	11,624	(136,565)
Finance expenses net of exchange rate effect CPI and hedging transactions		(4,443)	(6,162)	(1,725)	(3,214)	(10,880)
Exchange rate effect, CPI, currency hedging transactions and others		(1,093)	(18,307)	(3,495)	(17,538)	(20,301)
Change in fair value of financial instruments, credit losses and others		-	(6,898)	-	(8,326)	(9,533)
Other income (expenses), net		(150)	(21,715)	(17)	509	(21,135)
Income (loss) before taxes on income		(107,803)	(32,678)	(111,326)	(16,945)	(198,414)
Tax benefit (taxes on income)		10,403	3,469	10,985	343	21,220
Net and comprehensive income (loss) for the period		(97,400)	(29,209)	(100,341)	(16,602)	(177,194)
Net and comprehensive income (loss) attributable to:						
Equity holders of the Company		(95,902)	(28,916)	(99,098)	(16,249)	(170,558)
Non-controlling interests		(1,498)	(293)	(1,243)	(353)	(6,636)
		(97,400)	(29,209)	(100,341)	(16,602)	(177,194)
Net earnings (loss) per share attributable to equity holders of the Company (in Euro) - basic and diluted		(12.41)	(3.74)	(12.82)	(2.10)	(22.06)

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

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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity Attributable to Company Shareholders								
	Share Capital	Premium on Shares	Treasury Shares	Other capital reserves	Statutory Capital Reserve	Retained Earnings	Total	Non-Controlling Interests	Total Equity
	Unaudited								
	€ in thousands								
Balance as of January 1, 2023 (audited)	77	144,237	(746)	(531)	350,956	211,739	705,732	28,509	734,241
Total net and comprehensive loss	-	-	-	-	-	(95,902)	(95,902)	(1,498)	(97,400)
Classification as per provisions of Dutch law	-	-	-	-	(67,620)	67,620	-	-	-
Balance as of June 30, 2023 (unaudited)	77	144,237	(746)	(531)	283,336	183,457	609,830	27,011	636,841

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity Attributable to Company Shareholders								
	Share Capital	Premium on Shares	Treasury Shares	Other capital reserves	Statutory Capital Reserve	Retained Earnings	Total	Non-Controlling Interests	Total Equity
	Unaudited								
	€ in thousands								
Balance as of January 1, 2022 (audited)	77	144,237	(746)	(531)	530,385	202,868	876,290	35,145	911,435
Total net and comprehensive income (loss)	-	-	-	-	-	(28,916)	(28,916)	(293)	(29,209)
Classification as per provisions of Dutch law	-	-	-	-	12,148	(12,148)	-	-	-
Balance as of June 30, 2022 (unaudited)	77	144,237	(746)	(531)	542,533	161,804	847,374	34,852	882,226

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity Attributable to Company Shareholders								
	Share Capital	Premium on Shares	Treasury Shares	Other capital reserves	Statutory Capital Reserve	Retained Earnings	Total	Non-Controlling Interests	Total Equity
	Unaudited								
	€ in thousands								
Balance as of April 1, 2023 (unaudited)	77	144,237	(746)	(531)	350,956	214,935	708,928	28,254	737,182
Total net and comprehensive loss	-	-	-	-	-	(99,098)	(99,098)	(1,243)	(100,341)
Classification as per provisions of Dutch law	-	-	-	-	(67,620)	67,620	-	-	-
Balance as of June 30, 2023 (unaudited)	77	144,237	(746)	(531)	283,336	183,457	609,830	27,011	636,841

	Equity Attributable to Company Shareholders								
	Share Capital	Premium on Shares	Treasury Shares	Other capital reserves	Statutory Capital Reserve	Retained Earnings	Total	Non-Controlling Interests	Total Equity
	Unaudited								
	€ in thousands								
Balance as of April 1, 2022 (unaudited)	77	144,237	(746)	(531)	530,385	190,201	863,623	35,205	898,828
Total net and comprehensive loss	-	-	-	-	-	(16,249)	(16,249)	(353)	(16,602)
Classification as per provisions of Dutch law	-	-	-	-	12,148	(12,148)	-	-	-
Balance as of June 30, 2022 (unaudited)	77	144,237	(746)	(531)	542,533	161,804	847,374	34,852	882,226

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity Attributable to Company Shareholders								
	Share Capital	Premium on Shares	Treasury Shares	Other capital reserves	Statutory Capital Reserve	Retained Earnings	Total	Non-Controlling Interests	Total Equity
	Unaudited								
	€ in thousands								
Balance as of January 1, 2022 (audited)	77	144,237	(746)	(531)	530,385	202,868	876,290	35,145	911,435
Total net and comprehensive loss	-	-	-	-	-	(170,558)	(170,558)	(6,636)	(177,194)
Classification as per provisions of Dutch law	-	-	-	-	(179,429)	179,429	-	-	-
Balance as of December 31, 2022 (audited)	77	144,237	(746)	(531)	350,956	211,739	705,732	28,509	734,241

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2023	2022	2023	2022	2022
	Unaudited				Audited
	€ in thousands				
Cash flows from operating activities					
Net income (loss)	(97,400)	(29,209)	(100,341)	(16,602)	(177,194)
Adjustments to reconcile net income to net cash provided by operating activities:					
Adjustments to profit and loss:					
Financial expenses, net	1,416	25,542	1,910	24,006	31,812
Decrease (increase) in fair value of financial instruments	-	5,234	-	8,297	7,808
Decrease (increase) in value of investment property, net	82,389	(12,482)	80,370	(12,482)	158,872
Deferred taxes	(11,975)	(3,838)	(11,984)	207	(20,813)
Income tax paid	(727)	-	(435)	-	(15,052)
Equity in earnings of companies accounted at equity	-	(859)	-	(859)	(859)
	71,103	13,597	69,861	19,169	161,768
Cash flows from operating activities before changes in asset and liability items	(26,297)	(15,612)	(30,480)	2,567	(15,426)
Changes in asset and liability items:					
Decrease (increase) in restricted deposits, tenants and trade receivables, financial assets and other receivables	(172)	3,199	(55)	174	(3,586)
Increase (decrease) in accounts payable	3,921	8,281	4,882	(3,593)	11,844
	3,749	11,480	4,827	(3,419)	8,258
Net cash provided by (used in) operating activities before activity in real estate assets and liabilities	(22,548)	(4,132)	(25,653)	(852)	(7,168)
Decrease (increase) in inventory of buildings under construction and real estate inventory	30,268	1,094	31,031	4,468	6,599
Net cash provided by (used in) operating activities	7,720	(3,038)	5,378	3,616	(569)

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2023	2022	2023	2022	2022
	Unaudited				Audited
	€ in thousands				
Cash Flows from investing activities					
Investment in investment property – income generating assets	(3,574)	(6,938)	(1,633)	(3,613)	(14,218)
Investment in investment property – real estate rights and investment property under construction	(79)	(10,196)	(79)	(3,842)	(12,724)
Return on investment (investment) in companies measured at equity	-	-	-	-	2,928
Proceeds from sale of investment property, net of transaction costs	12,810	16,077	-	16,077	18,741
Proceeds from sale of subsidiaries, net (a)	-	-	-	-	126,101
Withdrawal (placement) of restricted deposits, net	(658)	(3,754)	(297)	(7,858)	1,238
Interest received from deposits	707	-	707	-	408
Net cash provided by (used in) investing activities	9,206	(4,811)	(1,302)	764	122,474
Cash flows from financing activities					
Interest paid	(8,844)	(7,557)	(4,912)	(4,667)	(21,196)
Receipt of long-term bank loans	4,868	11,215	4,868	1,268	40,375
Receipt of loan from controlling shareholder	-	100,000	-	100,000	150,000
Issuance of debentures, net	-	162,518	-	-	162,518
Repayment of debentures	-	-	-	-	(62,660)
Repayment of long-term bank loans	(12,157)	(152,940)	(2,800)	(150,175)	(203,278)
Net cash provided by (used in) financing activities	(16,133)	113,236	(2,844)	(53,574)	65,759
Change in cash and cash equivalents	793	105,387	1,232	(49,194)	187,664
Balance of cash and cash equivalents at the beginning of the period	210,477	24,861	209,969	179,442	24,861
Change in cash of disposal group held for sale	(175)	-	(106)	-	(2,048)
Balance of cash and cash equivalents at the end of the period	211,095	130,248	211,095	130,248	210,477

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2023	2022	2023	2022	2022
	Unaudited				Audited
	€ in thousands				
(a) Proceeds from sale of subsidiaries, net					
Assets and liabilities of the subsidiaries as of the date of sale:					
Investment property	-	-	-	-	240,000
Cash and cash equivalents	-	-	-	-	2,451
Working capital, net	-	-	-	-	(2,513)
Other liabilities	-	-	-	-	(22,875)
Loans from banks, net	-	-	-	-	(63,968)
Deferred taxes, net	-	-	-	-	(26,994)
Assets, net	-	-	-	-	126,101

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

Note 1: - **General**

a. General description of the Company and its activity

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

The Company's shares and bonds are traded on the Tel Aviv Stock Exchange.

In April 2018, the control in the Company was purchased by ADLER Real Estate AG (ADLER).

In December, 2021, LEG Grundstucksverwaltung GmbH ("LEG") which is a subsidiary of LEG Immobilien AG acquired from ADLER 6.7% of the share capital and voting rights in the Company. In addition, ADLER undertook to participate in any tender offer which may be initiated by LEG for the balance of the ordinary shares of the Company held by Adler, provided that such tender offer is made by September 30, 2022 at a minimum price per share determined in the agreement between the parties as above amounting to EUR 157 per share. In addition, in January 2022, LEG acquired an additional 27.77% of the Company's shares which were held by the non-controlling interests in the Company. In 2022, LEG continued to purchase the Company's shares, so that as of the date of signing the report, LEG holds approximately 35.66% of the Company's shares. It should be noted that on August 4, 2022, the Company learned that LEG decided not to publish a tender offer for the purchase of the remaining shares of the Company and accordingly will not exercise ADLER's obligation towards it. It is indicated that on September 30, 2022 such option expired.

Material events in the reported period

As of June 30, 2023, the Company has a positive working capital of EUR 88,788 thousand.

In the reporting period and thereafter, the Company has taken several measures aiming to improve the Company's liquidity level:

On January 31, 2023, the sale of another property from the Company's commercial income generating real estate portfolio in the city of Ludwigsburg was completed for a total of approximately EUR 12.8 million.

On March 27, 2023, the Company entered into agreement with the lending banking corporation, the purpose of which was to extend the maturity date of part of an existing loan of the Company in the amount of approximately EUR 41.5 million. According to the terms of the loan, the maturity date in the amount of approximately EUR 34.5 million of the loan amount will be extended by two years so that it will apply on March 31, 2025. Accordingly, the Company repaid the remaining part of the loan in the amount of approximately EUR 7 million on March 29, 2023. The remaining terms of the loan are without substantial changes, with the exception of a change in interest rate, which for the extension period will be 5.51%.

Note 1: - <u>General</u> (Cont.)

On May 24, 2023, the Company entered into agreement with a German bank for the purpose of extending the maturity date of an existing loan of the Company in the amount of approximately EUR 94.0 million. According to the terms of the loan, the maturity date of the loan will be extended by another three years, so that it will apply on June 30, 2026. The other terms of the loan remain without substantial changes, except for a change in the interest rate, which for the extension period will be:

- <u>First group</u> - approximately EUR 85 million will bear interest at an annual fixed rate of 4.70%.

- <u>Second group</u> - approximately EUR 9 million, will bear interest at a variable rate, based on three-month EURIBOR plus a margin of 1.71%.

After the date of the report, on August 9, 2023, the Company completed an exchange offer for the Company's bonds (series B), in which the Company repaid NIS 390,324,629 (series B) par value of bonds in exchange for NIS 213,702,734 par value of bonds Series C and NIS 222,563,103 in cash. For further details, see Note 5(8) below.

As of the report publication date, a credit line is available to the Company from which the Company has drawn down EUR 150 million. In the reported period until the report publication date, and taking into account, among other things, the cash needs of the Company as detailed in this section, the Company approached the controlling shareholder requesting to extend the maturity date of the credit line or any part thereof. In response to the Company's request, the parties reached agreements under which the credit line agreement will be amended, the main points of which are as follows: the maturity date of EUR 75 million from the amount the Company has drawn down, as above, will be extended until December 29, 2024 ("the remaining amount"); the balance of EUR 75 million will be repaid by the end of August 2023 ; updating the interest rate regarding the remaining amount; and expiration of the unutilized credit line in the amount of EUR 50 million ("the amendment to the agreement").
The other terms of the credit line remained unchanged. The amendment to the agreement replaced one sided commitment ADLER provided the Company in connection with the credit line. For more details regarding the credit line, its designation and the extension of its availability, as well as details regarding the ADLER's first commitment, see note 5(3) below.

As of the report date, the Company continues to negotiate the sale of additional assets from the Company's residential income generating real estate portfolio located in Eastern Germany. The Company's management anticipates with high level of certainty that this sale will be completed in the coming year. For further details, see Note 6 below.

In addition, the Company is examining the sale of additional assets from both the income generating and development portfolios, as necessary in order to meet the Company's liquidity needs. It is indicated that the Company entered into agreements with brokers who work for selling these assets.

In the Company's estimate, in light of the nature of the assets, the Company's board of directors anticipates that if necessary and a binding decision is made by the Company's board of directors to carry out the aforementioned sales, the Company will be able to complete the sale of the aforementioned assets in the coming year.

Note 1: - General (Cont.)

In addition, the Company works to enter into agreements to extend the maturity dates of existing loans and is working to obtain financing from other financing parties and continues to obtain long term financing from banking corporations and other financial corporations and through the capital market, and taking into account the state of the real estate market in Germany and the capital market in Germany and around the world.

In view of the uncertainty coupled with the date and scope of the Company's asset realizations and the refinance process completion of existing loans, the Company reviewed several scenarios for estimating the economic implications of the foregoing. Based on the estimates of the Company's board of directors and management, which reviewed based on management forecast, the Company's ability to meet its financial covenants and liabilities including in stress conditions and the actions the Company took in connection with the financial structure of its operations including in view of the actions detailed above, the Company anticipates that it will continue to operate in the foreseeable future.

Note 2: - Significant accounting policies

a. Preparation format of the Interim Consolidated Financial Statements

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

These Financial Statements have been prepared in a condensed format as of June 30, 2023 and for the six- month and three-month periods then ended (hereinafter – the Consolidated Interim Financial Statements) and were approved by the Company's board of directors on August 28, 2023. These Statements should be read in conjunction with the annual financial statements as of December 31, 2022 and for the year then ended and the accompanying notes (the consolidated annual financial statements).

b. Use of estimates and judgments

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

Note 3: - Financial instruments

a. Financial instruments not measured at fair value

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

	June 30, 2023		June 30, 2022		December 31, 2022	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
	Unaudited				Audited	
	€ in thousands					
Financial liabilities:						
Debentures and interest payable in respect of debentures	160,124	154,268	233,958	243,741	168,410	155,934
Loans from banks	310,018	276,010	457,775	427,844	312,397	277,074

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

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

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

Note 3: - Financial instruments (Cont.)

b. Financial instruments measured at fair value

Classification of the financial instruments according to fair value hierarchy

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

	June 30, 2023		
	Level 1	Level 2	Level 3
		Unaudited	
		€ in thousands	
Assets:			
Financial assets measured at fair value through profit or loss	-	-	5,287
Liabilities:			
Financial liabilities for hedging the EUR/NIS exchange rate	-	(32,676) *	-

(*) As part of the Company's risk management policy, the Company hedges exposure to foreign currency risk arising from firm contracts through foreign exchange derivatives with a nominal value that is equivalent to the nominal value of the Company's debentures. The fair value of these derivatives is approximately EUR 32.7 million, as of the date of the report.

	June 30, 2022		
	Level 1	Level 2	Level 3
		Unaudited	
		€ in thousands	
Assets:			
Financial assets measured at fair value through profit or loss	1,383	-	6,525
Liabilities:			
Interest swap agreements	-	(48)	-
Financial liabilities for hedging the EUR/NIS exchange rate	-	(21,712)	-

Note 3: - Financial instruments (Cont.)

	December 31, 2022		
	Level 1	Level 2	Level 3
	€ in thousands		
Assets:			
Financial assets measured at fair value through profit or loss	-	-	5,287
Liabilities:			
Financial liabilities for hedging the EUR/NIS exchange rate	-	(20,770)	-

c. Compliance with financial covenants

As of the report date, the Company complies with all its financial covenants.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 4: - Operating Segments

	Income-Generating Commercial Real Estate	Income-Generating Residential Real Estate	Land for Betterment	Residential development	Total
			€ in thousands		
For the Six -Month Period Ended June 30, 2023 (Unaudited)					
Revenues from property rental	873	23,934	3	-	24,810
Revenues from property management and others	337	12,423	2	-	12,762
Property management expenses	(274)	(11,860)	(49)	-	(12,183)
Rental property maintenance expenses	(1,349)	(3,297)	(18)	-	(4,664)
Total rental and management revenues, net	(413)	21,200	(62)	-	20,725
Revenues from sale of apartments	-	-	-	-	-
Cost of sale of apartments	-	-	-	(32,150)	(32,150)
Loss from sale of apartments	-	-	-	(32,150)	(32,150)
General and administrative expenses					(7,461)
General and administrative expenses attributed to inventory of buildings under construction and inventory of real estate	-	-	-	(842)	(842)
Impairment of investment property, net	(871)	(72,839)	(8,679)	-	(82,389)
Financial expenses, net					(5,536)
Other expenses, net					(150)
Loss before taxes on income					(107,803)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 4: - Operating Segments (Cont.)

	Income-Generating Commercial Real Estate	Income-Generating Residential Real Estate	Land for Betterment	Residential development	Total
			€ in thousands		
For the Six -Month Period Ended June 30, 2022 (Unaudited)					
Revenues from property rental	1,824	27,927	35	-	29,786
Revenues from property management and others	497	11,555	27	-	12,079
Property management expenses	(452)	(11,478)	(62)	-	(11,992)
Rental property maintenance expenses	(1,305)	(3,895)	(65)	-	(5,265)
Total rental and management revenues, net	564	24,109	(65)		24,608
Revenues from sale of apartments	-	-	-	-	-
Cost of sale of apartments	-	-	-	(10,868)	(10,868)
Loss from sale of apartments	-	-	-	(10,868)	(10,868)
Group's share in earnings of companies accounted at equity method of accounting	859	-	-	-	859
General and administrative expenses					(5,799)
General and administrative expenses attributed to inventory of buildings under construction and inventory of real estate	-	-	-	(878)	(878)
Appreciation (impairment) of investment property, net	-	24,581	(12,099)	-	12,482
Financial expenses, net					(31,367)
Other expenses, net					(21,715)
Loss before taxes on income					(32,678)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 4: - Operating Segments (Cont.)

	Income-Generating Commercial Real Estate	Income-Generating Residential Real Estate	Land for Betterment	Residential development	Total
			€ in thousands		
For the Three -Month Period Ended June 30, 2023 (Unaudited)					
Revenues from property rental	408	11,979	2	-	12,389
Revenues from property management and others	252	6,437	1	-	6,690
Property management expenses	(106)	(6,256)	(24)	-	(6,386)
Rental property maintenance expenses	(547)	(1,683)	(17)	-	(2,247)
Total rental and management revenues, net	7	10,477	(38)	-	10,446
Revenues from sale of apartments	-	-	-	-	-
Cost of sale of apartments	-	-	-	(32,150)	(32,150)
Loss from sale of apartments	-	-	-	(32,150)	(32,150)
General and administrative expenses					(3,724)
General and administrative expenses attributed to inventory of buildings under construction and inventory of real estate	-	-	-	(291)	(291)
Impairment of investment property, net	(871)	(70,820)	(8,679)	-	(80,370)
Financial expenses, net					(5,220)
Other expenses, net	-	-	-	-	(17)
Loss before taxes on income					(111,326)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 4: - Operating Segments (Cont.)

	Income-Generating Commercial Real Estate	Income-Generating Residential Real Estate	Land for Betterment	Residential development	Total
			€ in thousands		
For the Three -Month Period Ended June 30, 2022 (Unaudited)					
Revenues from property rental	883	13,980	17	-	14,880
Revenues from property management and others	438	5,702	15	-	6,155
Property management expenses	(227)	(5,595)	(48)	-	(5,870)
Rental property maintenance expenses	(613)	(2,135)	(56)	-	(2,804)
Total rental and management revenues, net	481	11,952	(72)	-	12,361
Revenues from sale of apartments	-	-	-	-	-
Cost of sale of apartments	-	-	-	(10,868)	(10,868)
Gain from sale of apartments	-	-	-	(10,868)	(10,868)
Group's share in losses of companies accounted at equity method of accounting	859	-	-	-	859
General and administrative expenses					(2,886)
General and administrative expenses attributed to inventory of buildings under construction and inventory of real estate	-	-	-	(324)	(324)
Appreciation (impairment) of investment property, net	-	24,581	(12,099)	-	12,482
Financial expenses, net					(29,078)
Other income, net	509	-	-	-	509
Loss before taxes on income					(16,945)

Note 4: - Operating Segments (Cont.)

	Income-generating commercial real estate	Income-generating residential real estate	Land for betterment	Residential development	Total
	Euros in thousands				
For the year ended December 31, 2022					
Revenues from property rental	3,135	56,695	57	-	59,887
Revenues from property management and others	700	24,106	31	-	24,837
Property management expenses	(484)	(24,260)	(86)	-	(24,830)
Rental property maintenance expenses	(2,168)	(7,902)	(32)	-	(10,102)
Total rental and management revenues, net	1,183	48,639	(30)	-	49,792
Revenues from sale of apartments	-	-	-	-	-
Cost of sale of apartments	-	-	-	(13,556)	(13,556)
Loss from sale of apartments	-	-	-	(13,556)	(13,556)
Group's share in losses of companies accounted at equity method of accounting	859	-	-	-	859
General and administrative expenses					(13,119)
Selling and marketing and general and administrative expenses attributed to inventory of buildings under construction and inventory of real estate	-	-	-	(1,669)	(1,669)
Impairment of investment property, net	(2,838)	(140,412)	(15,622)	-	(158,872)
Financial expenses, net					(40,714)
Other expenses					(21,135)
Loss before taxes on income					(198,414)

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

1. On January 31, 2023, the sale of another property from the Company's commercial income generating real estate portfolio in the city of Ludwigsburg was completed for a total of approximately EUR 12.8 million.

2. On March 27, 2023, the Company entered into an agreement with the lending banking corporation, the purpose of which was to extend the repayment date of part of an existing loan of the Company in the amount of approximately EUR 41.5 million. According to the terms of the loan, the repayment date in the amount of approximately EUR 34.5 million of the loan amount will be extended by two years so that it will apply on March 31, 2025. Accordingly, the Company repaid the remaining part of the loan in the amount of approximately EUR 7 million on March 29, 2023. The remaining terms of the loan are without substantial changes, with the exception of a change in interest rate, which for the extension period will be 5.51%. The change in the terms of the loan was recorded as an immaterial change of terms and as a result the Company recorded financing expenses in an immaterial amount

3. Credit line from ADLER, ADLER'S commitment and the amendment to the credit line agreement

   As of the report publication date, a credit line is available to the Company from which the Company has drawn down EUR 150 million. During the reported period until its publication date, while taking into account, among other things, the Company's cash needs the Company approached the controlling shareholder requesting to extend the maturity date of the credit line or any part thereof. In response to the Company's request:

   - On March 31, 2023, ADLER provided the Company with one-sided commitment under which ADLER committed to extend the maturity date of EUR 70 million out of the amount the Company has drawn down as aforesaid by an additional six (6) months until June 30, 2024 subject to updating the interest terms, providing a collateral and the fulfillment of certain conditions precedent ("ADLER's commitment").

   - ADLER's updated commitment: on August 28, 2023, the parties reached agreements, according to which the credit line agreement will be amended, the main points of which are as follows: the maturity date of EUR 75 million from the total amount the Company has drawn down as mentioned above, will be extended until December 29, 2024 ("the remaining amount"); The balance of EUR 75 million will be repaid by the end of August 2023 ("the repaid amount"); updating the interest rate in relation to the remaining amount without providing a collateral; and the expiration of the unutilized credit line in the amount of EUR 50 million ("the amendment to the agreement"). The other terms of the credit line remain unchanged. The amendment to the agreement replaced one-sided commitment ADLER has provided to the Company in connection with the credit line.

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

The amendment to the agreement, as well as the payment of the repaid amount, were approved by the Company's audit committee and board of directors on August 23, 2023, subject to approval by the competent parties at ADLER (which was received on August 28, 2023), in accordance with the provisions of regulation 1(5) to the Companies' Regulations (Relieves in Transactions with Interested Parties), 2000 (the "Relief Regulations").

4. On May 5, 2023, the Company received approximately EUR 4.9 million from NRW Bank which finances the Grafental project (Stage I) the construction of which was completed in 2022. It is indicated that after receiving such amount and the project construction completion, the Company meets the conditions that qualify the receipt of a subsidized loan from Dusseldorf municipality for constructing projects for affordable housing for rental. Therefore, the Company is entitled to subsidy of 25% of the loan amount. (from a total loan of approximately EUR 12.9 million the Company will be obliged to pay only approximately EUR 9.7 million).

5. On May 24, 2023, the Company entered into agreement with a German bank for the purpose of extending the maturity date of an existing loan of the Company in the amount of approximately EUR 94.0 million. According to the terms of the loan, the maturity date of the loan will be extended by another three years, so that it will apply on June 30, 2026. The other terms of the loan remain without substantial changes, except for a change in the interest rate, which for the extension period will be:

    - First group - approximately EUR 85 million will bear interest at an annual fixed rate of 4.70%.

    - Second group - approximately EUR 9 million, will bear interest at a variable rate, based on three-month EURIBOR plus a margin of 1.71%.

    It is indicated that the extension transaction was treated as repayment of the original loan and taking a new loan without material effect on profit and loss.

6. On June 28, 2023, investigators from the Dutch Fiscal Information and Investigation Service (Fiscal Information and Investigation Service), acting under the directive of the German investigative authorities, conducted a search of the Company's offices and some of its subsidiaries. To the best of the Company's knowledge, the search was conducted against the background of commercial transactions carried out by the controlling shareholder of the Company, Adler Real Estate AG, in 2019, and which lasted until 2020. The aforementioned commercial transactions include transactions related to the Gerresheim project. To the best of the Company's knowledge, the investigations are not directed at the Company or any of its officers, and at this time, the Company and its subsidiaries are witnesses and not suspects.

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

7. Further to the approval of the authorities to amend the regulations and guidelines of the stock exchange from June 6, 2023, among other things, regarding the proportion of public holdings which constitutes grounds for transferring a security to the maintenance list, on July 12, 2023 the stock exchange announced that the Company does not comply with the maintenance rules, and that if it does not comply with the maintenance conditions also on December 31, 2023, then the Company's shares will be transferred to the maintenance list. In this regard, it should be noted that the Company's management and board of directors are examining the consequences of the amendment on the Company and its possible courses of action and contacted the Company's main shareholders in order to examine possible courses of action to increase the proportion of public holdings in the Company.

After the report date, on August 9, 2023, the Company completed an exchange offer for the Company's bonds (series B), in which the Company repaid EUR 97,132 thousand (NIS 390,324,629) (series B) par value of bonds in exchange for EUR 53,180 thousand (NIS 213,702,734) par value of bonds Series C and EUR 53,385 thousand (NIS 222,563,103) in cash. It is indicated that the transaction was accounted for as immaterial change of terms and as a result the Company is expected to record finance expenses of EUR 2,036 thousand.

NOTE 6: ASSETS AND LIABILITIES OF DISPOSAL GROUPS HELD FOR SALE

Further to what was stated in Note 1 and in accordance with the decision of the Company's management, the assets were classified as part of disposal groups held for sale. As of June 30, 2023, the balances of assets and liabilities classified as disposal groups held for sale are:

Assets of disposal groups held for sale	June 30, 2023	December 31, 2022
Investment property – income generating assets	125,927	138,657
Investment property – rights to real estate	27,000	-
Trade receivables and other accounts receivable	3,016	3,118
Cash and cash equivalents	2,223	2,048
	158,166	**143,823**

Liabilities of disposal groups held for sale	June 30, 2023	December 31, 2022
Bank loans	52,344	60,184
Deferred taxes	5,324	5,206
Other accounts payable	1,335	1,390
	59,003	**66,780**

NOTE 7: INVENTORY OF REAL ESTATE

As of June 30, 2023, inventory of real estate mainly refers to the Gerresheim project in the city of Dusseldorf, Germany.

During the reported period, the company recognized an impairment of real estate inventory in the amount of approximately EUR 32.2 million resulting from impairment of the Company's lands, according to valuations as of June 30, 2023 which the Company received from external appraisers. The sharp impairment of the lands is mainly due to an increase in the Company's expected financing expenses during the construction of the project following an increase in interest rates in the markets. Also, another reason for the impairment of the lands is an increase in the expected construction costs for these projects.

NOTE 8: INVESTMENT PROPERTY – RIGHTS TO REAL ESTATE AND INCOME GENERATING ASSETS

Presentation in the statement of financial position

	June 30, 2023	December 31, 2022
Investment property – rights to real estate and investment property under construction	-	35,300
Investment property – income generating assets	854,804	925,123
	854,804	**960,423**

Investment property is presented on the basis of fair value, as determined in the valuation as of June 30, 2023, which was performed by an independent external appraiser with recognized professional qualifications and extensive experience regarding the location and type of the real estate being valued. Fair value is determined based on the estimate of expected future cash flows from the asset. In estimating the cash flows, their inherent risk was taken into account, as well as limitations on the amount of rents when they are capitalized at a rate of return that reflects the risks inherent in the cash flows, which was determined taking into account the accepted return in the market with adjustments to the specific characteristics of the property and the risk level of the expected income from the property.

Material assumptions used in the valuations in the residential income generating sector are presented below:

	June 30, 2023	December 31, 2022
Discount Rate (%)(**)	5.05	4.79
Cap Rate (%)(**)	3.56	3.30
Long term Vacancy rate(%)	2.05	2.05
Representative rental per sq.m per month	7.91	7.74

** It should be noted that in accordance with the methodology applied in the valuations, the estimated cash flows for the period of the first 10 years are discounted based on the Discount Rate. The cash flows from the 11th year onwards are capitalized on a Cap Rate basis.

During the reported period, there was an increase in discount rates used to measure the fair value of some of the Company's investment properties in the residential real estate sector at a rate of approximately 0.26% due to a change in market conditions during the relevant period. As a result, there was a decrease in the fair value of income generating residential assets and a loss was recognized from a change in the fair value of the Company's income generating real estate assets in the amount of approximately EUR 72.9 million.

BRACK CAPITAL PROPERTIES N.V.

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

AS OF JUNE 30, 2023

UNAUDITED

IN THOUSANDS OF EUROS

Somekh Chaikin
KPMG Millennium Tower
17 Haarbaa Street, P.O. Box 609
Tel Aviv 6100601

To the Shareholders of Brack Capital Properties N.V.

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

Introduction

We have reviewed the separate interim financial information according to regulation 38d of the Securities regulations (Periodic and Immediate Reports), 1970 of Brack Capital Properties N.V. (hereinafter – the Company), as of June 30, 2023 and for the six-month and three-month periods ending that date. The Board of Directors and Management are responsible for the separate interim financial information. Our responsibility is to express our conclusions with regard to the separate interim financial information for this interim period, based on our review.

Scope of the Review

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

Conclusion

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

Emphasis of matter

Without qualifying our above conclusion, we draw attention to what is stated in note 1 to the condensed interim consolidated financial statements regarding uncertainty regarding the realization of the management's plans for the repayment of the Company's obligations. As stated in such note, management plans include, among others, realization of the Company's assets and refinance of existing loans. In the assessment of the Company's board of directors and management, the Company will comply with these plans and repay its obligations on time.

Somekh Chaikin
Certified Public Accountants (Isr)
August 28, 2023

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

	June 30, 2023	June 30, 2022	December 31, 2022
	Unaudited	Unaudited	Audited
	€ in thousands		
Current Assets			
Cash and cash equivalents	154,255	109,163	34,994
Cash and cash equivalents in trust	48,841	8,881	39,095
Restricted deposits, financial assets and other receivables	97	89	211
Total current assets	203,193	118,133	74,300
Non-Current Assets			
Investment in investee	748,894	1,061,791	970,975
Investment in financial asset measured at fair value through profit or loss	779	1,383	779
Total non-current assets	749,673	1,063,174	971,754
Total assets	952,866	1,181,307	1,046,054
Current Liabilities			
Current maturity of debentures	60,159	63,334	62,944
Accounts payable and other financial liabilities	12,796	459	8,299
Loan from controlling shareholder	150,448	100,125	151,330
Total current liabilities	223,403	163,918	222,573
Non-Current Liabilities			
Debentures	99,286	170,015	104,774
Financial liabilities	20,347	-	12,975
Total non-current liabilities	119,633	170,015	117,749
Total liabilities	343,036	333,933	340,322
Equity			
Share Capital	77	77	77
Premium on Shares	144,237	144,237	144,237
Treasury Shares	(746)	(746)	(746)
Other capital reserves	(531)	(531)	(531)
Statutory capital reserve	283,336	542,533	350,956
Retained earnings	183,457	161,804	211,739
Total equity	609,830	847,374	705,732
Total liabilities and equity	952,866	1,181,307	1,046,054

August 28, 2023			
Date of approval of the financial statements	Thomas Zinnocker Chairman of the Board of Directors	Thierry Beaudemoulin CEO	Eran Edelman CFO

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

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

	Six months ended June 30,		Three months ended June 30		Year ended December 31
	2023	2022	2023	2022	2022
	Unaudited				Audited
	€ in thousands				
Administrative and general expenses	(1,735)	(1,703)	(864)	(852)	(2,963)
Financial expenses, net	(6,826)	(5,546)	(6,240)	(6,684)	(40,157)
Equity in losses of investess	(87,341)	(21,667)	(91,994)	(8,713)	(127,438)
Net and comprehensive loss	(95,902)	(28,916)	(99,098)	(16,249)	(170,558)

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

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

	Six months ended June 30,		Three months ended June 30		Year ended December 31
	2023	2022	2023	2022	2022
	Unaudited				Audited
	€ in thousands				
Cash flows from operating activities:					
Net loss	(95,902)	(28,916)	(99,098)	(16,249)	(170,558)
Adjustments required to present net cash provided by operating activities:					
Adjustments to the profit or loss items:					
Financial expenses (income), net	7,676	7,128	7,564	8,709	31,254
Equity in earnings of investees	87,341	21,667	91,994	8,713	127,438
	95,017	28,795	99,558	17,422	158,692
Changes in assets and liabilities items:					
Decrease (increase) in other receivables and related parties	114	108	(96)	80	(14)
Increase (decrease) in accounts payable and related parties	24	(29)	(190)	(27)	8
	138	79	(286)	53	(6)
Net cash used in operating activities of the Company	(747)	(42)	174	1,226	(11,872)
Cash Flows from investing activities					
Change in investment in investee and in cash and cash equivalents in trust, net	124,995	(151,355)	125,109	(153,353)	(196,524)
Net cash provided by (used in) investing activities of the Company	124,995	(151,355)	125,109	(153,353)	(196,524)

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

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

	Six months ended June 30,		Three months ended June 30		Year ended December 31
	2023	2022	2023	2022	2022
	Unaudited				Audited
	€ in thousands				
Cash flows from financing activities					
Interest paid	(4,987)	(3,018)	(2,868)	(2,293)	(7,528)
Issuance of debentures, net	-	162,518	-	-	162,518
Receipt of a loan from controlling shareholder	-	100,000	-	100,000	150,000
Repayment of debentures	-	-	-	-	(62,660)
Net cash provided by (used in) financing activities of the Company	(4,987)	259,500	(2,868)	97,707	242,330
Change in cash and cash equivalents	119,261	108,103	122,415	(54,420)	33,934
Balance of cash and cash equivalents at the beginning of the period	34,994	1,060	31,840	163,583	1,060
Balance of cash and cash equivalents at the end of the period	154,255	109,163	154,255	109,163	34,994

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

Note 1: - General

This separate financial information has been prepared in a condensed format as of June 30, 2023 and for the six-month and three-month periods then ended in accordance with Regulation 38d of the Securities Regulations (Periodic and Immediate Reports), 1970. This separate financial information should be read in conjunction with the annual financial statements as of December 31, 2022 and for the year then ended and the additional information.

General description of the Company and its activity

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

The Company's shares and bonds are traded on the Tel Aviv Stock Exchange.

In April 2018, the control in the Company was purchased by ADLER Real Estate AG (ADLER).

In December, 2021, LEG Grundstucksverwaltung GmbH ("LEG") which is a subsidiary of LEG Immobilien AG acquired from ADLER 6.7% of the share capital and voting rights in the Company. In addition, ADLER undertook to participate in any tender offer which may be initiated by LEG for the balance of the ordinary shares of the Company held by Adler, provided that such tender offer is made by September 30, 2022 at a minimum price per share determined in the agreement between the parties as above amounting to EUR 157 per share. In addition, in January 2022, LEG acquired an additional 27.77% of the Company's shares which were held by the non-controlling interests in the Company. In the reported period, LEG continued to purchase the Company's shares, so that as of the date of signing the report, LEG holds approximately 35.66% of the Company's shares. It should be noted that on August 4, 2022, the Company learned that LEG decided not to publish a tender offer for the purchase of the remaining shares of the Company and accordingly will not exercise ADLER's obligation towards it. It is indicated that on September 30, 2022 such option expired.

<u>Material events in the reported period</u>

As of June 30, 2023, the Company has a negative working capital of EUR 20,210 thousand on the Solo level.

In the reporting period and thereafter, the Company has taken several measures aiming to improve the Company's liquidity level:

On January 31, 2023, the sale of another property from the Company's commercial income generating real estate portfolio in the city of Ludwigsburg was completed for a total of approximately EUR 12.8 million.

Note 1: - <u>General</u> (Cont.)

On March 27, 2023, the Company entered into agreement with the lending banking corporation, the purpose of which was to extend the maturity date of part of an existing loan of the Company in the amount of approximately EUR 41.5 million. According to the terms of the loan, the maturity date in the amount of approximately EUR 34.5 million of the loan amount will be extended by two years so that it will apply on March 31, 2025. Accordingly, the Company repaid the remaining part of the loan in the amount of approximately EUR 7 million on March 29, 2023. The remaining terms of the loan are without substantial changes, with the exception of a change in interest rate, which for the extension period will be 5.51%.

On May 24, 2023, the Company entered into agreement with a German bank for the purpose of extending the maturity date of an existing loan of the Company in the amount of approximately EUR 94.0 million. According to the terms of the loan, the maturity date of the loan will be extended by another three years, so that it will apply on June 30, 2026. The other terms of the loan remain without substantial changes, except for a change in the interest rate, which for the extension period will be:

- <u>First group</u> - approximately EUR 85 million will bear interest at an annual fixed rate of 4.70%.

- <u>Second group</u> - approximately EUR 9 million, will bear interest at a variable rate, based on three-month EURIBOR plus a margin of 1.71%.

After the date of the report, on August 9, 2023, the Company completed an exchange offer for the Company's bonds (series B), in which the Company repaid NIS 390,324,629 (series B) par value of bonds in exchange for NIS 213,702,734 par value of bonds Series C and NIS 222,563,103 in cash.

As of the report publication date, a credit line is available to the Company from which the Company has drawn down EUR 150 million. During the reported period until its publication date, while taking into account, among other things, the Company's cash needs the Company approached the controlling shareholder requesting to extend the maturity date of the credit line or any part thereof. In response to the Company's request:

The parties reached agreements, according to which the credit line agreement will be amended, the main points of which are as follows: the maturity date of EUR 75 million from the total amount the Company has drawn down as mentioned above, will be extended until December 29, 2024 ("the remaining amount"); The balance of EUR 75 million will be repaid by the end of August 2023 ("the repaid amount"); updating the interest rate in relation to the remaining amount; and the expiration of the unutilized credit line in the amount of EUR 50 million ("the amendment to the agreement"). The other terms of the credit line remain unchanged. The amendment to the agreement replaced one-sided commitment ADLER has provided to the Company in connection with the credit line.

As of the report date, the Company continues to negotiate the sale of additional assets from the Company's residential income generating real estate portfolio located in Eastern Germany. The Company's management anticipates with high level of certainty that this sale will be completed in the coming year.

Note 1: - General (Cont.)

In addition, the Company is examining the sale of additional assets from both the income generating and development portfolios, as necessary in order to meet the Company's liquidity needs. It is indicated that the Company entered into agreements with brokers who work for selling these assets.

In the Company's estimate, in light of the nature of the assets, the Company's board of directors anticipates that if necessary and a binding decision is made by the Company's board of directors to carry out the aforementioned sales, the Company will be able to complete the sale of the aforementioned assets in the coming year.

In addition, the Company works to enter into agreements to extend the maturity dates of existing loans and is working to obtain financing from other financing parties and continues to obtain long term financing from banking corporations and other financial corporations and through the capital market, and taking into account the state of the real estate market in Germany and the capital market in Germany and around the world.

In view of the uncertainty coupled with the date and scope of the Company's asset realizations and the refinance process completion of existing loans, the Company reviewed several scenarios for estimating the economic implications of the foregoing. Based on the estimates of the Company's board of directors and management, which reviewed based on management forecast, the Company's ability to meet its financial covenants and liabilities including in stress conditions and the actions the Company took in connection with the financial structure of its operations including in view of the actions detailed above, the Company anticipates that it will continue to operate in the foreseeable future.