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

The board of directors of Brack Capital Properties N. V. (the "Company" or the "Corporation") is pleased to file the board of directors' report for the nine and three-month periods ended as of September 30, 2023 (the "reported period") in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970 (the "Reporting Regulations"). The financial statements attached to this periodic report are presented according to international IFRS standards. All data in this report refer to the consolidated financial statements, unless noted otherwise.

The Company shares in the deep pain of the families of the victims, IDF soldiers and defense personnel who have fallen in the "Sword of Iron" war, and it wishes a speedy recovery for the injured and the safe return home of all IDF soldiers and hostages.

In this report below:
The "date of the report" - September 30, 2023.
The "execution date of the report" - November 23, 2023.

The review presented below is abbreviated, referring to material events and changes in the state of the Company's business affairs during the reported period, and this report should be reviewed together with the Company's 2022 annual report, including the financial reports and the Company's board report as of December 31, 2022, as published on March 31, 2023 (Ref. No: 2023-01-036915) (the "2022 annual report").

Introduction

Presented below are the Company's principal results for the three-month period ended as of September 30, 2023

1. **Profitability**

   The net loss attributed to the Company's shareholders for Q3 2023 amounts to approximately EUR 4.5 million, compared with a loss of approximately EUR 72.2 million in the same quarter YoY. It should be noted that the loss in the same quarter YoY primarily derived from declines in the value of the Company's investment properties and land inventory (totaling approximately EUR 83.6 million).

   Presented below is the contribution of the income-generating and residential property development segments to the Company's results:

   - ***Income-generating property***: In Q3 2023 the NOI totaled approximately EUR 10.5 million compared with approximately EUR 12.5 million in the same quarter YoY. In addition, the Company's EBITDA for Q3 2023 totaled approximately EUR 7.2 million (compared with approximately EUR 9.4 million in the same quarter YoY). The Company's FFO totaled approximately EUR 4.2 million (compared with approximately EUR 6.3 million in the same quarter YoY). It should be noted that the sharp decline in FFO, NOI and EBITDA during this quarter compared with the parallel quarter of 2022 derives from the completion of the sale of the residential properties in Leipzig on

December 30, 2022. For more information concerning the terms and consideration of the transaction see the Company's immediate report dated January 1, 2023 (Ref. No: 2023-01-000007) and Section 1.1.4.1A of the 2022 annual report. For information concerning the financial metrics presented in this report which are not based on generally accepted accounting principles, see Section 10 below.

- There was an approximately 2.7% increase in rental fees in the residential income-generating property segment in Q3 2023 from similar assets compared with the parallel quarter of 2022. As of the date of the report, the average rental fee is EUR 7.17 per sqm, and the rental fee in new leases in the residential market is approximately 8.4% higher than the current average rental fees.
- The occupancy rate in the residential income-generating property segment as of the date of the report amounts to approximately 97.2%.

- ***Residential property development*****:** The Company does not recognize profit from apartment sales in 2023. It is clarified that the Company's development properties are not at the stage of construction. For more information concerning the decrease in value of the Company's residential development properties, including in view of rising interest rates and inflation in the market, and their effects on the Company's results, see 'Part B - Disclosure regarding material and very material appraisals and material appraisers' below.

2. Operating segments - principal operating data

2.1. Income-generating property segment[1]:

Designation	Area (Sqm 000's)	Actual rental return	ERV[2]	Actual NOI return[3]	NOI return according to ERV	Occupancy rate
Residential	588	5.1%	5.6%	4.5%	4.9%	97.2%
Commercial	16	9.3%	9.3%	-	-	73.6%
Total	**604**	**5.1%**	**5.6%**	**4.5%**	**4.9%**	**96.9%**

3. Balance sheet structure and financial solvency

3.1. ***Equity and EPRA NTA*****:** The equity attributed to the Company's shareholders amounts to approximately EUR 605.3 million, and EPRA NTA[4] totals approximately EUR 760.3 million as of the date of the report.

3.2. ***LTV ratio***: The LTV ratio[5] amounts to approximately 40.25% as of the date of this report compared with approximately 41.62% in the same quarter YoY. It should be

[1] Assets consolidated in the Company's reports, including assets the subject of executed binding sale agreements.

[2] "ERV" (Estimated Rental Value) - the anticipated annual revenue assuming that all the properties are leased at the current occupancy rate at market rate.

[3] The data for September 2023 in annual terms divided by book value.

[4] EPRA NTA - For information about the metric and its calculation see Section 10.2 of this report.

[5] Net debt to total properties and inventory.

noted that if the sale of the income-generating properties which were classified as held for sale (see Note 5 to the Company's financial statements) is completed, the LTV ratio will decrease after the sale to approximately 37.84%. For more information about the Company's estimates concerning the completion of the sale of the assets see Section 4 below. The EBITDA to interest coverage ratio solely for the income-generating portfolio during the reported period amounts to approximately 3.07.

3.3. ***Liquidity***: Cash balances (consolidated) totaled approximately EUR 60.8 million as of the date of the report.

3.4. ***Financing***: The Company has bank loans totaling approximately EUR 360.3 million which are subject to average annual interest of 3.04% and with an average lifetime of 6.18 years, as well as listed bonds totaling approximately EUR 106.2 million as of the date of the report which are subject to average ILS interest (linked to the index) of 4.05%. It should be noted that on August 9, 2023, the Company successfully completed an exchange tender offer under which it purchased 91.99% of the Company's total Bonds (Series B) in consideration for the Company's Bonds (Series C) and cash consideration. For more information concerning the Company's financing sources and its liquidity see Section 9.1 below.

4. Brief description of the Group's businesses and its operating environment

As of the date of the report, the Company and its subsidiaries (collectively: the "**Group**") operate in the German real estate market in three primary operating segments: Residential income-generating property, commercial income-generating property (collectively: the "**income-generating property segment**"), residential property development and land betterment in Düsseldorf (collectively: the "**Group's operating segments**").

The Company continues to implement the strategy in the income-generating and residential property development segments including actions towards selling assets to improve its liquidity. For more information concerning the Company's strategy see Section 1.20 of Chapter A of the 2022 annual report.

As of the publication date of the report, the Company is continuing to conduct negotiations for the sale of properties **from its income-generating residential and development property portfolios**. Due to the negotiations protracting, further to that stated in the Company's annual report, the Company's board expects that if necessary and if a binding decision is made by the Company's board to make the sales, they will be completed in 2024. For more information concerning properties being classified as "intended for sale" see Note 5 to the Company's financial statements, attached to this report.

Further to that stated above, the Company has also engaged various brokers to examine the sale of **all the properties in the Company's development portfolio**. The scope of the properties the Company will sell from the portfolio as aforesaid will depend on its liquidity needs at such time.

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

On March 6, 2023, Mr. Taco Tammo Johannes de Groot was appointed to the Company's board of directors as an external director. For more information see the immediate report published by the Company on March 6, 2023 (Ref. No: 2023-01-020371) which is included herein by way of reference.

On November 14, 2023, the Company published a notice for a general meeting to be held on December 20, 2023, whose agenda, among other things, includes appointing an auditor and appointing Mr. Thierry Beaudmoulin as a board member and executive director. It should be noted that Mr. Thomas Echlmayer is not a candidate to hold another term in office as one of the Company’s directors. For more information see the immediate report published by the Company on November 14, 2023 (Ref. No: 2023-01-103576) which is included herein by way of reference.

4.2 Presented below are the main developments (if any) in the Group's operating segments in the reported period until the execution date of the report:

4.2.1 **Income-generating residential properties:** As of the date of the report, the Group owns 9,608 rental apartments with a total area of approximately 588,000 sqm.

4.2.2 **Income-generating commercial properties:** As of the date of the report, the Group owns 3 commercial assets (offices) for lease with a total area of approximately 16,000 sqm.

4.2.3 **Residential property development and land betterment in Düsseldorf:** The Company owns three land complexes in Düsseldorf, Germany, two of which are in the process of receiving building permits and one for which a building permit has already been obtained. For more information regarding the pre-emptive right of the municipality of Düsseldorf, *inter alia*, in connection with the Company's land, see the immediate report published by the Company on September 14, 2022 (Ref. No: 2022-01-117691), included in this report by way of reference. For information regarding the costs of the projects see Sections 5-6 below. It should also be noted that during Q4 2022 difficulties emerged in the negotiations with the municipality of Düsseldorf with respect to the approval of the urban building plan applicable to the Gerresheim project, which may lead to an additional delay in receiving the permit or completely thwart the attempt. For more information see the immediate report published by the Company on November 27, 2022 (Ref. No: 2022-01-113352) which is included herein by way of reference. It should be noted that as of the date of the report, at the instruction of the board of directors, the Company's management has been examining its possible courses of action, including, *inter alia*, through brokers, as part of the Company's general strategy to sell **all the assets in the Company's development portfolio**. For more information see Section 1.8.3.4 of Chapter A of the 2022 annual report.

For more information concerning the changes in the general environment in which the

Company operates and which may affect the Company's activities see Section 1.5 of Chapter A of the 2022 annual report.

5. **Grafenberg project costs (EUR 000's)**

	Costs invested	Q3 - 2023	Q2 - 2023	Q1 - 2023	2022
Costs invested	Cumulative land costs by the end of the period	11,900	11,900	11,900	11,900
	Cumulative costs of development, taxes and fees	4,749	4,749	4,672	4,671
	Construction costs	-	-	-	-
	Cumulative financing costs (capitalized)	-	-	-	-
	Total cumulative costs	**16,649**	**16,649**	**16,572**	**16,571**

6. **Gerresheim project costs (EUR 000's)**

	Costs invested	Q3 - 2023	Q2 - 2023	Q1 - 2023	2022
Costs invested	Cumulative land costs by the end of the period	141,645	141,645	141,645	141,645
	Cumulative costs of development, taxes and fees	10,938	10,597	9,595	8,830
	Construction costs	-	-	-	-
	Cumulative financing costs (capitalized)	38,145	36,293	33,162	30,376
	Total cumulative costs	**190,728**	**188,535**	**184,402**	**180,851**

Part A - Explanations of the board of directors concerning the state of the Company's business affairs, its operating results, equity and cash-flows

7. Financial Position

Assets	As of 30 September 2023	As of 30 September 2022	As of 31 December 2022	Explanation for the change
Current assets	EUR 000's			
Cash and cash equivalents	60,779	172,496	210,477	For more information see the cash-flow report in the Company's financial statements attached to this report.
Restricted deposits, financial assets and other debit balances	34,830	35,487	32,354	
Accounts and other receivables for sale of apartments	254	266	264	
Tenants and trade receivables, net	2,433	1,591	2,167	
Assets of disposal groups held for sale	50,135	391,999	143,823	The balance stems from the classification of the residential assets into disposal groups held for sale and the classification of one block of land due to the Company's intention to sell these assets. For more information see Note 5 to the Company's financial statements.
Total current assets	**148,431**	**601,839**	**389,085**	
Non-current assets	EUR 000's			EUR 000's
Investments in financial assets measured at fair value through profit or loss	4,508	7,304	5,287	
Inventory of land	182,000	204,354	206,351	The reduction stems from a decrease in the value of the inventory which resulted from a decrease in the valuations of the Company's lands. For more information see Note 6 to the Company's consolidated financial statements.
Investment property - rights in land and investment properties under construction	-	37,889	35,300	The reduction stems from the classification of one block of land into disposal groups held for sale.
Investment property - income-generating properties	956,821	961,921	925,123	
Deposits restricted for	7,724	5,748	4,997	

Assets	As of 30 September 2023	As of 30 September 2022	As of 31 December 2022	Explanation for the change
investment in properties				
Accounts receivable, debit balances and other financial assets	163	174	175	
Deferred taxes	288	9,008	236	
Total non-current assets	**1,151,504**	**1,226,398**	**1,177,469**	
Total assets	**1,299,935**	**1,828,237**	**1,566,554**	

Liabilities	As of 30 September 2023	As of 30 September 2022	As of 31 December 2022	Explanation for the change
Current liabilities	EUR 000's			
Current maturities of loans from banking institutions	8,743	145,003	99,794	The reduction in the reported period is primarily stems from the agreement to extend the loan in the sum of approximately EUR 94 million by 3 additional years. See Section 11.4 below.
Current maturities of bonds	24,476	67,093	62,944	The decline is due to the completion of the exchange tender offer with Bondholders (Series B). For details see Section 11.7 below.
Other financial liabilities	5,274	-	7,795	The balance primarily stems from the derivative which hedges the Company's bonds from changes in the EUR/ILS exchange rate.
Loan from a controlling shareholder	-	-	151,330	
Accounts payable, credit balances and other liabilities	28,207	31,172	25,993	
Current tax liabilities	861	1,800	410	
Liabilities of disposal groups held for sale	10,209	162,928	66,780	
Total current liabilities	**77,770**	**407,996**	**415,046**	
Non-current liabilities	EUR 000's			
Loans from banking institutions	343,362	184,894	212,460	The increase is primarily due to the extension of a loan agreement in the sum of approximately EUR 94 million and the classification of the entire loan amount as long-term loans. See Section 11.3 below.
Bonds	81,772	178,093	104,774	The decline is due to the completion of the exchange tender offer with Bondholders (Series B). For details see Section 11.7 below.
Loan from a controlling shareholder	75,000	150,446	-	Loan received from the controlling shareholder in 2022. The Company repaid 50% of the total loan to the controlling shareholder during 2023. For details see

Liabilities	As of 30 September 2023	As of 30 September 2022	As of 31 December 2022	Explanation for the change
				Section 11.3 below.
Other financial liabilities	23,402	10,567	15,491	The increase primarily derives from the value of the derivative which hedges the Company's bonds from changes in the EUR/ILS exchange rate.
Deferred taxes	76,366	89,823	84,542	The reduction mainly stems from the deferred taxes attributed to the classification of residential properties into disposal groups held for sale and from the sale of the companies which held the residential properties in Leipzig.
Total non-current liabilities	**599,902**	**613,823**	**417,267**	
Total liabilities	**677,672**	**1,021,819**	**832,313**	
Equity				
Equity attributable to the shareholders of the Company	605,311	775,170	705,732	
Minority interests	16,952	31,248	28,509	
Total equity	**622,263**	**806,418**	**734,241**	
Total liabilities and equity	**1,299,935**	**1,828,237**	**1,566,554**	

8. Operating Results

	For the nine-month period ended 30 September		For the three-month period ended 30 September		For the year ended 31 December	Explanation for the change
	2023	**2022**	**2023**	**2022**	**2022**	
Revenues from property rentals	37,250	44,611	12,440	14,825	59,887	The reduction in the scope of revenues and expenses stems from the sale of the residential properties in Leipzig as well as from the sale of the commercial properties in 2022.
Revenues from property management	18,131	18,038	5,369	5,959	24,837	
Property management expenses	(17,575)	(17,833)	(5,392)	(5,841)	(24,830)	
Cost of maintenance of rental properties	(6,608)	(7,677)	(1,944)	(2,412)	(10,102)	
Net rental and management revenues	**31,198**	**37,139**	**10,473**	**12,531**	**49,792**	
Revenues from selling apartments	-	-	-	-	-	The cost of selling the apartments in the period stems entirely from the decrease in the value of land inventory.
Cost of selling apartments	(34,343)	(10,868)	(2,193)	-	(13,556)	
Profit (loss) from selling apartments	**(34,343)**	**(10,868)**	**(2,193)**	**-**	**(13,556)**	
Company's share in the profits (losses) of companies handled under the equity method	-	859	-	-	859	
General and administrative expenses	(10,157)	(9,563)	(2,696)	(3,764)	(13,119)	
General and administrative expenses relating to the inventory of building under construction and land inventory	(1,176)	(1,264)	(334)	(386)	(1,669)	
Net increase (decrease) in value of investment properties	(85,379)	(83,557)	(2,990)	(96,039)	(158,872)	For more information see Part B below.
Profit (loss) before financing expenses	**(99,857)**	**(67,254)**	**2,260**	**(87,658)**	**(136,565)**	

	For the nine-month period ended 30 September		For the three-month period ended 30 September		For the year ended 31 December	Explanation for the change
	2023	**2022**	**2023**	**2022**	**2022**	
Financing expenses excluding the impact of exchange rate and index changes and hedging transactions	(7,368)	(8,295)	(2,925)	(2,133)	(10,880)	
Impact of exchange rate and index changes and hedging and other transactions	(1,368)	(18,241)	(275)	66	(20,301)	
Change in fair value of financial instruments, credit and other losses	(3,256)	(7,524)	(3,256)	(626)	(9,533)	
Other revenues (expenses), net	(192)	(21,613)	(42)	102	(21,135)	
Profit (loss) before taxes on income	**(112,041)**	**(122,927)**	**(4,238)**	**(90,249)**	**(198,414)**	
Tax abatement (taxes on income)	10,063	17,910	(340)	14,441	21,220	
Net and total profit (loss) for the period	**(101,978)**	**(105,017)**	**(4,578)**	**(75,808)**	**(177,194)**	
Net and total profit (loss) attributed to:						
Shareholders of the Company	(100,421)	(101,120)	(4,519)	(72,204)	(170,558)	
Minority interests	(1,557)	(3,897)	(59)	(3,604)	(6,636)	

9. Sources of financing, liquidity and cash-flows

	For the nine-month period ended 30 September		For the three-month period ended 30 September		For the year ended 31 December	Explanation for the change
	2023	2022	2023	2022	2022	
Cash-flows from operating activities	16,183	3,408	8,463	6,446	(569)	See the cash-flow report.
Cash-flows from investment activities	7,221	(8,255)	(1,985)	(3,444)	122,474	See the cash-flow report.
Cash-flows from financing activities	(175,150)	157,064	(159,017)	43,828	65,759	See the cash-flow report.

9.1 Access to sources of financing

As of the date of the report and its publication date, the Company primarily finances its operating activities from cash-flow received from the Company's subsidiaries, from bank financing, from financing received from the controlling shareholder, from bonds issued to the public in Israel and from the sale of assets, including, *inter alia*, as follows:

a) Financing through bank debt: As of the date of the report, the outstanding balance of the Company's bank debt amounts to approximately EUR 360.3 million which is subject to average interest of 3.04% with an average lifetime of 6.18. During the reported period, the Company entered into an agreement to extend the repayment date of one of the Company's loans (in the sum of approximately EUR 34.5 million). For more information see the immediate report published by the Company on March 28, 2023 (Ref. No: 2023-01-033288) and Section 1.12.2A of Chapter A of the 2022 annual report. In addition, the Company extended the repayment date of a very material loan (in the sum of approximately EUR 94.0 million) by 3 additional years. For more information see the immediate reports published by the Company on May 24 and June 6, 2023 (Ref. No: 2023-01-048010 and 2023-01-062322, respectively). For more information including regarding the extension of the loan repayment dates and compliance with financial covenants as aforesaid, see Sections 11.2 and 11.4 below.

b) Financing though bonds: The Company has listed bonds totaling approximately EUR 106.2 million as of the date of the report, bearing an average ILS interest (linked to the index) of 4.05%. For more information concerning the Company's bonds including the upcoming repayment dates of the bonds and their outstanding balance, see Part B of this report. It should be noted that on August 9, 2023, the Company completed an exchange tender offer for the Company's Bonds (Series B) under which the Company paid off ILS 390,324,629 par value Bonds (Series B), constituting approximately 91.99% of the total Bonds (Series

B) of the Company in circulation, in consideration for ILS 213,702,734 par value Bonds (Series C) and ILS 222,563,103 in cash. For more information see the immediate reports published by the Company on July 20, July 26, August 1, August 6, 2023 and August 9 (Ref. No: 2023-01-083271, 2023-01-085842, 2023-01-071986, 2023-01-073066 and 2023-01-074137, respectively).

As of the publication date of the report, the Company's application to extend the validity of its shelf prospectus for an additional 12 months has been submitted to the Israel Securities Authority and is pending a decision.

c) Loan from the controlling shareholder – As of the date of the report and as of its publication date, the balance of the credit provided by the controlling shareholder to the Company totals EUR 75 million. For more information concerning the amendment to the aforementioned credit agreement executed by the parties, and the repayment of EUR 75 million during the reported period, see Section 11.3 below and the immediate report published by the Company on August 28, 2023 (Ref. No: 2023-01-080680) which is included herein by way of reference.

d) Sale of assets: To finance its operating activities and fulfill its obligations, in 2022 the Company entered into and completed several transaction for the sale of the Company's properties, for an amount totaling approximately EUR 148.2 million, received in cash during the period. In addition, as of the date of the report and its publication date, the Company has taken actions to sell additional assets from its property portfolio as specified in Section 4 above.

It should be clarified that the Company's estimates concerning future transactions for selling properties and re-financing Company loans, are forward-looking information, as this term is defined in the Securities Law, which may not materialize or which may materialize in a manner different than that described above, inter alia, due to factors beyond the Company's control, including changes in market conditions and agreements of third parties unrelated to the Company.

It should be noted that the Company is constantly examining all the sources of financing available to it, including those specified above, given, *inter alia*, market conditions, the Company's financial position and the fact that the ADLER is the Company's controlling shareholder, *inter alia*, as follows:

In 2022 the Company's access to external sources of financing was affected, *inter alia*, by the hostilities in Ukraine, rising inflation and market interest rates, the significant drop in the rating of ADLER's bonds as well as the announcement by the rating company S&P Maalot of the downgrading of the Company's rating to 'ilBBB-' and the downgrading of the rating of the Company's bonds to 'ilBBB+' following its assessment that the Company has limited access to sources of financing and weak liquidity (as detailed above and below in this section). As a result, in 2022 the Company encountered significant challenges in receiving long-term financing from German banking institutions, to the best of the Company's knowledge, *inter alia*, due to ADLER's position. It should be noted that the changes in the German and global real estate markets also had a substantial impact on receiving long-term financing in this context. For more information concerning changes in the general environment in which the Company operates see Section 1.5 of Chapter A of the 2022 annual report.

Without derogating from the foregoing, it should be noted that as of Q4 2022 and over the course of 2023 and as of the publication date of the report, the Company estimates that there has been an improvement in its access to bank financing, *inter alia*, due to the Company's success to re-finance Company loans as specified in Sections 11.2 and 11.4 below. In addition, there has been an improvement in the Company's access to the Israeli capital market seen in the high level of bondholder responsiveness to the tender offer, as specified in Section 11.7 below

In addition, it should be noted that in April 2023, the **ADLER group** reached a settlement with its bondholders in which, *inter alia*, the terms of the bonds were amended, including, but not limited to restrictions on generating new debt and maintaining various financial covenants. It should be noted that although the Company did not undertake to comply with any of the aforementioned restrictions assumed by ADLER, it is possible that the Company's data will also be considered when examining ADLER's compliance with such restrictions. Furthermore, the credit rating of the ADLER group was upgraded due to the above debt settlement.

The Company subsequently examined several various scenarios to assess its ability to handle the implications of the aforesaid on its financial position and liquidity. The Company's board of directors considered the implications of the foregoing on its financial position and liquidity, *inter alia*, according to the various scenarios presented to the Company's board of directors with respect to the Company's ability to fulfill its obligations including under pressure (taking into account, *inter alia*, the above difficulties), and the estimated effects on the Company's operations and on the value of its assets in view of the aforesaid and concluded that the Company has the ability to meet its obligations in the twenty-four (24) months following the examination date (namely, as of the date of the financial statements for Q3 2023). For more information see the discussion regarding the existence of warning signs in the Company, in this section below.

The Company estimates, that as of the publication date of this report, the Company has access to additional sources of financing (including as specified above and below), *inter alia*, through the additional sale of some of the Company's property portfolio, entering into agreements to extend the Company's existing loans, the Company is also examining the possibility of receiving financing from additional financial bodies and is continuing to examine the possibility of receiving long-term funding either from banking institutions and other financial entities or through the capital market, considering, *inter alia*, the state of the German real estate market and the German and global capital markets.

For more information about the Group's sources of financing see Section 1.12 of Chapter A of the 2022 annual report, Section 9 above and Section 11 below.

The Company's assessments concerning the aforesaid including the impacts of the rising inflation rate and interest rates in the market, ADLER's debt rating, the Company's debt rating, substantial challenges in receiving long-term financing from German banking institutions, the completion of the sale of assets and its ability to handle the economic effects of the aforesaid, constitute forward looking information as this term is defined in the Securities Law. These estimates may not materialize or may materialize differently to that

estimated by the Company, due, inter alia, to circumstances which are not in the Company's control, including changes in the state of global capital markets and ADLER's rating.

Examination of warning signs

Without qualifying the review report, the auditors emphasized the matter presented in Note 1 to the condensed consolidated interim financial statements regarding uncertainty with respect to the implementation of the management's plans for the repayment of the Company's liabilities. The management plans includes *inter alia*, the sale of Company's assets and re-financing of existing loans. The Company's board of directors and management assess that the Company will successfully implement these plans and make timely repayment of its liabilities.

Accordingly, as of the date of the report, a warning sign existed as defined in Regulation 10(b)(14) of the Report Regulations, due to the aforementioned statement by the Company's auditor.

The Company's board of directors examined the cash-flow of the Company and the Group's subsidiaries on the basis of the Company's financial statements as of September 30, 2023 for a period of two years ending on September 30, 2025 (the "**projected cash-flow period**") and concluded, as specified *inter alia* below, that the Company is expected to generate, during the projected cash-flow period, cash-flow which should enable it to finance its operating activities and pay-off its debts during the projected cash-flow period. The following is a table specifying the Company's projected cash-flow report in the projected cash-flow period:

The projected cash-flow report for the period ending on September 30, 2025 (EUR 000's):

	October 1, 2023 - December 31, 2023	**January 1, 2024 - December 31, 2024**	**January 1, 2025 - September 30, 2025**
Opening balance of cash	**44,219**	**55,683**	**78,615**
Solo sources:			
Cash-flows from investment activities			
Interest revenues from deposits	385	280	280
Cash-flows from financing activities			
Loan from banking and other institutions (1)	-	20,000	-
Release of funds from interest bearing deposit	-	-	1,840
Sources from investees			
Cash-flows from investment activities			

	October 1, 2023 - December 31, 2023	**January 1, 2024 - December 31, 2024**	**January 1, 2025 - September 30, 2025**
Repayment of loan from an investee (3)	13,942	135,000	-
Repayment of loan from an investee (4)	19,642	17,702	13,276
Total sources	**33,969**	**172,982**	**15,396**
Solo utilizations:			
Cash-flows for financing activities			
Deposit of funds in an interest bearing deposit	(7,360)	-	-
Repayment of principal of Bonds (Series B and C) (5)	(5,451)	(28,711)	(45,346)
Interest payments of the solo company (5)	(686)	(13,130)	(4,290)
Repayment of loan from controlling shareholders (2)	-	(75,000)	-
Investee utilizations:			
Cash-flows for financing activities			
Loan to investee	(5,155)	(21,043)	(16,066)
Cash-flows for investment activities			
Loan to investee (6)	(3,783)	(12,077)	-
Loan to investee (7)	(70)	(89)	(30)
Total utilizations	**(22,505)**	**(150,050)**	**(65,732)**
Closing balance	**55,683**	**78,615**	**28,279**

(1) The projected cash-flow report was prepared on the basis of the conservative assumption whereby the scope of the re-financing raised by the Company will be lower than the scope of its assets. It should be noted that during the reported period the Company completed the re-financing of very material loan. For more information see Section 11.4 below.

(2) For information concerning ADLER's updated undertaking see Section 11.3 below.

(3) Repayment of a loan from a subsidiary of the Company from the Company's share in the proceeds from the sale of assets from the Company’s residential income-generating property portfolio in the sum of approximately EUR 13.9 million. In addition, in 2024, the Company expects to complete an additional sale of assets from the Company's residential income-generating property portfolio located in East Germany (for approximately EUR 50.0 million), which have not yet been sold by the subsidiary further to that stated in the immediate report published by the Company on January 1, 2023 (Ref. No: 2023-01-000007) and Section 4 above concerning actions taken by the Company through its subsidiaries for the sale of additional assets from the Group's income-generating asset portfolio. Further to that stated in the above immediate report concerning the sale of part of the Company’s income-generating property portfolio, the Company is continuing to negotiate the sale of the remaining part as aforesaid, and the Company's board of directors projects that the Company will be able to complete the sale of the assets as aforesaid in 2024.

In addition, in 2024, a larger part of this amount (approximately EUR 85.0 million according to Company's assumption), refers to Company's additional assets from both the income-generating and development portfolio, for which the Company has engaged brokers to sell these assets.

The Company assesses that in light of the nature of the properties, the Company’s board expects that if necessary and if a binding decision is made by the Company’s board to make said sales, then the Company will be able to complete the sale of said properties in 2024.

(4) Repayment of a loan from a subsidiary of the Company deriving from the Company's share in the cash surplus from the operating activities of the subsidiaries.

(5) Company's interest payments composed of interest payments to bondholders and from interest payments on the loan received from the controlling shareholder.

(6) Loan to investee due to the subsidiaries' expected Real Estate Transfer Taxes (RETT).

(7) Loan to investee to invest in existing land. These investments are essential to promote the various development stages and to increase the value of these assets.

The projected cash-flow in this report and its underlying assumptions are forward-looking information as this term is defined in the Securities Law, 1968. The above information is based, inter alia, on different estimates and assessments which are not solely within the Company’s control. In addition, the Company's forecasts are affected by the state of the market and parameters external to the Company such as the state of the German market and the realization of the Company’s other risk factors. Such information may not materialize, in whole or in part, or may materialize in a manner substantially different than that projected by the Company, due, inter alia, to external factors which are not controlled by the Company.

It should be clarified that the aforesaid, including with respect to the Company's estimates concerning its access to sources of financing and the impact of ADLER's financial position in this context and generally, are forward-looking information, as this term is defined in the Securities Law, which may not materialize or which may

materialize in a manner different than that described above, inter alia, due to factors which are not in the Company's control, including changes with respect to ADLER and in market conditions.

10. Financial metrics not based on generally accepted accounting principles

10.1. FFO (funds from operations)

The FFO metric is calculated as the net profit (loss) attributed to the Company's shareholders **solely from the income-generating activity**, with certain adjustments for non-operational items which are affected by revaluation of the fair value of assets and liabilities. We are mainly concerned with adjustments of the fair value of investment properties, various capital profits and losses, different deductions, adjustment of project management costs and possession of land for betterment, changes in the fair value recognized for financial instruments, deferred taxes and minority interests for the above items. The Company is of the opinion that this metric more accurately reflects the Company's operating results, without the effects of the development property activity, and publishing it will provide a better basis for comparing the Company's operating results in a certain period with previous periods and will also make it possible to compare the Company's operating results with other real estate corporations in Israel and Europe.

The Company clarifies that the FFO metric 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 them and does not replace the reported net profit (loss). It is also clarified that these metrics are not audited by the Company's auditors. Presented below is the calculation of the Company's FFO for the stated periods:

	For the three months ended on September 30, 2023	For the three months ended on September 30, 2022	For the year ended December 31, 2022
Net profit (loss) attributed to the shareholders of the Company[6]	(4,519)	(72,204)	(170,558)
Adjustments to the net profit (loss):			
A. Adjustments due to revaluations			
Decrease (increase) in the value of investment properties and adjustment of the value of the liabilities related to the investment properties	3,009	91,355	150,957
Group's share in losses (profits) of companies treated under the equity method	-	-	(859)
Impairment of goodwill or negative goodwill	-	-	-

[6] i.e., excluding minority interests. For more information see the Company's statement of profit and loss included in the Company's financial statements attached to this report.

	For the three months ended on September 30, 2023	For the three months ended on September 30, 2022	For the year ended December 31, 2022
Purchase costs recognized in the statement of profit and loss (IFRS3R)	-	-	-
Change in fair value of financial assets and interest rate swaps according to fair value	3,237	626	9,533
B. Adjustments for non-cash items			
Effects of measurement, exchange rate differentials and non-cash hedging transactions	542	(1,421)	19,610
Costs for deferred taxes and taxes for previous years	304	(13,711)	(19,564)
C. One-time line-items/ new activities/ discontinued activities/ other			
One-time adjustments and others	(647)	1,321	22,631
Project management and marketing costs in connection with the construction of the residential project in Düsseldorf and adjustments for the project's current rental activity	300	347	1,501
Adjustments for impairment of land inventory	1,972	-	12,188
Total adjustments to the net profit	8,717	78,517	195,997
Nominal F.F.O. according to the management's approach (excluding index-related linkage expenses)	**4,198**	**6,313**	**25,439**
Adjustments arising from linkage to the index	-	(919)	(2,883)
Real F.F.O. according to the instructions of the Securities Authority	**4,198**	**5,394**	**22,556**

The Company's estimates specified above concerning the representative rate of FFO are forward looking information as this term is defined in the Securities Law, which is not certain and which may not materialize since it is affected by a gamut of factors which are not fully controlled by the Company, including the state of the German commercial and residential property markets.

10.2. EPRA metrics - Net asset value (EUR 000's)

The EPRA NAV metrics presenting the net asset value of a real estate corporation.

According to a position paper of EPRA - European Public Real Estate Association, which was published in 2019 and was implemented for the first time in 2020, the EPRA NAV metric has been replaced by three new different metrics: EPRA Net Reinstatement Value (NRV), EPRA Net Tangible Asset (NTA) and EPRA Net Disposal Value (NDV). The new metrics replace the EPRA NAV metric previously presented by the Company. The Company also continues to present the EPRA NAV metric according to the previous guidelines in addition to the new EPRA metrics. The Company clarifies that the data of the EPRA NRV, EPRA NTA and EPRA NDV metrics 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 metrics are not audited by the Company's auditors.

- The EPRA Net Reinstatement Value (NRV) metric: The purpose of the metric is to reflect the net asset value of the Company deriving from long-term real estate held by it. To calculate the metric, the Company neutralizes the impact of deferred taxes on investment properties, revaluation of derivative financial instruments, transaction costs (as reflected in the appraisal reports) and also revaluates the assets presented as inventory according to their fair value.
- The EPRA Net Tangible Assets (NTA) metric: The purpose of the metric is to reflect the Company's establishment costs including the costs associated therewith (transaction costs and the like).
- The EPRA Net disposal Value (NDV) metric: The purpose of the metric is to present the value of the Company to the shareholders under a scenario of immediate disposal of all assets ("clearance sale"). This metric therefore takes into consideration all the effects of the deferred taxes and transaction costs which are expected to materialize in this scenario.

The following is a calculation of the Company's EPRA metrics as of September 30, 2023:

	EPRA NRV	EPRA NTA	EPRA NDV
Equity attributed to the Company's shareholders	605.3	605.3	605.3
Plus deferred taxes for EPRA adjustments (minus share attributable to minority interests)	82.5	82.5	-
Neutralizing the fair value of net derivative financial instruments	22.9	22.9	-
Inventory revaluation[7]	-	-	-
Plus Real Estate Transfer Taxes (RETT) and other acquisition costs	79.8	49.6	-
Fair value of nominal liabilities subject to fixed	-	-	46.7

[7] The difference between fair value and book value

	EPRA NRV	EPRA NTA	EPRA NDV
interest[8]			
Total	**790.5**	**760.3**	**652.0**

For comparison figures, the following is a calculation of the Company's EPRA metrics 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 (minus share attributable to minority interests)	95.2	95.2	-
Neutralizing the fair value of net derivative financial instruments	20.8	20.8	-
Inventory revaluation	4.7	4.7	4.7
Plus Real Estate Transfer Taxes (RETT) and other acquisition costs	73.8	49.7	-
Fair value of nominal liabilities subject to fixed interest	-	-	50.8
Total	**900.2**	**876.1**	**761.2**

10.3. <u>NOI Metric - Net Operating Profit</u>

The NOI metric is an operating indicator reflecting the profit deriving from income generated from rental properties minus their maintenance and operating costs. The Company is of the opinion that this metric adequately reflects the current return on its assets in the income-generating property operating segment and enables the Company’s rental and management operating results be compared with other property companies in Israel and Europe. To the best of the Company's knowledge, this metric is customarily presented by companies operating in the Company's operating segments.

The Company clarifies that the NOI metric 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 total profit for the purpose of evaluating the Company’s operating results.

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

10.4. **EBITDA**

The EBITDA metric is calculated as income before interest, taxes, depreciation and amortization. The metric examines the Company's operating profit, excluding items which are included in the operating profit and do not involve changes in cash. The Company is of the opinion that this metric enables examining and comparing the Company's financial performance and its ability to meet its obligations with other real estate companies in Israel and Europe. To the best of the Company's knowledge, this metric is customarily presented by companies operating in the Company's operating segments.
It is also clarified that EBITDA metric 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 during and after the reported period by the publication date of this report**

11.1 The sale of another one of the Company's income-generating commercial properties in the city of Ludwigsburg was completed on January 31, 2023, in consideration for approximately EUR 12.8 million.

11.2 On March 27, 2023, the Company executed an agreement with a lending banking corporation to extend the maturity date of part of an existing Company loan, totaling approximately EUR 41.5 million. According to the terms of the loan, the maturity date of approximately EUR 34.5 million of the loan amount was extended by two years - now due on March 31, 2025. The Company also repaid the remaining part of the loan totaling approximately EUR 7 million on March 29, 2023. The other terms and conditions of the loan remained materially unchanged, other than a change to the interest rate set at 5.51% for the period of the extension. For more information see the immediate report published by the Company on March 28, 2023 (Ref. No: 2023-01-033288).

11.3 The credit facility from ADLER, ADLER's undertakings and amendment of the credit facility agreement

As of the date of the report and as of its publication date, the balance of the Company's debt to ADLER for ADLER's credit facility to the Company totals EUR 75 million (after the Company repaid EUR 75 million during the reported period as specified below).

During the reported period. and given, *inter alia*, the Company's cash needs as specified in Section 9.1 above, the Company requested the controlling shareholder to extend the repayment date of the credit facility or a part thereof. In response to the Company's request:

- On March 31, 2023, ADLER provided the Company with a one-sided undertaking whereby ADLER would extend the maturity date for EUR 70 million of the above-stated amount drawn by the Company for an additional six (6) months, until June 30, 2024, subject to amending the terms of the interest, providing a security, and the fulfillment of various conditions precedent (the "**ADLER undertaking**"). For more information concerning the primary terms of ADLER's undertaking see the immediate report published by the Company on March 31, 2023 (Ref. No: 2023-01-036906).

- On August 28, 2023, the parties came to an agreement whereby the credit facility agreement would be amended with the following primary changes: The maturity date for EUR 75 million of the above-stated amount drawn by the Company shall be extended until December 29, 2024 (the "**remaining amount**"); the balance, totaling EUR 75 million, was repaid on August 31, 2023 (the "**amount repaid**"); the interest rate for the remaining amount shall be amended; and the unutilized credit facility totaling EUR 50 million shall expire (the "**amendment to the agreement**"). The other terms and conditions of the credit facility remained unchanged. The amendment to the agreement replaced the one-sided undertaking made by ADLER to the Company regarding the credit facility.

  The amendment to the agreement as well as payment of the amount repaid were approved by the Company's audit committee and board of directors on August 23, 2023, subject to approval of the authorized persons at ADLER (which was received on August 28, 2023), in accordance with Regulation 1(5) of the Companies Regulations (Reliefs for Interested Party Transactions), 2000 (the "**Relief Regulations**"). For more information including with respect to the terms of the amendment and the approvals received by the Company and their underlying reasons, see the immediate report published by the Company on August 28, 2023, (Ref. No: 2023-01-080680) which is included herein by way of reference.

It should be noted that the original credit facility was signed on May 19, 2022, when the Company entered into a credit facility agreement with its controlling shareholder ADLER totaling EUR 200 million, and on May 23, 2022, the sum of EUR 100 million was received in the Company's bank account. In addition, on August 13, 2022, the Company agreed with ADLER on several amendments to the credit facility agreement whose main purpose was to revise the credit facility's availability period. On September 23, 2022, the Company drew down an additional sum of EUR 50 million. For more information concerning the credit facility see immediate reports published by the Company on August 14, 2022, May 19, 2022, May 23, 2022 and September 27, 2022 (Ref. No: 2022-01-098262, 2022-01-050802, 2022-01-061300, 2022-01-102571, and 2022-01-102571, respectively) which are included herein by way of reference.

11.4 On May 24, 2023, the Company entered into an agreement with a German financing bank to extend the maturity date of a very material existing loan of the Company, in the sum of approximately EUR 94.0 million. According to the terms of the loan, the maturity date of the loan was extended by an additional three years - now due on June 30, 2026. The other terms and conditions of the loan remained materially unchanged, other than a change to the interest rate for the period of the extension, set at:

- <u>First group</u> - Approximately EUR 85 million, for which the Company shall pay fixed annual interest of 4.70%.

- Second group - Approximately EUR 9 million, for which the Company shall pay variable interest based on the three month EURIBOR rate + 1.71%.

In addition, with this engagement, there has been no change with the collaterals and pledges, other than the removal of the collaterals and pledges relating to one of the assets of the loan which is a commercial property located in Remscheid, commencing from July 1, 2023.

As of the date of the date of the report and as of its publication date, the Company is compliant with the financial covenants specified in the agreement. Presented below are the results from calculating the financial covenants:

Financial covenant	**Ratio fixed in the agreement**	**Covenant on the date examined by the lender**	**Covenant as of September 30, 2023 and as of the publication date of the report**
LTV	≤ 65 %	48%	47%
DSCR	≥ 135 %	149%	149%

It should be noted that the LTV ratio in the above table is calculated according to the bank's valuation performed for the extension of the loan.

For more information see the immediate reports published by the Company on May 24 and June 6, 2023 (Ref. No: 2023-01-048010 and 2023-01-062322, respectively).

11.5 On June 28, 2023, investigators from the Fiscal Information and Investigation Service, acting under instruction from the German investigatory authorities, searched the offices of the Company and some of its subsidiaries. To the best of the Company’s knowledge, the search was performed on the backdrop of commercial transactions performed over 2019-2020 by the Company’s controlling shareholder - ADLER Real Estate AG. The aforementioned commercial transactions involved dealings related to the Gerresheim project. To the best of the Company’s knowledge, the investigations are not directed against the Company or any of its officers, and at this time the Company and its subsidiaries are witnesses and not suspects. For more information see the immediate report published by the Company on June 29, 2023 (Ref. No: 2023-01-060676).

11.6 Following the approval by the authorities to amend the TASE listing rules and directives of June 6, 2023, *inter alia*, regarding the rate of public holdings constituting grounds for securities to be transferred to the preservation list, on July 12, 2023, TASE gave notice that the Company was not meeting the preservation rules and that its shares will be transferred to the preservation list if it continues to not comply with the preservation rules by December 31, 2023. In this context it should be noted that the Company’s management and board are examining the implications of the amendment on the Company and its possible courses of action, including contacting the Company’s principal shareholders to examine possible courses of action to increase the public holdings in the Company. For more information see the immediate reports published by the Company on June 22 and July 13, 2023 (Ref. No: 2023-01-058636 and 2023-01-066583, respectively).

It should be noted that on November 14, 2023, the Company announced the convention of an annual and extraordinary general meeting to discuss an issuance of shares to increase the public holdings in the Company. For more information see the immediate report published by the Company on November 14, 2023 (Ref. No: 2023-01-103576).

11.7 On August 9, 2023, the Company completed an exchange tender offer for Bonds (Series B) of the Company, as part of which the Company repaid ILS 390,324,629 par value of Bonds (Series B) in consideration for ILS 213,702,734 par value of Bonds (Series C) and ILS 222,563,103 in cash. For more information see the immediate reports published by the Company on July 20, July 26, August 1, August 6, 2023 and August 9 (Ref. No: 2023-01-083271, 2023-01-085842, 2023-01-071986, 2023-01-073066 and 2023-01-074137, respectively).

11.8 On September 12, 2023, S&P Maalot announced that the Company’s ratings were being taken off a negative CreditWatch and the Company’s rating of ‘ilBBB-’ was affirmed. This was primarily due to the Company succeeding in refinancing a number of material bank loans as well as completing an exchange tender offer for the bonds.

11.9 For more information concerning material events during and after the reported period, also see Note 8 to the Company's financial statements for Q3 2023, attached to this report.

Part B - Disclosure regarding material and very material appraisals and material appraisers The Company did not appraise all of its properties in Q3 2023.

For details about appraisals of all the Company's properties as of June 30, 2023, see Part B of the periodic report for Q2 2023, published on August 28, 2023 (Ref. No: 2023-01-080713).

Part C - Designated Disclosure to Bondholders

12. **Details of promissory notes issued by the Company and which are held by the public on the date of the report according to the Eighth Addendum to the Report Regulations**

	Bonds (Series B)	**Bonds (Series C)**
Is it a material series (as this term is defined in Regulation 10(b)(13)(a) of the Report Regulations?	Yes	Yes
Issuance date	May 21, 2013	July 22, 2014
Series expansion dates	February 4, 2014 March 9, 2022	April 4, 2016 August 9, 2023
Par value on the issuance date (ILS 000's)	175,000	102,165
Par value on the series expansion date (ILS 000's)	636,440	134,028
Par value as of September 30, 2023 (ILS 000's)	33,969	347,731
Linked par value as of September 30, 2023 (ILS 000's)	38,256	386,253
Accrued interest plus linkage differentials (ILS 000's) as of September 30, 2023	386	3,061
Value in the financial statements as of September 30, 2023 (ILS 000's), including interest payable	39,382	394,699
Value on TASE as of September 30, 2023 (ILS 000's)	36,214	374,923
Type and rate of interest	4.04% (annual linked at a fixed rate), subject to adjustments in the event of changes in the rating of the Bonds (Series B) and/or failure to comply with the financial criteria as specified in Sections 2.8.4.12 and 2.8.4.13 of	4.05% (annual linked at a fixed rate), subject to adjustments in the event of changes in the rating of the Bonds (Series C) and/or failure to comply with the financial criteria as specified in Sections 2.8.4.12 and 2.8.4.13 of the shelf prospectus.

	Bonds (Series B)	Bonds (Series C)
	the shelf prospectus.[9,10]	
Principal Payment Dates	Payable in 12 unequal annual installments on December 31st of each one of the years 2013 through 2024 (inclusive) such that each one of the first seven installments constitutes 4% of the total principal par value of the Bonds (Series B), and each one of the last five installments constitutes 14.4% of the total principal par value of the Bonds (Series B); the first principal payment was made on December 31, 2013.	Payable in 12 unequal annual installments on July 20th of each one of the years 2015 through 2026 (inclusive) such that each one of the first nine installments constitutes 2% of the total principal par value of the Bonds (Series C), the tenth installment constitutes 17% of the total principal par value of the Bonds (Series C), and each one of the last two installments constitutes 32.5% of the total principal par value of the Bonds (Series C); the first principal payment was made on July 20, 2015.
Interest Payment Dates	Payable on December 31st and June 30th of each one of the years 2013 through 2024 (inclusive) commencing as of December 31, 2013. The last interest payment is due on December 31, 2024.	Payable on January 20th and July 20th of each one of the years 2015 through 2026 (inclusive) commencing as of January 20, 2015. The last interest payment is due on July 20, 2026.
Linkage base (principal and interest)	Linked (principal and interest) to the Consumer Price Index published on May 15, 2013 for April 2013.	Linked (principal and interest) to the Consumer Price Index published on July 15, 2014 for June 2014.
Are they convertible?	No	No
The Company's right to make pre-payment or forced conversion	The Company may (but is not obligated) at any time and at its exclusive discretion, to pre-pay the Bonds (Series B) in whole or in part as it may choose by the last payment date of the Bonds (Series B) as decided by the Company's board of directors. For more information see Section 2.8.15 of the shelf prospectus.	The Company may (but is not obligated) at any time and at its exclusive discretion, to pre-pay the Bonds (Series C) in whole or in part as it may choose by the last payment date of the Bonds (Series C) as decided by the Company's board of directors. For more information see Section 2.8.15 of the shelf prospectus.
Has a guarantee been given for the payment of the Company's obligations according to the trust deed?	No	No

[9] The Company's shelf prospectus dated May 24, 2012 and its amendments dated May 24, 2012, May 9, 2013 and July 14, 2014 (Ref. No: 2012-01-134232, 2012-01-135258, 2012-01-058417 and 2014-01-113694 included herein by way of reference (the "**shelf prospectus**").

[10] It should be noted that on May 16, 2022, following S&P Maalot's announcement of downgrading the Company's rating to 'ilA-', the interest rate on Bonds (Series B and Series C) increased by 0.25% to 3.54% (Series B) and 3.55% (Series C). For more information see the immediate report published by the Company on May 19, 2022 (Ref. No: 2022-01-061216). In addition, on September 8, 2022, following S&P Maalot's announcement of downgrading the Company's rating to 'ilBBB-' and of downgrading the Company's bonds to 'ilBBB+', the interest rate on the Bonds (Series B and Series C) increased by another 0.50% to 4.04% (Series B) and 4.05% (Series C). For more information see the immediate report published by the Company on September 12, 2022 (Ref. No: 2022-01-116473).

It should be noted that on August 6, 2023, the Company completed an exchange tender offer for the Company's Bonds (Series B) under which the Company purchased ILS 390,355,898 par value of Bonds (Series B), in consideration for ILS 213,719,854 par value of Bonds (Series C) and ILS 222,580,933 in cash. For more information see the immediate reports published by the Company on July 20, July 26, August 1, and August 6, 2023 (Ref. No: 2023-01-083271, 2023-01-085842, 2023-01-071986 and 2023-01-073066, respectively).

13. **Trustee details**

Bonds (Series B) and Bonds (Series C)

(a) Trust company's name:	Reznik, Paz, Nevo Trusts Ltd.
(b) Person in charge of series of promissory notes at the trust company:	Yossi Reznik, CPA
(c) Contact details:	Tel: 03-6389200 Fax: 03-6389222 E-mail: trust@rpn.co.il
(d) Postal address:	14 Yad Haharutzim St., Tel Aviv

14. **Ratings**

For more information about the Company's ratings in 2022 see Section 17 of Chapter B of the 2022 annual report.

Bond Series	**B**	
Name of the rating company	**Maalot**	
	Bond rating	**Issuer's rating**
The rating of the issuer and the bonds on the initial issuance date (May 2013)	ilA+	ilA+, stable
The rating of the issuer and the bonds on the series expansion date - February 2014	ilA+	ilA+, stable
The rating of the issuer and the 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

Bond Series	B	
Name of the rating company	**Maalot**	
	Bond rating	**Issuer's rating**
		outlook
September 2022	ilBBB+	ilBBB-, negative outlook
July 2023	ilBBB+	ilBBB-, negative outlook
September 2023 (Company's ratings taken off CreditWatch with negative outlook)	ilBBB+	ilBBB-, negative outlook
The rating of the issuer and the bonds as of the date of the report	ilBBB+	ilBBB-, negative outlook

Bond Series	C	
Name of the rating company	**Maalot**	
	Bond rating	**Issuer's rating**
The rating of the bonds and the issuer on the initial issuance date (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
September 2023 (Company's ratings taken off CreditWatch with negative outlook)	ilBBB+	ilBBB-, negative outlook
The rating of the issuer and the bonds as of the date of the report	ilBBB+	ilBBB-, negative outlook

15. <u>**Meeting the conditions and obligations under the trust deeds**</u>

To the best of the Company's knowledge, as of the date of the report and during the reported period the Company met all the conditions and obligations under the trust deeds[11]. Among other things, as of the end of the reported period the Company has been in compliance with

[11] With respect to the acceleration of the Company's Bonds (Series B and C) on the grounds of a change of control in the Company and the decision by the bondholders (Series B and C) to waive the above grounds available to them, see Section 19 of the 2018 board report which was attached as Chapter B to the Company's 2018 annual report (Ref. No: 2019-01-021450), included herein by way of reference.

all the financial criteria specified in the trust deeds dated February 24, 2011 (as amended on October 30, 2012 and January 29, 2017) between the Company and Reznik, Paz, Nevo Trusts Ltd., as trustee for the bondholders (Series A) of the Company which were fully paid as stated in Section 11.4 above from May 9, 2013 (as amended on January 29, 2017, July 3, 2017 and May 27, 2018) between the Company and Reznik, Paz, Nevo Trusts Ltd., as trustee for the bondholders (Series B) of the Company from July 14, 2014 (as amended on January 29, 2017, July 3, 2017 and May 27, 2018) between the Company and Reznik, Paz, Nevo Trusts Ltd., as trustee for the bondholders (Series C) of the Company. (Hereinafter respectively: the "**trustee**" and "**trust deeds**") including the financial criteria specified below:

A. The ratio between the Company's equity by the end of each quarter and the net solo financial debt as of that date shall not fall below 187.5%[12]:

The Company's equity attributed to the majority shareholders as of the end of the reported period, namely, as of

September 30, 2023, is EUR 605.3 million.

The net financial debt, according to the Company's standalone reports as of that date is EUR 131.8 million.

Therefore, the ratio between the Company's equity and the net financial debt according to the standalone reports as of the end of the reported period, namely, as of September 30, 2023 is approximately 459.30%.

B. The ratio between the value of the pledged shares and the net debt shall not fall below the base ratio (as defined below):

<u>With respect to Bondholders (Series B)</u>:

"**Base ratio**": Ratio of the value of the pledged shares to net debt of 175%.

"**Net debt**": The ratio of the principal of Bonds (Series B) (plus accrued linkage differentials and interest accrued but not yet paid).

The number of BGP's pledged shares as of September 30, 2023: 365,300.

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

The total issued share capital of BGP as of September 30, 2023, and as of the execution date of the report: 18.5%.

BGP's equity attributed to the shareholders according to the Company's financial statement for September 30, 2023: EUR 761,009 thousands.

The representative EUR/ILS exchange rate known on the execution date of this report as published by the Bank of Israel: ILS/EUR 4.0643.

[12] The requirement to uphold the above ratio only applies to Bondholders of Series B.

Value of the pledged shares: ILS 571,138 thousands.

Net debt: ILS 38,642 thousands.

Therefore, the ratio between the value of the pledged shares and the net debt as of the end of the reported period is about 1,478% and therefore the Company also meets this ratio.

<u>With respect to Bondholders (Series C)</u>:

"**Base ratio**": Ratio of the value of the pledged shares to net debt of 175%.

"**Net debt**": The ratio of the principal of Bonds (Series C) (plus accrued linkage differentials and interest accrued but not yet paid).

The number of BGP's pledged shares as of September 30, 2023: 794,157.

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

The total issued share capital of BGP as of September 30, 2023, and as of the execution date of the report: 40.1%.

BGP's equity attributed to the shareholders according to the Company's financial statement for September 30, 2023: EUR 761,009 thousands.

The representative EUR/ILS exchange rate known on the execution date of this report as published by the Bank of Israel: ILS/EUR 4.0643.

Value of the pledged shares: ILS 1,241,648 thousands.

Net debt: ILS 389,313 thousands.

Therefore, the ratio between the value of the pledged shares and the net debt as of the end of the reported period is about 319% and therefore the Company also meets this ratio.

The Company also undertook to meet the following financial criteria in the trust deeds:

A. **<u>Minimum equity</u>**: According to the trust deeds for Series B and C - The equity attributed to the majority shareholders shall not be less than EUR 150 and 190 million respectively, and as of the date of the report the equity attributed to the majority shareholders is approximately EUR 605.3 million.

B. **<u>Restrictions on dividend distributions</u>**: According to the trust deeds for Series B and C - Dividends shall not be distributed to its shareholders and/or capital shall not be distributed to its shareholders and buyback of its shares and/or convertible bonds shall not be performed if they result in the equity attributed to the majority shareholders falling below EUR 160 and 200 million respectively and/or if they result in the debt to cap ratio (as defined below) exceeding 70%. As of the date of the report the equity attributed to the majority shareholders is approximately EUR 605.3 million and the debt to cap ratio as of the date of the report amounts to 43.56% (as specified below).

C. **Maximum cap ratio**: The ratio between the Company's total net financial liabilities and the Company's total equity plus minority interests and additional financial liabilities (hereinafter: the "**cap**") shall not exceed 75% according to the trust deeds for Series B and C and is calculated as follows (it should be noted that the value of sections B ("deferred loans") and C ("negative equity") for the definition of the 'cap' as detailed in the trust deeds is zero) (the data below are presented in EUR 000's):

Financial liabilities according to the solo reports	181,248
Financial liabilities of the subsidiaries	359,877
Minus cash, cash equivalent and deposits	(60,898)
The net financial debt, consolidated	**480,227**
The cap[13]	
Equity including minority interests	622,263
The net financial debt, consolidated	480,227
The cap	**1,102,490**

Therefore **this ratio amounts to 43.56%** while according to the trust deeds this ratio should be lower than 75% for Series B and C.

16. **Description of the pledged assets securing the Company's obligations according to the promissory notes**

For information regarding the pledges securing the Company's obligations according to the terms of the Company's Bonds (Series B and C) which are valid pursuant to any law and the Company's incorporation documents, as of the date of the report, see Section 20 of the board of directors' report for 2018 which was attached as Chapter B to the Company's 2018 annual report (Ref. No: 2019-01-021453), which is included herein by way of reference.

It should be noted that in 2020 and following the early and full repayment of the Company's Bonds (Series A), on April 20, 2020, the Company requested the trustee of the Bonds (Series A) to release and delete the registered pledges securing the Company's liabilities in connection with the Bonds (Series A), according to the terms of the trust deeds. The Company received the approval for the deletion of the pledges on May 7, 2020.

[13] "**Total equity and debt (CAP)**": The "net financial debt, consolidated" together with the following: (a) the Company's equity (including minority interests) as specified in the consolidated and audited or reviewed financial statements of the Company; (b) the outstanding balance of the Company's deferred loans (as defined below); and (c) impairments appearing in the consolidated financial statements (if any) for the pledged assets securing the loans, in an amount equal to the difference between the right of recourse to the borrower and the value of the loan in the Company's consolidated financial statements. "**Deferred loans**": Any loan received by the Company from any person, which according to its terms is a subordinated debt ranking below the Bonds (Series B), the bonds from Series C to F, or the convertible bonds from series G to K which shall be issued by the Company, if issued by it, according to the shelf prospectus and which cannot be repaid (principal and/or interest) during the term of said bonds.

In addition, following the private placement which took place in March 2022, the Company pledged 125,000 additional shares of Brack German Properties B.V. in favor of the bondholders.

It should be noted that during the reported period, following the exchange tender offer completed by the Company on August 6, 2023 (for more information see Section 11.7 above), the Company requested the trustee for the Bonds (Series B) to release and delete the registered pledges securing the Company's obligations in connection with the Bonds (Series B), according to the terms of the trust deed. The Company received the approval for the deletion of the pledges on August 22, 2023. In addition, the Company pledged 399,727 additional shares of Brack German Properties B.V. in favor of Bondholders (Series C).

17. Attaching the financial statements of BGP

According to legal position no. 103-29 issued by the staff of the Securities Authority ("Findings regarding the adequacy of the disclosure regarding collateral and/or pledges given by reporting corporations to secure the payment of promissory notes"), if the shares of an investee are pledged, the corporation is required to attach the investee's audited/reviewed financial statements, as the case may be, every quarter, until the promissory notes are fully paid-off. However, as of the date of the report, the only differences between the Company's consolidated financial statements and the financial statements of BGP, a company wholly owned by the Company, whose shares are pledged in favor of the Bondholders (the "**pledged investee**") are the total cash personally held by the Company on the side of the assets and the bonds issued by the Company on the side of the liabilities (as reflected in the Company's standalone/solo reports). Consequently, the Company's consolidated reports are almost totally identical to those of the pledged investee (other than the cash held by the Company and the bonds issued by it), and the Company is therefore not attaching separate reports of the pledged investee.

Presented below are data as of September 30, 2023 concerning the Group's assets and liabilities not included in the consolidated financial statements of the pledged investee, compared with the assets and liabilities of the pledged investee and the total of the consolidated balance sheet:

Data as of September 30, 2023 (EUR 000's)	**The Company on a consolidated basis**	**Assets/ liabilities of the pledged investee**	**Asset/ liabilities of non-pledged corporations**
Total assets	1,299,935	1,250,297	49,638
Current assets	148,431	98,793	49,638 *
Non-current assets	1,151,504	1,151,504	-
Total liabilities	677,672	472,336	205,336
Current liabilities	77,770	46,826	30,944 **
Non-current liabilities	599,902	425,510	174,392 ***
Minority interests	16,952	16,952	-
Total equity	622,263	777,961	(155,698)

Data as of September 30, 2023 (EUR 000's)	**The Company on a consolidated basis**	**Assets/ liabilities of the pledged investee**	**Asset/ liabilities of non-pledged corporations**
Percentage of assets of the total assets on the balance sheet	100%	96%	4%
Percentage of liabilities of the total liabilities on the balance sheet	100%	70%	30%
Percentage of equity of the total equity on the balance sheet	100%	125%	(25%)

* Mainly cash and cash equivalent balances held by the Company on a standalone basis.

** Primarily the current maturity of the principal of the Bonds (Series B and C) issued by the Company and interest payable for the above bonds.

*** Mainly the balance of the principal of the Bonds (Series B and C) issued by the Company and the outstanding balance of the loan from the controlling shareholder.

Signatories' names	Positions	Signature
Thomas Zinnocker	Chairman of the board of directors	
Thierry Beaudemoulin	CEO	

November 23, 2023

BRACK CAPITAL PROPERTIES N.V.

Condensed Interim Consolidated Financial Statements

As of September 30, 2023

(Unaudited)

BRACK CAPITAL PROPERTIES N.V.

Condensed Interim Consolidated Financial Statements

As of September 30, 2023

(Unaudited)

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Somekh Chaikin
KPMG Millenium Tower
17 Haarbaah St., POB 609
Tel Aviv 6100601
03 684 8000

Auditor's review report for the shareholders of
BRACK CAPITAL PROPERTIES N.V.

Preface

We have reviewed the attached financial information for Brack Capital Properties N.V. and its subsidiaries (hereinafter - the Group), including the condensed consolidated statement of financial position as of September 30, 2023, as well as the condensed consolidated statements of profit and loss, comprehensive profit, changes in equity and cash-flows for the nine and three month periods ending on the same date. The board of directors and management are responsible for the preparation and presentation of financial information for these interim periods in accordance with International Accounting Standard IAS 34, "Interim Financial Reporting", and are also responsible for preparing financial information for these interim periods in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. We are responsible to express a conclusion about the financial information for these interim periods based on our review.

Scope of the Review

We conducted our review in accordance with Review Standard (Israel) no. 2410 of the Israel Institute of Certified Public Accountants - "Review of Interim Financial Information Prepared by the Entity's Auditor". A review of interim financial information includes making inquiries, particularly with the people responsible for financial and accounting matters, and performing analytical and other review procedures. A review is significantly limited in scope relative to an audit conducted in accordance with generally accepted Israeli auditing standards, and therefore does not allow us to reach a level of assurance that we have learned of all material issues which may have been identified in an audit. We are therefore not expressing an audit opinion.

Conclusion

Based on our review, nothing has come to our attention which would lead us to believe that the above financial information was not prepared, in all material respects, in accordance with IAS 34.

In addition to that stated in the preceding paragraph, based on our review, nothing has come to our attention which would lead us to believe that the above financial information does not fulfill, in all material respects, the disclosure requirements set forth in Section D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Emphasis of a matter

Without qualifying the above conclusion, we draw attention to that stated in Note 1 of the condensed interim consolidated financial information regarding the uncertainty surrounding the implementation of the management's plan for repayment of the Company's liabilities. As stated in said note, among other things, the management plan includes selling the Company's properties and refinancing existing loans. The Company's board of directors and management assess that the Company will successfully implement these plans and make timely repayment of its liabilities.

Somekh Chaikin
Auditors

November 23, 2023

Somekh Chaikin
KPMG Millenium Tower
17 Haarbaah St., POB 609
Tel Aviv 6100601
03 684 8000

Date: November 23, 2023

Attn: Board of Directors of
Brack Capital Properties N.V. (the "**Company**")

Dear Madame and/or Sir,

<u>Re: Consent letter regarding the shelf prospectus of Brack Capital Properties N.V. of November 2022</u>

We hereby inform you that we agree for the reports prepared by us, described below regarding the shelf prospectus dated November 2022, to be included (by way of reference):

(1) The auditor's review report dated November 28, 2022, on the Company's condensed consolidated financial information as of September 30, 2022, and for the nine and three month periods ended on the same date.

(2) The auditor's report dated November 28, 2022, on the Company's condensed standalone financial information as of September 30, 2022, and for the nine and three month periods ended on the same date pursuant to Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970.

(3) The auditor's report dated March 31, 2023, on the Company's consolidated financial statements as of December 31, 2022 and for the year ended on the same date.

(4) The auditor's report dated March 31, 2023, on the internal control components of the Company's financial reporting as of December 31, 2022 and for the year ended on the same date.

(5) The auditor's report dated March 31, 2023, on the Company's standalone financial information in accordance with Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970, as of December 31, 2022.

(6) The auditor's review report dated May 24, 2023, on the Company's condensed consolidated financial information as of March 31, 2023, and for the three month period ended on the same date.

(7) The auditor's report dated May 24, 2023, on the Company's condensed standalone financial information as of March 31, 2023, and for the three month period ended on the same date pursuant to Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970.

(8) The auditor's review report dated August 28, 2023, on the Company's condensed consolidated financial information as of June 30, 2023, and for the six and three month periods ended on the same date.

(9) The auditor's report dated August 28, 2023, on the Company's condensed standalone financial information as of June 30, 2023, and for the six and three month periods ended on the same date pursuant to Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970.

(10) The auditor's review report dated November 23, 2023, on the Company's condensed consolidated financial information as of September 30, 2023, and for the nine and three month periods ended on the same date.

(11) The auditor's report dated November 23, 2023, on the Company's condensed standalone financial information as of September 30, 2023, and for the nine and three month periods ended on the same date pursuant to Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970.

BRACK CAPITAL PROPERTIES N.V.

Condensed interim consolidated statements of financial position

	As of 30 September		As of 31 December
	2023	2022	2022
	(Unaudited)		(Audited)
	EUR 000's		
Current assets			
Cash and cash equivalents	60,779	172,496	210,477
Restricted deposits, financial assets and other debit balances	34,830	35,487	32,354
Accounts and other receivables for sale of apartments	254	266	264
Tenants and trade receivables, net	2,433	1,591	2,167
Assets of disposal groups held for sale	50,135	391,999	143,823
Total current assets	148,431	601,839	389,085
Non-current assets			
Investments in financial assets measured at fair value through profit or loss	4,508	7,304	5,287
Inventory of land	182,000	204,354	206,351
Investment property - rights in land and investment properties under construction	-	37,889	35,300
Investment property - income-generating properties	956,821	961,921	925,123
Deposits restricted for investment in properties	7,724	5,748	4,997
Accounts receivable, debit balances and other financial assets	163	174	175
Deferred taxes	288	9,008	236
Total non-current assets	1,151,504	1,226,398	1,177,469
Total assets	1,299,935	1,828,237	1,566,554

November 23, 2023			
Financial statements approval date	Thomas Zinnocker Chairman of the Board of Directors	Thierry Beaudemoulin CEO	Eran Edelman CFO

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

BRACK CAPITAL PROPERTIES N.V.

Condensed interim consolidated statements of financial position

	As of 30 September		As of 31 December
	2023	2022	2022
	(Unaudited)		(Audited)
	EUR 000's		
Current liabilities			
Current maturities of loans from banking corporations	8,743	145,003	99,794
Current maturities of bonds	24,476	67,093	62,944
Other financial liabilities	5,274	-	7,795
Loan from a controlling shareholder	-	-	151,330
Accounts payable, credit balances and other liabilities	28,207	31,172	25,993
Current tax liabilities	861	1,800	410
Liabilities of disposal groups held for sale	10,209	162,928	66,780
Total current liabilities	77,770	407,996	415,046
Non-current liabilities			
Loans from banking corporations	343,362	184,894	212,460
Bonds	81,772	178,093	104,774
Loan from the controlling shareholder	75,000	150,446	-
Other financial liabilities	23,402	10,567	15,491
Deferred taxes	76,366	89,823	84,542
Total non-current liabilities	599,902	613,823	417,267
Total liabilities	677,672	1,021,819	832,313
Equity attributable to Company's 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	467,921	350,956
Retained earnings	178,938	164,212	211,739
Total equity attributable to shareholders of the Company	605,311	775,170	705,732
Minority interests	16,952	31,248	28,509
Total equity	622,263	806,418	734,241
Total liabilities and equity	1,299,935	1,828,237	1,566,554

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

BRACK CAPITAL PROPERTIES N.V.

Condensed interim consolidated statements of profit or loss and other comprehensive profit

	Note	For the nine-month period ended 30 September		For the three-month period ended 30 September		For the year ended 31 December
		2023	2022	2023	2022	2022
		(Unaudited)				(Audited)
		EUR 000's				
Revenues from property rentals		37,250	44,611	12,440	14,825	59,887
Revenues from property management		18,131	18,038	5,369	5,959	24,837
Property management expenses		(17,575)	(17,833)	(5,392)	(5,841)	(24,830)
Cost of maintenance of rental properties		(6,608)	(7,677)	(1,944)	(2,412)	(10,102)
Net rental and management revenues		31,198	37,139	10,473	12,531	49,792
Revenues from selling apartments		-	-	-	-	-
Cost of selling apartments	7	(34,343)	(10,868)	(2,193)	-	(13,556)
Profit (loss) from selling apartments		(34,343)	(10,868)	(2,193)	-	(13,556)
Company's share in earnings of companies treated under the equity method		-	859	-	-	859
General and administrative expenses		(10,157)	(9,563)	(2,696)	(3,764)	(13,119)
General and administrative expenses relating to the inventory of building under construction and land inventory		(1,176)	(1,264)	(334)	(386)	(1,669)
Profit (loss) before revaluing investment properties		(14,478)	16,303	5,250	8,381	22,307
Net increase (decrease) in value of investment properties	8	(85,379)	(83,557)	(2,990)	(96,039)	(158,872)
Profit (loss) before financing expenses		(99,857)	(67,254)	2,260	(87,658)	(136,565)
Financing expenses excluding the impact of exchange rate and index changes and hedging transactions		(7,368)	(8,295)	(2,925)	(2,133)	(10,880)
Impact of exchange rate and index changes and hedging and other transactions		(1,368)	(18,241)	(275)	66	(20,301)
Change in fair value of financial instruments, credit and other losses		(3,256)	(7,524)	(3,256)	(626)	(9,533)
Other revenues (expenses), net		(192)	(21,613)	(42)	102	(21,135)
Loss before taxes on income		(112,041)	(122,927)	(4,238)	(90,249)	(198,414)
Tax abatement (taxes on income)		10,063	17,910	(340)	14,441	21,220
Total net and comprehensive profit (loss) for the period		(101,978)	(105,017)	(4,578)	(75,808)	(177,194)
Net and comprehensive profit (loss) attributable to:						
Shareholders of the Company		(100,421)	(101,120)	(4,519)	(72,204)	(170,558)
Minority interests		(1,557)	(3,897)	(59)	(3,604)	(6,636)
		(101,978)	(105,017)	(4,578)	(75,808)	(177,194)
Loss per share attributable to the Company's shareholders (EUR) - Basic and diluted		(12.99)	(13.08)	(0.58)	(9.34)	(22.06)

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

BRACK CAPITAL PROPERTIES N.V.

Condensed interim consolidated statements of changes in equity

	Equity attributable to Company's shareholders								
	Share capital	Premium on shares	Treasury shares	Other capital reserves	Statutory capital reserve	Retained earnings	Total	Minority interests	Total equity
	EUR 000's								
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 for the period	-	-	-	-	-	(100,421)	(100,421)	(1,557)	(101,978)
Classification per Dutch law	-	-	-	-	(67,620)	67,620	-	-	-
Distribution and payment to minority shareholders	-	-	-	-	-	-	-	(10,000)	(10,000)
Balance as of September 30, 2023 (unaudited)	77	144,237	(746)	(531)	283,336	178,938	605,311	16,952	622,263
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 profit for the period	-	-	-	-	-	(101,120)	(101,120)	(3,897)	(105,017)
Classification per Dutch law	-	-	-	-	(62,464)	62,464	-	-	-
Balance as of September 30, 2022 (unaudited)	77	144,237	(746)	(531)	467,921	164,212	775,170	31,248	806,418

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

BRACK CAPITAL PROPERTIES N.V.

Condensed interim consolidated statements of changes in equity

	Equity attributable to Company's shareholders								
	Share capital	Premium on shares	Treasury shares	Other capital reserves	Statutory capital reserve	Retained earnings	Total	Minority interests	Total equity
	EUR 000's								
Balance as of July 1, 2023 (unaudited)	77	144,237	(746)	(531)	283,336	183,457	609,830	27,011	636,841
Total net and comprehensive loss for the period	-	-	-	-	-	(4,519)	(4,519)	(59)	(4,578)
Classification per Dutch law	-	-	-	-	-	-	-	-	-
Distribution and payment to minority shareholders	-	-	-	-	-	-	-	(10,000)	(10,000)
Balance as of September 30, 2023 (unaudited)	77	144,237	(746)	(531)	283,336	178,938	605,311	16,952	622,263
Balance as of July 1, 2022 (unaudited)	77	144,237	(746)	(531)	542,533	161,804	847,374	34,852	882,226
Total net and comprehensive profit for the period	-	-	-	-	-	(72,204)	(72,204)	(3,604)	(75,808)
Classification per Dutch law	-	-	-	-	(74,612)	74,612	-	-	-
Balance as of September 30, 2022 (unaudited)	77	144,237	(746)	(531)	467,921	164,212	775,170	31,248	806,418

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

BRACK CAPITAL PROPERTIES N.V.

Condensed interim consolidated statements of changes in equity

	Equity attributable to Company's shareholders								
	Share capital	Premium on shares	Treasury shares	Other capital reserves	Statutory capital reserve	Retained earnings	Total	Minority interests	Total equity
	EUR 000's								
Balance as of January 1, 2022 (audited)	77	144,237	(746)	(531)	530,385	202,868	876,290	35,145	911,435
Total annual net and comprehensive profit	-	-	-	-	-	(170,558)	(170,558)	(6,636)	(177,194)
Classification per 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 attached notes are an integral part of the condensed interim consolidated financial statements.

BRACK CAPITAL PROPERTIES N.V.

Condensed interim consolidated statements of cash-flows

	For the nine-month period ended 30 September		For the three-month period ended 30 September		For the year ended 31 December
	2023	2022	2023	2022	2022
	(Unaudited)				(Audited)
	EUR 000's				
Cash-flows from operating activities					
Profit (loss) for the period	(101,978)	(105,017)	(4,578)	(75,808)	(177,194)
Adjustments required to present cash-flows from operating activities:					
Adjustments to the profit or loss items:					
Financing expenses, net	7,820	29,057	6,404	3,515	31,812
Decrease (increase) in fair value of financial instruments	779	5,790	779	556	7,808
Net decrease (increase) in value of investment properties	85,379	83,557	2,990	96,039	158,872
Net tax expenses	(10,063)	(4,381)	1,912	(13,741)	(20,813)
Company's share in losses of companies treated under the equity method	-	(859)	-	-	(859)
	83,915	113,164	12,085	86,369	176,820
Cash-flows from operating activities before changes in operating asset and liability line-items	(18,063)	8,147	7,507	10,561	(374)
Changes in operating asset and liability line-items:					
Decrease (increase) in restricted deposits, tenants and trade receivables, financial assets and other debit balances	(95)	3,509	77	310	(3,586)
Increase (decrease) in creditors and debit balances	3,044	8,584	(877)	303	11,844
	2,949	12,093	(800)	613	8,258
Net cash deriving from (utilized for) operating activities before activity with land assets and liabilities	(15,114)	20,240	6,707	11,174	7,884
Taxes on income paid	(823)	(14,143)	(96)	(945)	(15,052)
Decrease (increase) in inventory of buildings under construction and inventory of land	32,120	(2,689)	1,852	(3,783)	6,599
Net cash deriving from (utilized for) operating activities	16,183	3,408	8,463	6,446	(569)

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

BRACK CAPITAL PROPERTIES N.V.

Condensed interim consolidated statements of cash-flows

	For the nine-month period ended 30 September		For the three-month period ended 30 September		For the year ended 31 December
	2023	2022	2023	2022	2022
	(Unaudited)				(Audited)
	EUR 000's				
Cash-flows from investment activities					
Investment in investment properties - income-generating properties	(5,498)	(10,075)	(1,924)	(3,137)	(14,218)
Investment in investment properties - rights in land and investment properties under construction	(79)	(12,669)	-	(2,473)	(12,724)
Return of investment (investment) in companies handled under the equity method	-	2,928	-	2,928	2,928
Proceeds from the sale of investment properties net transaction costs	12,810	16,077	-	-	18,741
Net proceeds from the sale of consolidated companies (a)	-	-	-	-	126,101
Net withdrawal (deposit) of restricted deposits	(1,037)	(4,516)	(379)	(762)	1,238
Interest received from deposits	1,025	-	318	-	408
Net cash deriving from (utilized for) investment activities	7,221	(8,255)	(1,985)	(3,444)	122,474
Cash-flows for financing activities					
Interest paid	(12,815)	(10,059)	(3,971)	(2,502)	(21,196)
Distribution and payment to minority shareholders	(10,000)	-	(10,000)	-	-
Payments of financial liability for exchange rate hedging	(11,335)	-	(11,335)	-	-
Receipt of long-term bank loans	4,868	11,215	-	-	40,375
Receipt of loan from the controlling shareholder	-	150,000	-	50,000	150,000
Repayment of loan from the controlling shareholder	(75,000)	-	(75,000)	-	-
Net issuance of bonds	-	162,518	-	-	162,518
Repayment of bonds	(56,516)	(991)	(56,516)	(991)	(62,660)
Repayment of long-term bank loans	(14,352)	(155,619)	(2,195)	(2,679)	(203,278)
Net cash deriving from (utilized for) financing activities	(175,150)	157,064	(159,017)	43,828	65,759
Change in cash and cash equivalents	(151,746)	152,217	(152,539)	46,830	187,664
Balance of cash and cash equivalents at beginning of period	210,477	24,861	211,095	130,248	24,861
Change in cash of disposal groups held for sale	2,048	(4,582)	2,223	(4,582)	(2,048)
Balance of cash and cash equivalents at end of period	60,779	172,496	60,779	172,496	210,477

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

BRACK CAPITAL PROPERTIES N.V.

Condensed interim consolidated statements of cash-flows

	For the nine-month period ended 30 September		For the three-month period ended 30 September		For the year ended 31 December
	2023	2022	2023	2022	2022
	(Unaudited)				(Audited)
	EUR 000's				
(a) Net proceeds from the sale of consolidated companies					
Assets and liabilities of consolidated companies as of the sale date:					
Investment properties	-	-	-	-	240,000
Cash and cash equivalents	-	-	-	-	2,451
Net working capital	-	-	-	-	(2,513)
Other liabilities	-	-	-	-	(22,875)
Loans from banking corporations, net	-	-	-	-	(63,968)
Deferred taxes, net	-	-	-	-	(26,994)
Assets, net	-	-	-	-	126,101

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

Notes to the Interim Consolidated Financial Statements

NOTE 1 - GENERAL

General description of the Company and its activities

Brack Capital Properties N.V. (hereinafter - the "Company") was incorporated in June 2006. It is a Netherlands domiciled real estate company which, through investees, is engaged in acquiring and managing investment properties in Germany, primarily in the income-generating residential property segment. The Company is also engaged in the development of residential complexes and betterment of land in Dusseldorf, Germany. See Note 4 regarding the Company's operating segments.

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

The control of the Company was acquired by ADLER Real Estate AG in April 2018 ("ADLER").
In December 2021, LEG Grundstucksverwaltung GmbH ("LEG"), a subsidiary of LEG Immobilien AG, acquired 6.7% of the Company's share capital and voting rights from ADLER. ADLER additionally undertook to participate in any tender offer LEG may initiate for the remaining ordinary shares of the Company held by ADLER, subject to said tender offer being made by September 30, 2022, at a minimum price per share set in the above-stated agreement between the parties of EUR 157 per share. Additionally, LEG acquired an additional 27.77% of the Company's shares held by the Company's minority shareholders in January 2022. Throughout 2022 LEG continued purchasing Company shares and it holds approximately 35.66% of the Company's shares as of the execution date of the report. It should be noted that on August 4, 2022, the Company learned that LEG had decided to not publish a tender offer to acquire the remaining shares of the Company and to similarly not exercise ADLER's undertaking to it. It should further be noted that the aforementioned option expired on September 30, 2022.

Material events during the reported period

The Company took a number of actions in an attempt to improve its level of liquidity during and following the reported period:

- The sale of another one of the Company's income-generating commercial properties in the city of Ludwigsburg was completed on January 31, 2023, in consideration for approximately EUR 12.8 million.

- On March 27, 2023, the Company executed an agreement with a lending banking corporation to extend the maturity date of part of an existing Company loan, totaling approximately EUR 41.5 million. According to the terms of the loan, the maturity date of approximately EUR 34.5 million of the loan amount was extended by two years - now due on March 31, 2025. The Company also repaid the remaining part of the loan totaling approximately EUR 7 million on March 29, 2023. The other terms and conditions of the loan remained materially unchanged, other than a change to the interest rate set at 5.51% for the period of the extension.

- On May 24, 2023, the Company executed an agreement with a German banking corporation to extend the maturity date of one of the Company's existing loans totaling approximately EUR 94.0 million. According to the terms of the loan, the maturity date of the loan was extended by an additional three years - now due on June 30, 2026. The other terms and conditions of the loan remained materially unchanged, other than a change to the interest rate for the period of the extension, set at:
    - First group - Approximately EUR 85 million, for which the Company shall pay fixed annual interest of 4.70%.

    - Second group - Approximately EUR 9 million, for which the Company shall pay variable interest based on the three month EURIBOR rate + 1.71%.

- On August 9, 2023, the Company completed an exchange tender offer for Bonds (Series B) of the Company, as part of which the Company repaid EUR 97,132 thousands (ILS 390,324,629) par value of Bonds (Series B) in consideration for EUR 53,180 thousands (ILS 213,702,734) par value of Bonds (Series C) and EUR 53,385 thousands (ILS 222,563,103) in cash. See Note 8(8) below for more information.

- During the reported period until its publication date, and, among other things, considering the Company's cash needs, the Company requested for the controlling shareholder to extend the maturity date of the credit facility it had received from the controlling shareholder, and which the parties came to an agreement in response to the Company's request, whereby the credit facility agreement would be amended with the following primary changes: The maturity date for EUR 75 million of the amount drawn by the Company (EUR 150 million) shall be extended until December 29, 2024 (the "remaining amount"); the balance, totaling EUR 75 million, was repaid on August 31, 2023; the interest rate for the remaining amount shall be amended; and the unutilized credit facility totaling EUR 50 million shall expire (the "amendment to the agreement"). The other terms and conditions of the credit facility remained unchanged. The amendment to the agreement replaced the one-sided undertaking made by ADLER to the Company regarding the credit facility. See Note 8(3) below for more information regarding the credit facility, its designated purpose and an extension of its availability, as well as details about ADLER's first undertaking.

- As of the date of the report, the Company is continuing to conduct negotiations for the sale of additional assets from its income-generating residential and development property portfolios. The Company's management expects with a high level of certainty that these sales will be completed within the next 12 months. For more information see Note 5 below.

  The Company is also examining the sale of additional properties from both its income-generating and development portfolios if necessary to meet the Company's liquidity needs. It should be noted that the Company has engaged brokers to sell these properties.

- The Company assesses that in light of the nature of the properties, the Company's board expects that if necessary and if a binding decision is made by the Company's board to make said sales, then the Company will be able to complete the sale of said properties within the upcoming year.

- The Company is also acting to enter agreements to extend the repayment dates for existing loans, and is also acting to receive financing from additional financial entities and is continuing to examine the possibility of receiving long-term financing either from banking or other financial corporations or via the capital markets, considering the state of the German property market and the German and global capital markets.

- In light of the uncertainty entailed with the timing and scope of sale of the Company's properties and completion of the refinancing processes of existing loans, as stated above, the Company examined various scenarios to assess its ability to handle the above-stated financial implications. The Company's board and management have assessed that the Company will be able to continue operating as a going concern in the foreseeable future. This assessment was based on the management forecast which analyzed the Company's ability to comply with the financial covenants and commitments, including under pressure conditions, and the actions being taken by the Company regarding the financing structure of its activities, including in light of the above-stated measures

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

A. Preparation of the financial statements

The interim consolidated financial statements are prepared according to generally accepted accounting practices for preparing interim financial statements pursuant to International Accounting Standard 34, “Interim Financial Reporting”, and also in accordance with the disclosure provisions of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. The accounting policies applied in preparing the interim consolidated financial statements are consistent with those applied in preparing the annual consolidated financial statements.

These financial statements have been prepared in a condensed format as of September 30, 2023, and for the nine and three month periods ended on the same date (hereinafter - the “interim consolidated financial statements”) and were approved by the Company’s board of directors on November 23, 2023. These reports should be read in conjunction with the Company’s annual financial statements as of December 31, 2022, and for the year ending on the same date and the accompanying notes (hereinafter - the “annual consolidated financial statements”).

B. Estimates and judgments

The Company’s management is required to make judgments, assessments, estimates and assumptions when preparing interim consolidated financial statements according to IFRS which affect the implementation of the policies and values of the assets and liabilities, revenues and costs. It should be clarified that actual results may differ from these estimates. The management judgments made when applying the Group’s accounting policies and the principle assumptions used in the assessments entailing uncertainty are consistent with those used in preparing the annual financial statements.

NOTE 3 - FINANCIAL INSTRUMENTS

A. Financial instruments measured at fair value solely for disclosure

The following table specifies the balance in the financial statements and the fair value of sets of financial instruments presented in the financial statements not according to their fair value.

	As of September 30, 2023		As of September 30, 2022		As of December 31, 2022	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
	(Unaudited)				(Audited)	
	EUR 000's					
Financial liabilities:						
Bonds and bond interest payable	107,098	101,438	247,428	222,778	168,410	155,934
Loans from banking corporations	352,577	317,676	330,047	308,582	312,397	277,074

The management assesses that the balance of cash, short-term deposits, trade receivables, suppliers, overdrafts and other current liabilities as well as bank loans presented at amortized cost approximate their fair value due to the short maturity periods for these instruments.

The following methods and assumptions were used to establish the fair value:
The fair value of listed bonds is based on prices quoted on TASE as of the cut-off date (level 1).

B. Financial instruments measured at fair value

Classification of financial instruments according to tier of fair value
The table below presents the Group's financial assets and financial liabilities presented at fair value:

	As of September 30, 2023		
	Level 1	Level 2	Level 3
	(Unaudited)		
	EUR 000's		
Assets:			
Financial assets measured at fair value through profit or loss:	-	-	4,508
Liabilities:			
Financial liabilities for hedging the EUR/ILS exchange rate	-	* (22,893)	-

(*) Under the Company's risk management policy it hedges exposure to exchange rate risk deriving from firm commitments through foreign exchange derivatives with a par value equal to that of the Company's bonds. The fair value of these derivatives is approximately EUR 22.9 million as of the date of the report.

	As of September 30, 2022		
	Level 1	Level 2	Level 3
	(Unaudited)		
	EUR 000's		
Assets:			
Financial assets measured at fair value through profit or loss:	-	-	7,304
Liabilities:			
Financial liabilities for hedging the ILS/EUR exchange rate	-	(8,019)	-

	As of December 31, 2022		
	Level 1	Level 2	Level 3
	(Audited)		
	EUR 000's		
Assets:			
Financial assets measured at fair value through profit or loss:	-	-	5,287
Liabilities:			
Financial liabilities for hedging the ILS/EUR exchange rate	-	(20,770)	-

C. Compliance with financial covenants

The Company is in compliance with all of its financial covenants as of the date of the report.

NOTE 4 - OPERATING SEGMENTS

For the nine-month period ended September 30, 2023	**Real estate Income generating (commercial)**	**Income generating (residential)**	Land for betterment	Residential development	Total
	EUR 000's				
	(Unaudited)				
Revenues from property rentals	1,271	35,975	4	-	37,250
Revenues from property management	410	17,715	6	-	18,131
Property management expenses	(315)	(17,184)	(76)	-	(17,575)
Cost of maintenance of rental properties	(2,552)	(4,013)	(43)	-	(6,608)
Net rental and management revenues	(1,186)	32,493	(109)	-	31,198
Revenues from selling apartments	-	-	-	-	-
Cost of selling apartments	-	-	-	(34,343)	(34,343)
Loss from selling apartments	-	-	-	(34,343)	(34,343)
General and administrative expenses					(10,157)
General and administrative expenses attributable to inventory of buildings under construction and inventory of land	-	-	-	(1,176)	(1,176)
Net decrease in value of investment properties	(871)	(75,829)	(8,679)	-	(85,379)
Financing expenses, net					(11,992)
Other expenses, net					(192)
Loss before taxes on income					(112,041)

	Real estate Income generating (commercial)	Income generating (residential)	Land for betterment	Residential development	Total
			EUR 000's		
For the nine-month period ended September 30, 2022			(Unaudited)		
Revenues from property rentals	2,478	42,088	45	-	44,611
Revenues from property management	658	17,339	41	-	18,038
Property management expenses	(689)	(16,878)	(266)	-	(17,833)
Cost of maintenance of rental properties	(1,642)	(5,765)	(270)	-	(7,677)
Net rental and management revenues	805	36,784	(450)	-	37,139
Revenues from selling apartments	-	-	-	-	-
Cost of selling apartments	-	-	-	(10,868)	(10,868)
Loss from selling apartments	-	-	-	(10,868)	(10,868)
Group's share in earnings of companies treated under the equity method	859	-	-	-	859
General and administrative expenses					(9,563)
General and administrative expenses attributable to inventory of buildings under construction and inventory of land	-	-	-	(1,264)	(1,264)
Net increase (decrease) in value of investment properties	-	(70,578)	(12,979)	-	(83,557)
Financing expenses, net					(34,060)
Other expenses, net					(21,613)
Loss before taxes on income					(122,927)

For the three-month period ended September 30, 2023	**Real estate Income generating (commercial)**	**Income generating (residential)**	Land for betterment	Residential development	Total
	EUR 000's				
	(Unaudited)				
Revenues from property rentals	398	12,041	1	-	12,440
Revenues from property management	73	5,292	4	-	5,369
Property management expenses	(41)	(5,324)	(27)	-	(5,392)
Cost of maintenance of rental properties	(1,203)	(716)	(25)	-	(1,944)
Net rental and management revenues	(773)	11,293	(47)	-	10,473
Revenues from selling apartments	-	-	-	-	-
Cost of selling apartments	-	-	-	(2,193)	(2,193)
Loss from selling apartments	-	-	-	(2,193)	(2,193)
General and administrative expenses					(2,696)
General and administrative expenses attributable to inventory of buildings under construction and inventory of land	-	-	-	(334)	(334)
Net decrease in value of investment properties	-	(2,990)	-	-	(2,990)
Financing expenses, net					(6,456)
Other revenues (expenses), net					(42)
Loss before taxes on income					(4,238)

For the three-month period ended September 30, 2022	Real estate Income generating (commercial)	Income generating (residential)	Land for betterment	Residential development	Total
	EUR 000's				
	(Unaudited)				
Revenues from property rentals	654	14,161	10	-	14,825
Revenues from property management	161	5,784	14	-	5,959
Property management expenses	(237)	(5,400)	(204)	-	(5,841)
Cost of maintenance of rental properties	(337)	(1,870)	(205)	-	(2,412)
Net rental and management revenues	241	12,675	(385)	-	12,531
Revenues from selling apartments	-	-	-	-	-
Cost of selling apartments	-	-	-	-	-
Profit from selling apartments	-	-	-	-	-
Group's share in earnings of companies treated under the equity method	-	-	-	-	-
General and administrative expenses					(3,764)
General and administrative expenses attributable to inventory of buildings under construction and inventory of land	-	-	-	(386)	(386)
Net increase (decrease) in value of investment properties	-	(95,159)	(880)	-	(96,039)
Financing expenses, net					(2,693)
Other revenues (expenses), net					102
Loss before taxes on income					(90,249)

For the year ended December 31, 2022	Real estate Income generating (commercial)	Income generating (residential)	Land for betterment	Residential development	Total
	EUR 000's				
	(Audited)				
Revenues from property rentals	3,135	56,695	57	-	59,887
Revenues from property management	700	24,106	31	-	24,837
Property management expenses	(484)	(24,260)	(86)	-	(24,830)
Cost of maintenance of rental properties	(2,168)	(7,902)	(32)	-	(10,102)
Net rental and management revenues	1,183	48,639	(30)	-	49,792
Revenues from selling apartments	-	-	-	-	-
Cost of selling apartments	-	-	-	(13,556)	(13,556)
Loss from selling apartments	-	-	-	(13,556)	(13,556)
Group's share in losses of companies treated under the equity method	859	-	-	-	859
General and administrative expenses					(13,119)
General and administrative expenses attributable to inventory of buildings under construction and inventory of land	-	-	-	(1,669)	(1,669)
Net decrease in value of investment properties	(2,838)	(140,412)	(15,622)	-	(158,872)
Financing expenses, net					(40,714)
Other expenses, net					(21,135)
Loss before taxes on income					(198,414)

NOTE 5 - ASSETS AND LIABILITIES OF DISPOSAL GROUPS HELD FOR SALE

Further to that stated in Note 1, and according to a decision by the Company's management, the assets were classified according to disposal groups held for sale. As of September 30, 2023, the balance of assets and liabilities classified as disposal groups held for sale, include:

Assets of disposal groups held for sale:	As of September 30, 2023	As of December 31, 2022
Investment properties - income-generating properties	23,000	138,657
Investment properties - rights in land	27,000	-
Cash and cash equivalents	-	2,048
Accounts receivable (customers) and other debit balances	135	3,118
	50,135	**143,823**

Liabilities of disposal groups held for sale:	As of September 30, 2023	As of December 31, 2022
Loans from banking corporations	7,772	60,184
Deferred taxes	1,939	5,206
Accounts payable and other credit balances	498	1,390
	10,209	**66,780**

In Q3 2023 the Company reclassified income-generating residential properties, presented in previous periods as assets and liabilities held for sale under the investment property - income-generating properties line-item, due to it failing to meet the definition of being held for sale under IFRS 5. Additionally, in Q3 2023, the Company classified an income-generating residential property, which is subject to an advanced stage of negotiations and whose sale is anticipated to be completed in the next 12 months.

NOTE 6 - INVENTORY OF LAND

As of September 30, 2023, inventory of land primarily refers to the Gerresheim project in Dusseldorf, Germany.

During the reported period the Company recognized an impairment in inventory of land totaling approximately EUR 34.3 million deriving from a decline in value of the Company's land according to appraisals as of June 30, 2023, received by the Company from external appraisers. The sharp decline in the value of land is primarily due to an increase in the Company's forecasted financing costs during construction of the project following an increase in market interest rates. Furthermore, another reason for the decline in the value of the land is an increase in the forecasted construction costs for these projects.

NOTE 7 - INVESTMENT PROPERTIES - RIGHTS IN LAND AND INCOME-GENERATING PROPERTIES

Presentation in the statement of financial position

	As of September 30, 2023	As of December 31, 2022
Investment properties - rights in land and investment properties under construction	-	35,300
Investment properties - income-generating properties	956,821	925,123
	956,821	**960,423**

Investment property is presented at fair value which has been determined based on an appraisal as of June 30, 2023, performed by an external independent valuation expert who holds recognized and relevant professional qualifications and who has experience with the location and category of the property being valued. The fair value was determined based on an assessment of the expected future cash flows from the property. The risk and rental limitations are taken into account when assessing cash flows by using a discount rate that reflects the risk underlying the cash flows supported by the standard yield in the market and by including adjustments for the specific characteristics of the properties and the level of risk for future income therefrom.

Significant assumptions used in assessing the values in the residential income-generating property segment:

	As of June 30, 2023	As of December 31, 2022
Discount rate (%)(**)	5.05	4.79
Cap rate (%)(**)	3.56	3.30
Long-term vacancy rate (%)	2.05	2.05
Monthly rental fee per sqm (EUR)	7.91	7.74

** It should be noted that according to the methodology applied in the appraisals, the assessed cash-flows for the first 10 years are capitalized by applying a discount rate. The cash-flows from the 11th year are capitalized by applying a cap rate.

During the reported period there was an increase of approximately 0.26% in the discount rates used to measure the fair values of some of the Company’s investment real estate properties in the residential income-generating segment due to a change in market conditions in the relevant period. This resulted in a decline in the fair value of the residential income-generating properties and a loss of approximately EUR 75.8 million was recognized from the change in fair value of the Company’s income-generating properties.

NOTE 8 - SIGNIFICANT EVENTS DURING AND AFTER THE REPORTED PERIOD

1. The sale of another one of the Company's income-generating commercial properties in the city of Ludwigsburg was completed on January 31, 2023, in consideration for approximately EUR 12.8 million.

2. On March 27, 2023, the Company executed an agreement with a lending banking corporation to extend the maturity date of part of an existing Company loan, totaling approximately EUR 41.5 million. According to the terms of the loan, the maturity date of approximately EUR 34.5 million of the loan amount was extended by two years - now due on March 31, 2025. The Company also repaid the remaining part of the loan totaling approximately EUR 7 million on March 29, 2023. The other terms and conditions of the loan remained materially unchanged, other than a change to the interest rate set at 5.51% for the period of the extension. The change in the terms of the loan was recorded as an immaterial change in conditions and resulted in the Company recording immaterial financing costs.

3. <u>The credit facility from ADLER, ADLER's undertaking and amendment of the credit facility agreement</u>

   During the reported period until its publication date, and, among other things, considering the Company's cash needs, the Company requested for the controlling shareholder to extend the maturity date of the credit facility it had received from the controlling shareholder. In response to the Company's request:

   - On March 31, 2023, ADLER provided the Company with a one-sided undertaking whereby ADLER would extend the maturity date for EUR 70 million of the above-stated amount drawn by the Company for an additional six (6) months, until June 30, 2024, subject to amending the terms of the interest, providing a security, and the fulfillment of various conditions precedent (the "ADLER undertaking").

   - The amended ADLER undertaking: On August 28, 2023, the parties came to an agreement whereby the credit facility agreement would be amended with the following primary changes: The maturity date for EUR 75 million of the amount drawn by the Company (EUR 150 million) shall be extended until December 29, 2024 (the "remaining amount"); the balance, totaling EUR 75 million, was repaid on August 31, 2023 (the "amount repaid"); the interest rate for the remaining amount shall be amended without a security being given; and the unutilized credit facility totaling EUR 50 million shall expire (the "amendment to the agreement"). The other terms and conditions of the credit facility remained unchanged. The amendment to the agreement replaced the one-sided undertaking given by ADLER to the Company regarding the credit facility.

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

4. On May 5, 2023, the Company received approximately EUR 4.9 million from NRW Bank which is financing the Gräfenthal project (stage i) whose construction was completed in 2022. It should be noted that the Company meets the conditions entitling it to receive a subsidized loan from the Dusseldorf municipality for constructing affordable rental housing projects after receiving this amount and after completing construction of the project. The Company is therefore entitled to a 25% subsidy of the loan amount (the Company will only need to repay approximately EUR 9.7 million out of a loan totaling approximately EUR 12.9 million).

5. On May 24, 2023, the Company executed an agreement with a German banking corporation to extend the maturity date for one of the Company's existing loans totaling approximately EUR 94.0 million. According to the terms of the loan, the maturity date of the loan was extended by an additional three years - now due on June 30, 2026. The other terms and conditions of the loan remained materially unchanged, other than a change to the interest rate for the period of the extension, set at:

    - First group - Approximately EUR 85 million, for which the Company shall pay fixed annual interest of 4.70%.
    - Second group - Approximately EUR 9 million, for which the Company shall pay variable interest based on the three month EURIBOR rate + 1.71%.

    It should be noted that the extension transaction was handled as repayment of the original loan and the taking of a new loan, without a material impact on the profit and loss.

6. On June 28, 2023, investigators from the Dutch Fiscal Information and Investigation Service, acting under instruction from the German investigatory authorities, searched the offices of the Company and some of its subsidiaries. To the best of the Company's knowledge, the search was performed on the backdrop of commercial transactions performed over 2019-2020 by the Company's controlling shareholder - ADLER Real Estate AG. The aforementioned commercial transactions involved dealings related to the Gerresheim project. To the best of the Company's knowledge, the investigations are not directed against the Company or any of its officers, and at this time the Company and its subsidiaries are witnesses and not suspects.

7. Following the approval by the authorities to amend the TASE listing rules and directives of June 6, 2023, *inter alia*, regarding the rate of public holdings constituting grounds for securities to be transferred to the preservation list, on July 12, 2023, TASE gave notice that the Company was not complying with the preservation rules and that its shares will be transferred to the preservation list if it continues to not comply with the preservation rules by December 31, 2023. In this context it should be noted that the Company's management and board are examining the implications of the amendment on the Company and its possible courses of action, including contacting the Company's principal shareholders to examine possible courses of action to increase the public holdings in the Company.

    It should be noted that on November 14, 2023, the Company announced the convention of an annual and extraordinary general meeting to discuss an issuance of shares to increase the public holdings in the Company.

8. On August 9, 2023, the Company completed an exchange tender offer for Bonds (Series B) of the Company, as part of which the Company repaid EUR 97,132 thousands (ILS 390,324,629) par value of Bonds (Series B) in consideration for EUR 53,180 thousands (ILS 213,702,734) par value of Bonds (Series C) and EUR 53,385 thousands (ILS 222,563,103) in cash. It should be noted that the transaction has been handled as an immaterial change of terms and the Company recognized financing expenses of approximately EUR 2,458 thousands as a result. It should be noted that the exchange tender offer was performed whereby each offeree accepting the offer received ILS 1.095 par value of Bonds (Series C) and ILS 1.1404 in cash for every ILS 2 par value of Bonds (Series B).

9. On September 12, 2023, S&P Maalot announced that the Company's ratings were being taken off a negative CreditWatch and the Company's rating of 'ilBBB-' was affirmed. This was primarily due to the Company succeeding in refinancing a number of material bank loans as well as completing an exchange tender offer for the bonds.

10. Subsequent to the reported period, on October 7, 2023, the “Swords of Iron” war broke out in Israel (the “war”) following the murderous attack by the Hamas terror organization against settlements in proximity to the Gaza strip in southern Israel. Due to the nature of things, the war affected and imposed restrictions on the Israeli economy which, among other things, include reduced commercial activity, across the board military reserve call ups, restrictions on gatherings at work and public places and more. The war also subjects the Israeli economy and the country’s financial position to significant macro-economic uncertainty, including possible credit downgrades of the country and Israeli financial institutions (especially the Israeli banking system), sharp currency changes, changes with the consumer price index and instability with the Israeli capital markets. As of the approval date of the report, the Company does not anticipate it will have a material impact on the Company’s position.

BRACK CAPITAL PROPERTIES N.V.

Presentation of Financial Data from the Interim Consolidated Financial Statements Attributed to the Company

As of September 30, 2023

(Unaudited)

Somekh Chaikin
KPMG Millenium Tower
17 Haarbaah St., POB 609
Tel Aviv 6100601
03 684 8000

Re: Special Auditor's Report on the Interim Standalone Financial Data Pursuant to Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970

Preface

We have reviewed the interim standalone financial data of Brack Capital Properties N.V. (hereinafter - the Company), as of September 30, 2023, and for the nine and three month periods ended on the same date. The financial data has been presented in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970. The Company's board of directors and management are responsible for the interim standalone financial data. Our responsibility is to express a conclusion regarding the standalone interim financial data for these interim periods, based on our review.

Scope of the Review

We conducted our review in accordance with Review Standard (Israel) no. 2410 of the Israel Institute of Certified Public Accountants - "Review of Interim Financial Information Prepared by the Entity's Auditor". A review of standalone financial information for interim periods includes making inquiries, particularly with the people responsible for financial and accounting matters, and performing analytical and other review procedures. A review is significantly limited in scope relative to an audit conducted in accordance with generally accepted Israeli auditing standards, and therefore does not allow us to reach a level of assurance that we have learned of all material issues which may have been identified in an audit. We are therefore not expressing an audit opinion.

Conclusion

Based on our review, nothing has come to our attention which would lead us to believe that the aforementioned interim standalone financial data was not prepared, in all material respects, in accordance with the provisions of Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Emphasis of a matter

Without qualifying the above conclusion, we draw attention to that stated in Note 1 of the interim standalone financial data regarding the uncertainty surrounding the implementation of the management's plan for repayment of the Company's liabilities. As stated in said note, among other things, the management plan includes selling the Company's properties and refinancing existing loans. The Company's board of directors and management assess that the Company will successfully implement these plans and make timely repayment of its liabilities.

Somekh Chaikin
Auditors

November 23, 2023

BRACK CAPITAL PROPERTIES N.V.

Amounts Included in the Interim Consolidated Statements of Financial Position Attributed to the Company

	As of 30 September		As of 31 December
	2023	2022	2022
	(Unaudited)		(Audited)
	EUR 000's		
Current assets			
Cash and cash equivalents	44,219	155,857	34,994
Cash and cash equivalents in escrow	5,240	8,184	39,095
Restricted deposits, financial assets and other debit balances	179	97	211
Total current assets	49,638	164,138	74,300
Non-current assets			
Investment in an investee	761,009	1,016,000	970,975
Investment in a financial asset measured at fair value through the profit and loss	-	779	779
Total non-current assets	761,009	1,016,779	971,754
Total assets	810,647	1,180,917	1,046,054
Current liabilities			
Current maturities of bonds	24,476	67,093	62,944
Accounts payable, credit balances and other financial liabilities	6,468	2,096	8,299
Loan from the controlling shareholder	-	-	151,330
Total current liabilities	30,944	69,189	222,573
Non-current liabilities			
Bonds	81,772	178,093	104,774
Financial liabilities	17,620	8,019	12,975
Loan from the controlling shareholder	75,000	150,446	-
Total non-current liabilities	174,392	336,558	117,749
Total liabilities	205,336	405,747	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	467,921	350,956
Retained earnings	178,938	164,212	211,739
Total equity	605,311	775,170	705,732
Total liabilities and equity	810,647	1,180,917	1,046,054

November 23, 2023			
Financial statements approval date	Thomas Zinnocker Chairman of the Board of Directors	Thierry Beaudemoulin CEO	Eran Edelman CFO

The accompanying additional information constitutes an integral part of the standalone financial data and information.

BRACK CAPITAL PROPERTIES N.V.

Amounts Included in the Interim Consolidated Statements of Profit or Loss and Comprehensive Profit Attributed to the Company

	For the nine-month period ended 30 September		For the three-month period ended 30 September		For the year ended 31 December
	2023	2022	2023	2022	2022
	(Unaudited)				(Audited)
	EUR 000's				
General and administrative expenses	(2,320)	(3,440)	(585)	(1,737)	(2,963)
Net financing income (expenses)	(14,123)	(29,444)	(7,297)	(23,898)	(40,157)
Company's share in profits (losses) of investees	(83,978)	(68,236)	3,363	(46,569)	(127,438)
Net and comprehensive profit (loss)	(100,421)	(101,120)	(4,519)	(72,204)	(170,558)

The accompanying additional information constitutes an integral part of the standalone financial data and information.

BRACK CAPITAL PROPERTIES N.V.

Amounts Included in the Interim Consolidated Statements of Cash-Flows Attributed to the Company

	For the nine-month period ended 30 September		For the three-month period ended 30 September		For the year ended 31 December
	2023	2022	2023	2022	2022
	(Unaudited)				(Audited)
	EUR 000's				
Cash-flows for the Company's operating activities					
Net profit (loss)	(100,421)	(101,120)	(4,519)	(72,204)	(170,558)
Adjustments required to present cash-flows deriving from the Company's operating activities:					
Adjustments to the Company's profit or loss items:					
Financing expenses (revenues), net	13,957	31,153	6,281	24,025	31,254
Company's share in profits of investees	83,978	68,236	(3,363)	46,569	127,438
	97,935	99,389	2,918	70,594	158,692
Changes in the Company's asset and liability items:					
Decrease (increase) in receivables, debit and affiliated party balances	32	100	(82)	(8)	(14)
Increase (decrease) in accounts payable and credit and affiliated party balances	(151)	(33)	(175)	(4)	8
	(119)	67	(257)	(12)	(6)
Net cash used for Company's operating activities	(2,605)	(1,664)	(1,858)	(1,622)	(11,872)
Cash-flows from the Company's investment activities					
Net movement in the investment in an investee and in cash and cash equivalents held in escrow	159,843	(151,436)	34,848	(81)	(196,524)
Net cash deriving from the Company's investment activities (utilized for investment activities)	159,843	(151,436)	34,848	(81)	(196,524)

BRACK CAPITAL PROPERTIES N.V.

Amounts Included in the Interim Consolidated Statements of Cash-Flows Attributed to the Company

	For the nine-month period ended 30 September		For the three-month period ended 30 September		For the year ended 31 December
	2023	2022	2023	2022	2022
	(Unaudited)				(Audited)
	EUR 000's				
Cash flows for the Company's financing activities					
Interest paid	(5,162)	(3,630)	(175)	(612)	(7,528)
Net issuance of bonds	-	162,518	-	-	162,518
Payments of financial liability for exchange rate hedging	(11,335)	-	(11,335)	-	-
Receipt of loan from the controlling shareholder	-	150,000	-	50,000	150,000
Repayment of loan from a controlling shareholder	(75,000)	-	(75,000)	-	-
Repayment of bonds	(56,516)	(991)	(56,516)	(991)	(62,660)
Net cash deriving from (utilized for) the Company's financing activities	(148,013)	307,897	(143,026)	48,397	242,330
Change in cash and cash equivalents	9,225	154,797	(110,036)	46,694	33,934
Balance of cash and cash equivalents at beginning of period	34,994	1,060	154,255	109,163	1,060
Balance of cash and cash equivalents at end of period	44,219	155,857	44,219	155,857	34,994

The accompanying additional information constitutes an integral part of the standalone financial data and information.

BRACK CAPITAL PROPERTIES N.V.

Additional Information

General

This standalone financial data has been prepared in a condensed form as of September 30, 2023, for the nine and three month periods ended on the same date, in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970. This standalone financial data should be read in conjunction with the standalone financial data in the Company's annual financial statements as of December 31, 2022 and for the year ended on the same date and the accompanying additional information.

General description of the Company and its activities

Brack Capital Properties N.V. (hereinafter - the "Company") was incorporated in June 2006. It is a Netherlands domiciled real estate company which, through investees, is engaged in acquiring and managing investment properties in Germany, primarily in the income-generating residential property segment. The Company is also engaged in the development of residential complexes and betterment of land in Dusseldorf, Germany.

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

The control of the Company was acquired by ADLER Real Estate AG in April 2018 ("ADLER").
In December 2021, LEG Grundstucksverwaltung GmbH ("LEG"), a subsidiary of LEG Immobilien AG, acquired 6.7% of the Company's share capital and voting rights from ADLER. ADLER additionally undertook to participate in any tender offer LEG may initiate for the remaining ordinary shares of the Company held by ADLER, subject to said tender offer being made by September 30, 2022, at a minimum price per share set in the above-stated agreement between the parties of EUR 157 per share. Additionally, LEG acquired an additional 27.77% of the Company's shares held by the Company's minority shareholders in January 2022. LEG continued acquiring Company shares during the reported period and it holds approximately 35.66% of the Company's shares as of the execution date of the report. It should be noted that on August 4, 2022, the Company learned that LEG had decided to not publish a tender offer to acquire the remaining shares of the Company and to similarly not exercise ADLER's undertaking to it. It should further be noted that the aforementioned option expired on September 30, 2022.

Material events during the reported period

The Company took a number of actions in an attempt to improve its level of liquidity during and following the reported period:

- The sale of another one of the Company's income-generating commercial properties in the city of Ludwigsburg was completed on January 31, 2023, in consideration for approximately EUR 12.8 million.

- On March 27, 2023, the Company executed an agreement with a lending banking corporation to extend the maturity date of part of an existing Company loan, totaling approximately EUR 41.5 million. According to the terms of the loan, the maturity date of approximately EUR 34.5 million of the loan amount was extended by two years - now due on March 31, 2025. The Company also repaid the remaining part of the loan totaling approximately EUR 7 million on March 29, 2023. The other terms and conditions of the loan remained materially unchanged, other than a change to the interest rate set at 5.51% for the period of the extension.

- On May 24, 2023, the Company executed an agreement with a German banking corporation to extend the maturity date of one of the Company's existing loans totaling approximately EUR 94.0 million. According to the terms of the loan, the maturity date of the loan was extended by an additional three years - now due on June 30, 2026. The other terms and conditions of the loan remained materially unchanged, other than a

change to the interest rate for the period of the extension, set at:
First group - Approximately EUR 85 million, for which the Company shall pay fixed annual interest of 4.70%.
Second group - Approximately EUR 9 million, for which the Company shall pay variable interest based on the three month EURIBOR rate + 1.71%.

- On August 9, 2023, the Company completed an exchange tender offer for Bonds (Series B) of the Company, as part of which the Company repaid EUR 97,132 thousands (ILS 390,324,629) par value of Bonds (Series B) in consideration for EUR 53,180 thousands (ILS 213,702,734) par value of Bonds (Series C) and EUR 53,385 thousands (ILS 222,563,103) in cash.

- During the reported period and as of its publication date, considering, among other things, the Company's cash needs, the Company requested the controlling shareholder extend the maturity date for a credit facility it received from the controlling shareholder, which resulted in the parties coming to an agreement in response to the Company's request, whereby the credit facility agreement would be amended with the following primary changes: The maturity date for EUR 75 million of the amount drawn by the Company (EUR 150 million) shall be extended until December 29, 2024 (the "remaining amount"); the balance, totaling EUR 75 million, was repaid on August 31, 2023; the interest rate for the remaining amount shall be amended; and the unutilized credit facility totaling EUR 50 million shall expire (the "amendment to the agreement"). The other terms and conditions of the credit facility remained unchanged. The amendment to the agreement replaced the one-sided undertaking given by ADLER to the Company regarding the credit facility.

- As of the date of the report, the Company is continuing to conduct negotiations for the sale of additional properties in its income-generating residential and development property portfolios. The Company's management expects with a high level of certainty that these sales will be completed within the next 12 months.

- The Company is also examining the sale of additional properties from both its income-generating and development portfolios if necessary to meet the Company's liquidity needs. It should be noted that the Company has engaged brokers to sell these properties. The Company assesses that in light of the nature of the properties, the Company's board expects that if necessary and if a binding decision is made by the Company's board to make said sales, then the Company will be able to complete the sale of said properties within the upcoming year.

- The Company is also acting to enter agreements to extend the repayment dates for existing loans, and is also acting to receive financing from additional financial entities and is continuing to examine the possibility of receiving long-term financing either from banking or other financial corporations or via the capital markets, considering the state of the German property market and the German and global capital markets.

- Due to the uncertainty entailed with the timing and scope of sale of the Company's properties and completion of the refinancing processes of existing loans, as stated above, the Company examined various scenarios to assess its ability to handle the above-stated financial implications. The Company's board and management have assessed that the Company will be able to continue operating as a going concern in the foreseeable future. This assessment was based on the management forecast which analyzed the Company's ability to comply with the financial covenants and commitments, including under pressure conditions, and the actions being taken by the Company regarding the financing structure of its activities, including in light of the above-stated measures.