Chapter A - Description of the Corporation's business affairs

Part I - Description of the general development of the Corporation's business affairs

Definitions

For ease of reference, presented below are the definitions of the major terms used in this chapter:

The "Company", the "Corporation" or "BCP"	Brack Capital Properties N.V. (Brack Capital Properties N.V.)
The "Subsidiary" or "BGP"	Brack German Properties B.V., a private Dutch subsidiary wholly owned and controlled by the Company.
"BCP Group" or the "Group"	BCP, BGP and its subsidiaries.
The "Property Management Company"	RT Facility Management GmbH & Co. KG, a private German company, wholly owned and controlled by BCP, which employs the bookkeeping and finance, marketing, administrative and management personnel who manage the Company's income-generating commercial and income-generating residential properties and which is responsible for the management of the properties.
"**ADLER**" or the "**Company's controlling shareholder**"	ADLER Real Estate GmbH.
The "**Securities Law**"	The Israel Securities Law, 1968.
The "**Companies Law**"	The Israel Companies Law, 1999.
The **"reported period"**	The period beginning on January 1, 2023 and ending on December 31, 2023
The **"date of the report"**	December 31, 2023.
The "execution date of the report"	March 28, 2024.

1.1. <u>**The Group’s activities and a description of the development of its business affairs**</u>

1.1.1. Year of incorporation and form of incorporation

The Company was incorporated and registered as a private company (B.V.) on May 21, 2006 under the laws of the Netherlands as Brack Capital Properties B.V. On May 28, 2010, the Company changed its name to Brack Capital Properties N.V. and on the same day the Company became a public company (N.V.)[1]. On November 30, 2010, the Company published a prospectus under which it IPO’d its shares to the Israeli public and on December 7, 2010, its shares were listed on the Tel Aviv Stock Exchange Ltd.

For information regarding the Company’s controlling shareholder see regulation 21A of Chapter D attached to this report. It should be noted that according to the public reports of ADLER Real Estate GmbH (“**ADLER**”), the Company’s controlling shareholder is engaged in protracted processes for the sale of its share in the Company (63.03%).

1.1.2. The Group's business affairs and its operating environment

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

1.1.3. Material changes with the management of the Corporation’s business affairs

For additional information regarding changes with the composition of the Company’s board of directors during the reported period see section 1.11.2 below.

1.1.4. Material purchases, sales or transfers of properties not in the ordinary course of business

1.1.4.1. As of the date of the report, the Company is continuing with the implementation of the Company’s strategy for the sale of additional properties from its income-generating and property development portfolios. For more information concerning the Company's strategy see section 1.20 below.

Accordingly, during the reported period, among other things, the Company entered into the following transactions:

(a) Completion of the sale of a commercial property in the city of Ludwigsburg

[1] N.V. is a legal entity under Dutch law, with authorized share capital divided into transferable shares. The shareholders are not personally liable for the actions performed on behalf of the N.V. and are not liable for its losses beyond the amount which should be paid by them for their shares. The shares of a N.V. can be listed on a stock exchange.

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

(b) Completion of the sale of residential properties in the city of Hamm

On December 15, 2023, the Company completed the sale of residential properties in the city of Hamm according to a property valuation of approximately EUR 24.0 million. On the closing day of the sale the Company received an advance from the purchaser totaling approximately EUR 0.8 million. The sale was made through a "share transaction", and the Company received the balance of the consideration for the transaction, totaling approximately EUR 13.6 million, in January, 2024. It should be noted that the Company recognized a profit of approximately EUR 0.7 million in its financial statements following the completion of this transaction. For more information, see the immediate reports published by the Company on December 17, 2023 and January 16, 2024 (Ref. No: 2023-01-113755 and 2024-01-005842, respectively).

(c) Sale of additional properties contemplated by the Company as of the publication date of the report

As of the publication date of the report, the Company is continuing to negotiate the sale of additional properties from the **Company's income-generating property portfolio and from the Company's development portfolio**, including, the following:

- Due to the protraction of negotiations for the sale of the Company's remaining income-generating portfolio located in eastern Germany, these properties are no longer classified as "designated for sale" in the Company's financial statements. For more information concerning properties being classified as "designated for sale" see Note 7H to the Company's financial statements, attached as Chapter C to this report.

- The Company's board expects that if necessary and if a binding decision is made by the Company's board to make said sales, they will be completed in 2024.

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

It should be clarified that the aforesaid fall within the confines of forward-looking information as this term is defined in the Securities Law, which is based, inter alia, on the current circumstances and the Company's assessments concerning the status of the Company's property portfolio. There is no certainty that the Company will successfully implement the business plan to sell any of its properties, and if so, when and under which conditions such plan will be achieved, since the realization of all of the above is subject to factors beyond the Company's control, including changes in the real estate and capital markets, and is also subject to receiving the approvals of third parties unrelated to the Company.

1.1.5. The Group's German property portfolio

As of the date of the report, the Company owns 34 income-generating properties in Germany (which include 31 income-generating residential properties) and 3 income-generating commercial properties. The Company also owns 3 land sites for residential development purposes in the city of Düsseldorf.

Presented below are details about the Group's income-generating property portfolio in Germany as of the date of the report:

<table>
<tr><th>#</th><th>Property's name and location</th><th>General details about the property</th><th>Type of property (according to major use)</th><th>Date of purchase</th><th>Company's share in the property (including indirect holdings)[2]</th><th>Purchase cost (EUR 000's)</th><th>The fair value of the property as of December 31, 2023 (EUR 000's)</th></tr>
<tr><td>1.</td><td>LEG Residential Duisburg</td><td>A complex involving approximately 307 residential rental units with a total area of approximately 17 thousand sqm in a residential neighborhood in the city of Duisburg.</td><td>Income-generating residential</td><td>May 2007</td><td>100%</td><td rowspan="2">19,338[3]</td><td rowspan="2">35,580</td></tr>
<tr><td>2.</td><td>LEG Residential Gelsenkirchen</td><td>A complex involving approximately 299 residential rental units with a total area of approximately 18.3 thousand sqm in a residential neighborhood in the city of Gelsenkirchen.</td><td>Income-generating residential</td><td>May 2007</td><td>100%</td></tr>
<tr><td>3.</td><td>Remscheid</td><td>Commercial center in the center of Remscheid located approximately 30km east of Düsseldorf. The property covers a total rental area of approximately 5 thousand sqm, and is mostly rented to a national supermarket chain under a long-term agreement.</td><td>Income-generating commercial</td><td>July 2007</td><td>100%</td><td>5,143</td><td>1,950</td></tr>
<tr><td>4.</td><td>Neubrandenburg</td><td>A commercial center with an area of approximately 2.8 thousand sqm, including retail spaces on the lower floors and offices on the top floors. The property is located in the main pedestrian mall in the city of Neubrandenburg.</td><td>Income-generating commercial</td><td>August 2007</td><td>100%</td><td>6,597</td><td>3,200</td></tr>
<tr><td>5.</td><td>Ludwigsfelde</td><td>Commercial center combining mainly retail and offices with a rental area of approximately 8.7 thousand sqm, located on the main street of the city of Ludwigsfelde, approximately 30km south of Berlin.</td><td>Income-generating commercial</td><td>November 2007</td><td>100%</td><td>13,711</td><td>8,400</td></tr>
</table>

[2] It should be noted that the Company is entitled to a certain percentage of the investors' share in the profit. The Company's share in the profit is therefore higher than its effective rate of holdings in the granddaughter companies.

[3] It should be noted that both properties were purchased at the same time as part of the same transaction, have been and still are being held as of the date of the report by one property company (Brack Capital (Gelsenkirchen) GmbH & Co. Immobilien KG).

#	Property's name and location	General details about the property	Type of property (according to major use)	Date of purchase	Company's share in the property (including indirect holdings)[2]	Purchase cost (EUR 000's)	The fair value of the property as of December 31, 2023 (EUR 000's)
6.	LEG Oberhausen Residential Complex	Residential complex consisting of 477 residential units with a total area of approximately 38 thousand sqm, located in a residential neighborhood west of the center of Oberhausen.	Income-generating residential	January 2008	100%	18,109	28,900

#	Property's name and location	General details about the property	Type of property (according to major use)	Date of purchase	Company's share in the property (including indirect holdings)[4]	Purchase cost (EUR 000's)	The fair value of the property as of December 31 2022 (EUR 000's)
7.	Velbert Residential Complex	A residential complex consisting of 718 residential rental units with an area of approximately 48 thousand sqm. The complex includes approximately 24 buildings, 3-8 stories each in the city of Velbert approximately 20km north east of Düsseldorf.	Income-generating residential	January 2010	100%	22,975	61,490
8.	Hannover Residential Complex	A residential complex consisting of 34 buildings entailing 566 residential rental units, with a total rentable area of approximately 27.6 thousand sqm in the city of Hannover located in north-west Germany.	Income-generating residential	September 2010	100%	20,213	57,710
9.	Wuppertal	A complex consisting of approximately 335 residential rental units, with a total rentable area of approximately 24.5 thousand sqm in a residential neighborhood in the city of Wuppertal.	Income-generating residential	June 2012	100%	14,200	34,240
10.	Leipzig am Zoo (located in the city of Leipzig)	A residential complex consisting of 459 residential units with an average area of 34 sqm per unit, with a total rentable area of approximately 15.3 thousand sqm.	Income-generating residential	May 13, 2013	89.9%	13,555	41,640

[4] It should be noted that the Company is entitled to a certain percentage of the investors' share in the profit. The Company's share in the profit is therefore higher than its effective rate of holdings in the granddaughter companies.

#	Property's name and location	General details about the property	Type of property (according to major use)	Date of purchase	Company's share in the property (including indirect holdings)[5]	Purchase cost (EUR 000's)	The fair value of the property as of December 31 2022 (EUR 000's)
11.	Falcon - Dortmund (North Rhine Westphalia)	These properties are residential complexes known as the Falcon portfolio which consist of approximately 1,000 residential units with an average area of 52 sqm per unit. The total rentable area amounts to approximately 52 thousand sqm.	Income-generating residential	July 31, 2013	100%	11,960	32,890
12.	Falcon - Duisburg (North Rhine Westphalia)		Income-generating residential	July 31, 2013	100%	12,820	23,800
13.	Falcon – Essen (North Rhine Westphalia)		Income-generating residential	July 31, 2013	100%	9,158	17,880
14.	Bremen and Bremerhaven	863 residential units (707 residential units in the city of Bremen and 156 residential units in the city of Bremerhaven) with an average area of 59 sqm per unit. The total rentable area amounts to approximately 51 thousand sqm.	Income-generating residential	May 1, 2014	100%	34,645	74,860
15.	Bremerhaven	181 residential units in the city of Bremerhaven with an average area of 73 sqm per unit. The total rentable area amounts to approximately 13 thousand sqm.	Income-generating residential	May 1, 2014	100%	5,387	10,391

[5] It should be noted that the Company is entitled to a certain percentage of the investors' share in the profit. The Company's share in the profit is therefore higher than its effective rate of holdings in the granddaughter companies.

#	Property's name and location	General details about the property	Type of property (according to major use)	Date of purchase	Company's share in the property (including indirect holdings)[6]	Purchase cost (EUR 000's)	The fair value of the property as of December 31 2022 (EUR 000's)
16.	Göttingen	238 residential units in the city of Göttingen with an average area of 41 sqm per unit. The total rentable area amounts to approximately 9 thousand sqm.	Income-generating residential	May 1, 2014	100%	7,915	18,210
17.	Essen	91 residential units in the city of Essen with an average area of 54 sqm per unit. The total rentable area amounts to approximately 5 thousand sqm.	Income-generating residential	May 1, 2014	100%	3,361	6,390
18.	Dortmund-Marten (North Rhine Westphalia)	351 residential units with an average area of approximately 49 sqm per unit. The total rentable area amounts to approximately 17.2 thousand sqm.	Income-generating residential	October 31, 2014	100%	13,671	
19.	Dortmund-Waterloostr	173 residential units in the city of Dortmund with an average area of approximately 63 sqm per unit. The total rentable area amounts to approximately 11 thousand sqm.	Income-generating residential	October 1, 2016	100%	7,996	49,340
20.	Dortmund-Provinzialstr	32 residential units in the city of Dortmund with an average area of approximately 72 sqm per unit. The total rentable area amounts to approximately 2 thousand sqm.	Income-generating residential	June 1, 2016	100%	2,669	
21.	Hannover and Krefeld	266 residential units (72 residential units in the city of Hannover and 194 residential units in the city of Krefeld) with an average area of approximately 69 sqm per unit. The total rentable area amounts to approximately 18.30 thousand sqm.	Income-generating residential	December 31, 2014	100%	14,892	28,090

[6] It should be noted that the Company is entitled to a certain percentage of the investors' share in the profit. The Company's share in the profit is therefore higher than its effective rate of holdings in the granddaughter companies.

#	Property’s name and location	General details about the property	Type of property (according to major use)	Date of purchase	Company’s share in the property (including indirect holdings)[7]	Purchase cost (EUR 000's)	The fair value of the property as of December 31 2022 (EUR 000's)
22.	Kiel (I)	429 residential units in the city of Kiel with an average area of approximately 67 sqm per unit. The total rentable area amounts to approximately 29 thousand sqm.	Income-generating residential	June 30, 2015	100%	24,920	76,870
23.	Kiel (II)	296 residential units in the city of Kiel with an average area of approximately 69 sqm per unit. The total rentable area amounts to approximately 21 thousand sqm.	Income-generating residential	March 1, 2016	100%	20,400	
24.	Kiel (III)	288 residential units in the city of Kiel with an average area of approximately 75 sqm per unit. The total rentable area amounts to approximately 22 thousand sqm.	Income-generating residential	June 1, 2016	100%	35,370	50,170
25.	Lange-Laube	31 residential units and 14 commercial units in the city of Hannover. The total rentable area amounts to approximately 4 thousand sqm.	Income-generating residential	July 1, 2016	100%	8,029	11,900
26.	Essen	320 residential units in the city of Essen with an average area of approximately 66 sqm per unit. The total rentable area amounts to approximately 21 thousand sqm.	Income-generating residential	June 1, 2017	100%	23,695	37,380
27.	Hannover Kronsberg	155 residential units in the city of Hannover with an average area of approximately 65 sqm per unit. The total rentable area amounts to approximately 10.2 thousand sqm.	Income-generating residential	June 1, 2017	100%	18,239	21,890

[7] It should be noted that the Company is entitled to a certain percentage of the investors’ share in the profit. The Company’s share in the profit is therefore higher than its effective rate of holdings in the granddaughter companies.

#	Property's name and location	General details about the property	Type of property (according to major use)	Date of purchase	Company's share in the property (including indirect holdings)[7]	Purchase cost (EUR 000's)	The fair value of the property as of December 31 2022 (EUR 000's)
28.	Magdeburg	190 residential units in the city of Magdeburg with an average area of approximately 70 sqm per unit. The total rentable area amounts to approximately 13.3 thousand sqm.	Income-generating residential	December 1, 2017	100%	19,147	19,620
29.	605 residential units in the cities: Halle & Magdeburg, Leipzig,	605 residential units (223 residential units in the city of Leipzig, 242 residential units in the city of Magdeburg and 140 residential units in the city of Halle) with an average area of approximately 60 sqm per unit. The total rentable area amounts to approximately 36.1 thousand sqm.	Income-generating residential	November 24, 2017	100%	49,624	47,329
30.	165 residential units in the city of Leipzig	165 residential units with an average area of 60 sqm per unit. The total rentable area amounts to approximately 10 thousand sqm.	Income-generating residential	Q2 and Q3 of 2017	100%	15,231	17,280
31.	Neuss	16 residential units with an average area of approximately 68 sqm per unit. The total rentable area amounts to approximately 1.1 thousand sqm.	Income-generating residential	March 31, 2017	100%	1,550	2,110
32.	Grafental WA07, Düsseldorf	113 residential units with an average area of approximately 78 sqm per unit. The total rentable area amounts to approximately 8.8 thousand sqm. The property was built by the Company (phase F of the Grafental project) and construction was completed in the beginning of 2020.	Income-generating residential	Built by the company	100%	26,081	30,100
33.	Grafental WA12, Dusseldorf	204 residential units with an average area of approximately 72 sqm per unit. The total rentable area amounts to approximately 14.7 thousand sqm. The property was built by the Company (phase I of the	Income-generating residential	Built by the company	100%	51,118	57,900

#	Property's name and location	General details about the property	Type of property (according to major use)	Date of purchase	Company's share in the property (including indirect holdings)[7]	Purchase cost (EUR 000's)	The fair value of the property as of December 31 2022 (EUR 000's)
		Grafental project) and construction was completed in the beginning of 2022.					
34.	Aachen	83 residential units with an average area of approximately 73 sqm per unit. The total rentable area amounts to approximately 6.1 thousand sqm. The property was built by the Company in the city of Aachen and construction was completed in the beginning of 2022.	Income-generating residential	Built by the company	100%	20,390	15,700

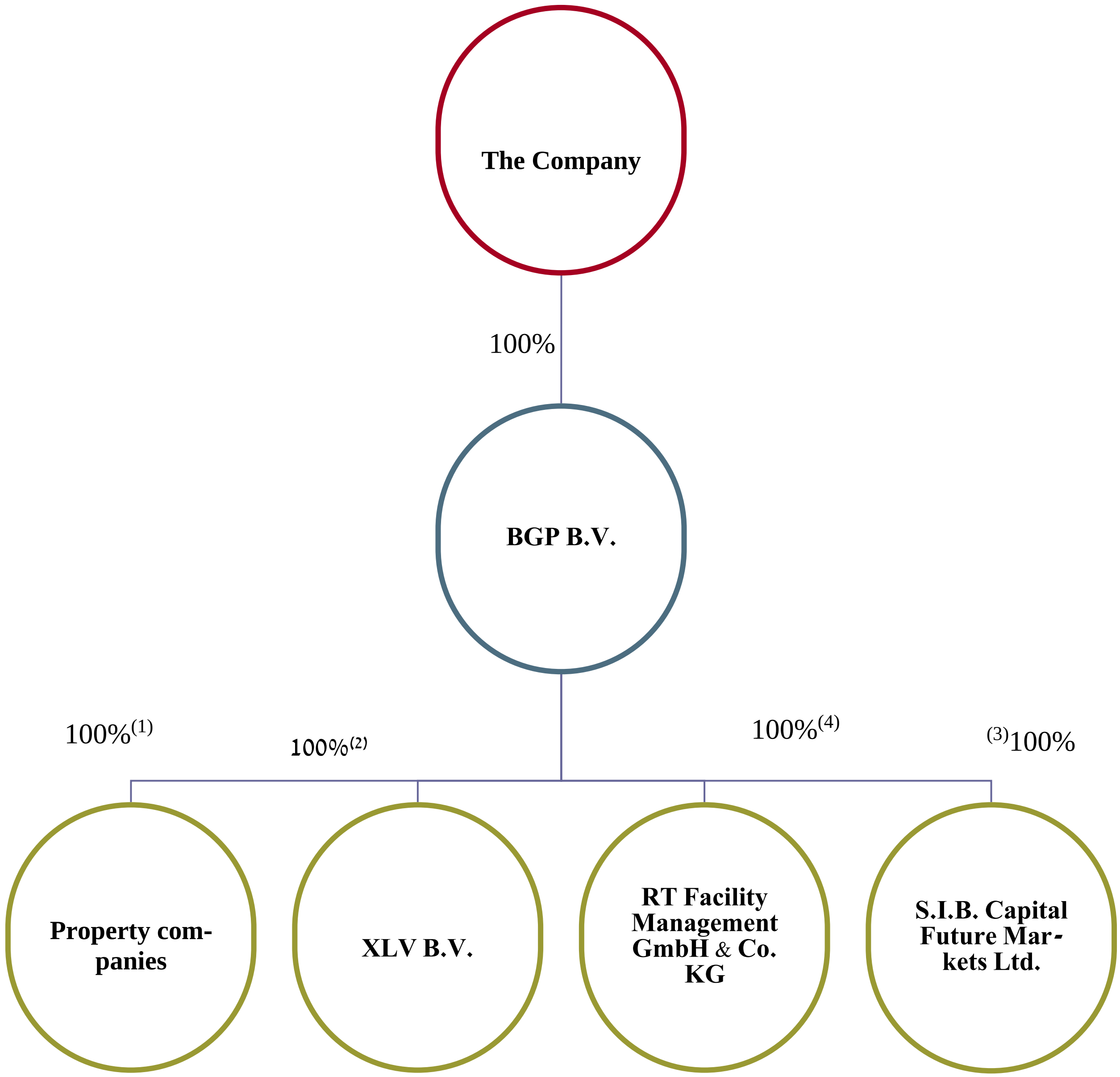
Presented below is an aggregate description of the various land plots the subject of betterment and development activities by the Company

Complex name	Operating segment	Net building area (in sqm)	Classification in the financial statements	Company's share in the property (including indirect holdings)	Value in the financial statements as of December 31, 2023 (consolidated in EUR 000's)	Current purpose	Future purpose	No. of planned residential units	Reference to section
Düsseldorf – Grafental Ost	Land betterment segment in Düsseldorf	29,924	Land inventory, investment property - rights in real estate	89.9%	15,400	Industry	Land for the construction of phase J (149 residential rental units with an area of approximately 17 thousand sqm), and for the construction of phase K (152 residential units for sale with an area of approximately 12 thousand sqm).	301 residential units	Section 1.8.2.1 below
Grafenberg	Land betterment segment in Düsseldorf	13,499	Investment property - rights in land	100%	30,200	Residential land	Land for the construction of the Grafenberg project (85 residential units for sale with an area of approximately 13.5 thousand sqm).	85	Section 1.8.2.3 below
Gerresheim	Land betterment segment in Düsseldorf	Approximately 193,000	Land inventory	100%	140,700	Industrial/commercial	Mixed construction of residential and commercial properties, offices, schools and kindergartens.	Approximately 1,500 residential units and an additional area	Section 1.8.2.2 below

Complex name	Operating segment	Net building area (in sqm)	Classification in the financial statements	Company's share in the property (including indirect holdings)	Value in the financial statements as of December 31, 2023 (consolidated in EUR 000's)	Current purpose	Future purpose	No. of planned residential units	Reference to section
								of approximately 40 thousand sqm for retail, offices, schools and kindergartens.	

1.1.6. Group's holding structure

Presented below is a diagram describing the Group's holding structure[8] as of December 31, 2023:



[8] Not including several "shelf" companies inactive as of December 31, 2023. It should be noted that where the Company (including through indirect holdings) holds between 89% to 100% of the property companies; and (b) the Company has the legal right to purchase the partner's shares at any time, these investments were presented according to a holding rate of 100%.

(1) 46 property companies. It should be noted that 24 property companies are private Dutch companies and 22 companies are German private companies or limited partnerships. It should further be noted that ADLER, the company's controlling shareholder, holds minority shares at the rate of 10.1% in one of the property companies. The jointly owned property companies as aforesaid are not material to the Company's activities. For more information concerning the Company's engagement with ADLER with respect to the holding of the property companies as aforesaid see regulation 22 of Chapter D of this report.

(2) Brack Capital Germany (Netherlands) XLV B.V. is the financing company of the property companies.

(3) S.I.B. Capital Future Markets Ltd. (hereinafter: "**S.I.B. Capital**" or "**S.I.B**") is an Israeli private company wholly owned by the Company (through a foreign granddaughter company wholly owned by it (indirectly through a holding structure). S.I.B. Capital employs three employees exclusively engaged in the Group's operations in Germany. The costs of their employment by S.I.B. (employer cost) are fully covered by the Company.

(4) The Property Management Company, see the definitions section above.

1.2. **The Group's operating segments**

As of the date of the report, the Company is active in three operating segments: The income-generating property segment, the land betterment segment and the residential property development segment. As of December 31, 2023, and as of the execution date of the report, the Company solely operates in Germany.

1.2.1. Income-generating property segment

The income-generating property segment is divided into two sub-segments: (a) the income-generating commercial property segment; and (b) the income-generating residential property segment:

1.2.1.1. The income-generating commercial property segment

The income-generating commercial property segment includes, *inter alia*, the acquisition, development, betterment and rental of income-generating properties primarily for office and retail use. Due to the fact that over 2019-2023, the Group sold most of its income-generating commercial property portfolio, as of the date of the report the Group owns 3 income-generating commercial properties (offices), located in Germany, with a total rentable area of approximately 16 thousand sqm.

1.2.1.2. The income-generating residential property segment

The income-generating residential property segment includes, *inter alia*, the acquisition, development, betterment and rental of income-generating residential properties. As of the date of the report, the Group owns 31 residential complexes consisting, in total, of 9,307 apartments with a total rentable area of approximately 567 thousand sqm. All of the Group's residential properties are fully managed by it and which are concentrated in medium and large cities: (a) In the federal state of North Rhine Westphalia ("**NRW**") located in western Germany; (b) In the cities of Hannover, Bremen, Kiel and Göttingen located in northern Germany; and (c) In the cities of Leipzig, Magdeburg and Halle located in eastern German. The occupancy rate of these income-generating properties, as of the date of the report, amounts to approximately 97.4%.

For more information concerning the sale of properties in the income-generating residential property segment during the reported period, see section 1.1.4.1A above.

1.2.2. The land betterment segment

In this operating segment the Company is engaged in the acquisition, development and betterment of lands. In this context, the Company owns land in a central location in the city of Düsseldorf, near/in proximity to the Company's "Grafental" project.

1.2.3. The income-generating residential development property segment

In this operating segment, the Company is engaged in the development of apartments for sale and rental apartments in the city of Düsseldorf.

For more information concerning the Company's operating segments see sections 1.6 and 1.8 below.

1.3. Investments in the Corporation's capital and material transactions involving its shares over the last two years

As of January 1, 2022 and by the publication date of this report, no investments were made in the Company's capital and no material off-exchange transactions were performed by interested parties involving the Company's shares, other than as specified below:

Date	Action	Transaction amount	Price per share on the transaction date
January 4-5, 2022	Purchase of 1,860,623 ordinary shares of the company by LEG (including 420,511 ordinary shares of the Company which were held by Altshuler-Shacham Ltd. (ceased being an interested party); and 394,598 shares by Harel Insurance Investments & Financial Services Ltd. (ceased being an interested party)). For more information see section 1.1.2 above and the immediate report published by the Company on January 6, 2022 (Ref. No: 2022-01-004201; 2022-01-003712 and 2022-01-004147) which are included herein by way of reference.	Approximately EUR 253 million (reflecting a price of approximately EUR 135.82 per share).	EUR 143.63 per share.
February 23, 2022	Purchase of 190,258 shares by LEG. For more information see the immediate report published by the Company on March 2, 2022 (Ref. No: 2022-01-025459) which is included herein by way of reference.	ILS 29,870,506 (EUR 157 per share)	EUR 151.40 per share
March 31, 2022	Purchase of 3,127 shares by LEG. For more information see the immediate report published by the Company on March 2, 2022 (Ref. No: 2022-01-025459) which is included herein by way of reference.	ILS 490,939 (EUR 157 per share)	EUR 157 per share
April 28, 2022-June 15, 2022	Purchase of 88,766 shares by LEG For more information see the immediate report published by the Company on March 2, 2022 (Ref. No: 2022-01-025459) which is included herein by way of reference.	ILS 10,134,414 (EUR 114.7 per share)	EUR 114.7 per share.

Purchase of Company's shares by LEG

Starting from the end of 2021 and during H1 2022, LEG Grundstücksverwaltung GmbH ("**LEG**") completed a purchase of the Company's shares. Accordingly, as of the publication date of the report, LEG holds approximately 35.66% of the Company's shares. Among other things, the shares were purchased through two substantial transactions, one *vis-a-vis* specific shareholders of the Company (in connection with approximately 24% of the Company's shares) and the other opposite ADLER Real Estate AG ("**ADLER**"), the Company's controlling shareholder (with respect to approximately 6.7% of the Company's shares). The remaining shares were purchased by LEG through several additional transactions. The aforementioned LEG-ADLER transaction also includes ADLER's undertaking to participate in any tender offer which may be initiated by LEG for the remaining ordinary shares of the Company held by ADLER, provided that such tender offer is performed by September 30, 2022, at a minimum price per share established in the agreement between the parties totaling EUR 157 per share. For more information concerning LEG's purchase of the Company's shares, see section 1.1.2 of Chapter A of the 2021 annual report and the immediate report published by the company on December 1, 2021 (Ref. No: 2021-01-175176) and reports concerning changes in LEG's holdings dated January 6, 2022 (Ref. No: 2022-01-004201) and March 2, 2022 (Ref. No: 2022-01-025459) which are included herein by way of reference.

On August 3, 2022 the Company learnt that **LEG decided not to publish a tender offer for the acquisition of the remaining Company shares and will therefore not enforce ADLER's undertaking towards it**. For more information see the immediate report published by the Company on August 3, 2022 (Ref. No: 2022-01-080532) which is included herein by way of reference. It should be noted that the aforementioned option expired on September 30, 2022.

As of the date of the report, LEG holds 2,757,066 Company shares, reflecting a holding of approximately 35.66% of the Company's shares.

1.4. Distribution of dividends and buybacks

1.4.1. Distribution of dividends

The Dutch Civil Code (DCC)[9] provides that a Dutch public company (NV) may distribute dividends of any kind to its shareholders provided that: (1) its equity exceeds the total par value of the issued and paid-up share capital together with statutory funds (reserves) (for more information concerning the statutory reserves relevant to the Company see section 1.4.2 below) and also provided that (2) the dividend distribution will not jeopardize the company's future operations. Such a distribution may only be paid from the company's profits (on a standalone level) or from the freely distributable reserves (as defined below), but not from the statutory reserves. In the Netherlands the "capital conservation" principle is examined based on a company's standalone financial data rather than according to its consolidated financial data.

The statutory reserves which should be maintained according to the Dutch Company Law and/or the articles of association are known as "non-distributable reserves". It

[9] The content of this section is based on information provided to the Company by its legal advisors in the Netherlands.

should be noted that the Company's articles of association do not include a requirement to maintain specific reserves beyond the reserves the Company is required to maintain under the Dutch Company Law. Other reserves which are not statutory reserves under applicable law or the articles of association are known as "freely distributable reserves". A profit reserve and a share premium reserve for instance, are considered "freely distributable reserves".

It should be noted that despite the fact that the Company applies the International Financial Reporting Standards (IFRS) in lieu of the customary Dutch accounting standards (Dutch GAAP), as theoretically permitted under Dutch law, the provisions of the Dutch law concerning statutory reserves still apply.

Further to that stated above, it should be noted that as of the date of the statement of financial position (namely, as of December 31, 2023) the sum of EUR 144,237 thousands is recorded in the Company's books as share premium. As stated above, under Dutch law, share premium is part of the freely distributable reserves - and therefore the Company may distribute this amount as a dividend to its shareholders.[10]

It should be noted that a distribution of dividends to the shareholders (including from the freely distributable reserves which are not retained earnings and including share premium) is subject to 15% dividend tax withholding at source in the Netherlands, subject to the exemptions and reliefs established by law.[11]

See section 1.4.3 below regarding the possibility to convert the premium into share capital and to consequently distribute capital to the shareholders through a capital reduction without an obligation to withhold tax at source.

1.4.2. <u>Conversion of re-valuation reserves into capital, reduction and distribution of share capital</u>

The Dutch Civil Code states that dividends cannot be distributed, *inter alia*, from: (a) company profits resulting from adjustments to the fair value of investment property and re-valuations resulting from adjustments of the fair value of a financial liability or unrealized financial assets; and (b) profits resulting from adjustments to the fair value of investment property of subsidiaries and re-valuations resulting from adjustments of the

[10] Subject to the distribution being approved by the Company's competent organs pursuant to applicable law and the Company's articles of association.

[11] It should be noted that a shareholder which is a corporate entity in an EU member state holding 5% or more is exempt from said tax withholding at source; in addition, all the exemptions and reliefs established in tax treaties the Netherlands is party to and as also established in Dutch tax laws shall apply. It should be noted that this exemption was expanded as of January 1, 2018, and in certain circumstances the exemption may also apply to a shareholder holding more than 5% of a company's shares who is a tax resident of a country which is party to a tax treaty concerning dividends with the Netherlands, and is not an EU member state.

fair value of financial obligations of subsidiaries or financial assets of subsidiaries that have not been realized; and (c) other profits of subsidiaries which have not been distributed to a company as a dividend and which constitute part of the company's profits due to the consolidation of the financial statements of the subsidiaries with the company's financial statements. The Dutch Company Law provides that a Dutch public company is required to create statutory reserves, *inter alia*, for the profits specified in subsections (a) and (b) above (hereinabove and hereinbelow: "**re-valuation reserves**"). The Dutch Civil Code allows for the re-valuation reserves to be converted into share capital, either by allotting additional shares against the re-valuation reserve[12] or by increasing the par value of the company's existing shares on account of the re-valuation reserve[13]. Consequently, the (increased) share capital may be reduced as established by law and in the articles of association and the reduced part may be paid to the company's shareholders according to their pro-rated share, as specified below. The table presented below describes the major stages in the conversion process of the re-valuation reserves to share capital, reduction of share capital and its distribution to the shareholders.

<table>
<tr><th>Nature of the action</th><th>Approving body</th><th>Required majority</th></tr>
<tr><td>Amending the company's articles of association - increasing the par value of the company's shares and increasing the company's authorized share capital</td><td>The general meeting of the shareholders of the company</td><td>More than half of the votes cast.</td></tr>
<tr><td>Amending the company's articles of association - reducing the par value of the company's shares and reducing the company's authorized share capital</td><td>The general meeting of the shareholders of the company</td><td>A majority of two thirds of the votes cast shall be required if less than half of the issued share capital is represented in the meeting</td></tr>
<tr><td colspan="3">The general meeting resolution to reduce the share capital is to be sent by the company to the Dutch Trade Register. A notice is also required to concurrently be published by the company in a nationally distributed daily Dutch newspaper concerning the submission of the resolution to the Dutch Trade Register as aforesaid (hereinafter: the "publication date").</td></tr>
<tr><td colspan="2">The company's creditors may object to the share capital reduction within a period of two months from the publication date (hereinafter: the "objection period"). The court's approval to complete the capital</td><td>If objections were submitted by the company's creditors, the court may instruct the company to provide additional collateral to the objecting creditors as a condition for its approval of the capital reduction, unless these creditors have</td></tr>
</table>

[12] It is clarified that the allotment of additional shares may require an amendment of the company's articles of association to maintain the required ratio between authorized share capital and issued share capital under Dutch law (a ratio not exceeding 1:5).

[13] It is clarified that increasing the par value of the company's shares would require an amendment of the company's articles of association.

<table>
<tr><th>Nature of the action</th><th>Approving body</th><th>Required majority</th></tr>
<tr><td colspan="2">reduction process will not be required if no objections are submitted.</td><td>sufficient collateral and the company can pay-off its debt (it is solvent);</td></tr>
<tr><td colspan="3">After the expiration of the objection period, and if no objections were submitted by the company's creditors as aforesaid, the amendment of the articles of association allowing to reduce the par value of the company's shares will become effective and the share capital reduction is performed by paying the shareholders the difference between the previous par value of the shares and their reduced par value.</td></tr>
</table>

It should be noted that the conversion of statutory reserves into share capital is subject to 15% tax withholding at source in the Netherlands for the shareholders, subject to the exemptions established by law.[14]

Additionally, in any event, according to the TASE listing rules all of the shares are required to be fully issued and paid-up.

1.4.3. <u>Conversion of premium into capital, capital reduction and distribution without tax withholding at source</u>

The premium on shares may be converted into share capital and may subsequently be reduced and distributed to the shareholders in the manner described in section 1.4.2 above with respect to the statutory reserves. However, unlike the conversion of statutory reserves into share capital, the conversion of share premium (which is not a statutory reserve) into share capital and reducing the share capital against an actual payment to the shareholders (namely, capital reduction) is not subject to tax withholding at source in the Netherlands.

[14] A shareholder which is a corporate entity in an EU member state holding 5% or more is exempt from the aforementioned tax withholding at source; in addition, all the exemptions or reliefs established in the tax treaties the Netherlands is party to will also apply. It should be noted that this exemption was expanded as of January 1, 2018, and in certain circumstances the exemption may also apply to a shareholder holding more than 5% of a company's shares who is a tax resident of a country which is party to a tax treaty concerning dividends with the Netherlands, and is not an EU member state.

1.4.4. Changing the Company's share capital structure

If and to the extent that distribution(s) as aforesaid are approved in the future by the Company's organs, if and as required, the Company shall act, subject to the provisions of applicable law, including without derogating from the generality of the foregoing, to obtain the approvals of the Company's organs if and as required, to convert the share premium[15] into issued and paid-up share capital in a manner which would enable the Company to distribute the share capital to the Company's shareholders free of the obligation to withhold tax at source in the Netherlands.

1.4.5. Restrictions on dividend distributions

Presented below is a detailed list of external restrictions which have affected the Company's ability to distribute dividends as of January 1, 2022 until the date of this report, as well as restrictions which may affect its ability to distribute dividends in the future. Over the last 3 years, there were no external restrictions which affected the Company's ability to distribute dividends and as of the date of the report there are no restrictions which may affect its ability to distribute dividends in the future, other than those listed below:

1.4.5.1. Restrictions on distributions in the deeds of trust:

Deed of trust	Major distribution restrictions	Reference for additional information
Amendment and Addendum No. 1 dated May 9, 2013 to the deed of trust dated May 23, 2012 between the Company of the first part and Reznik Paz Nevo Trusts Ltd. (hereinafter: "**Reznik**") as trustee for the Company's bondholders (Series B) of the other part (hereinafter: "**Deed for Bonds B**").	The Company will not distribute dividends to its shareholders and/or capital shall not be distributed to its shareholders and the Company will not buyback its shares or its convertible securities (hereinafter collectively: a "**distribution**"), if as a result of said distribution the Company's equity (excluding minority rights) **falls below EUR 160 million and/or if it results in a debt to cap ratio (as defined in subsection 5.4(b) of the Deed for Bonds B) which exceeds 70%.**	See section 1.4.5(b) of Chapter A "Description of the Corporation's business affairs", in the Company's 2013 annual report (which was published on March 27, 2014) (Ref. No. 2014-01-025902) (hereinafter: the "**2013 periodic report**") and sections 5.3(a), 5.3(b) and 5.4(b) of the Deed for Bonds B which was attached as Appendix B to the Company's

[15] As of December 31, 2023, an amount of EUR 144,237 thousands is recorded in the Company's books as share premium.

Deed of trust	Major distribution restrictions	Reference for additional information
		shelf offering report dated May 19, 2013 (Ref. No. 2013-01-064576).
Amendment and Addendum No. 2 dated July 14, 2014 to the Deed of Trust dated May 23, 2012 between the Company of the first part and Reznik as trustee for the Company's bondholders (Series C) of the other part (hereinafter: **"Deed for Bonds C"**).	The Company undertook to not make a distribution unless **all** of the following conditions are satisfied: (1) as a result of the distribution the Company's equity (excluding minority rights) shall not fall below **EUR 150 million**; (2) as a result of the distribution the debt to cap ratio (as defined in subsection 5.4(b) of the Deed for Bonds C) **shall not exceed 75%**; (3) none of the events specified in section 16.1 of the Deed for Bonds C did not occur and there is no real concern that any of them will occur; and (4) none of the warning signs listed below were included in the Company's most recent financial statements published before the distribution date: (i) equity deficit; or (ii) an audit opinion or review report as of the date of the report including an emphasis of a matter note drawing attention to the Company's financial position; the Company shall furnish the trustee with a confirmation from the Company's CFO, whereby: (1) all of the conditions specified in subsections (1) through (4) (inclusive) have been met, together with a detailed calculation relevant to the conditions specified in subsections (1) and (2); and (2) that the foregoing distribution and/or acquisition shall not adversely affect the Company's solvency as it relates to the Company's bondholders (Series C).	See sections 5.3(a), 5.3(b), 5.4(b) and 16.1 of the Deed for Bonds C attached as Appendix B to the Company's shelf offering report dated July 20, 2014 (Ref. No: 2014-01-117642).
In addition to that stated above, subsequent to the date of the report, the Company completed the issuance of a new series of Bonds (Series D) pursuant to a trust deed which includes restrictions on distributions, as follows:		
A deed of trust dated February 26, 2024 between the Company of the first part and Reznik Paz Nevo Trusts Ltd. (hereinafter: "**Reznik**") as trustee for the Company's bondholders (Series D) of the	The Company undertook to not announce, pay or distribute any dividends to its shareholders (a "**distribution**"), unless all of the following conditions have been met: (1) If following the distribution, the Company's minimal equity (as defined in section 5.3(a) of the trust deed) is not less than EUR 475 million; (2) If as a	See section 5.2(a) of the Deed for Bonds D attached as Appendix B to the Company's shelf offering report dated February 28,

Deed of trust	Major distribution restrictions	Reference for additional information
other part (hereinafter: "**Deed for Bonds D**").	result of the distribution, the ratio of the net financial debt to CAP (as defined in section 5.3(b) of the trust deed) does not exceed 65%; (3) If the distribution does not result in the ratio between the value of the pledged shares to net debt being less than 150%; (4) If at the time the distribution is performed and as a result of performing the distribution no grounds have arisen or will arise, as the case may be, to accelerate the bonds as specified in section 14.1 of the trust deed; (5) The Company is in compliance with all of its material undertakings to the bondholders under the trust deed; (6) The distribution satisfies the profit and solvency tests as defined in Section 302 of the Companies Law, or has been approved by the competent court pursuant to Section 303 of the Companies Law; (7) At the time of the board resolution to make the distribution, the Company does not have any "warning signs" as defined in the trust deed.	2024 (Ref. No: 2024-01-017629).
	Subject to the conditions stipulated in section 5.2(a) of the trust deed being met, the distribution amount attributable to the Company's annual operating profit for the period commencing on January 1, 2024, shall not exceed more than 50% of the Company's net profit in a single calendar year. An amount not distributed in a particular year and which could have been distributed according to this paragraph, may be distributed in subsequent years.	See section 5.2(a) of the Deed for Bonds D attached as Appendix B to the Company's shelf offering report dated February 28, 2024 (Ref. No: 2024-01-017629).

It should be emphasized that according to the provisions of the deeds of trust, a distribution made by the Company contrary to the dividend restrictions provisions (specified above) constitutes grounds for accelerating the entire outstanding balance of the bonds and/or enforcing the collateral.

1.4.5.2. Distribution of dividends by the Company's granddaughter companies - For the avoidance of doubt, it should be noted that there are external restrictions on the Company's granddaughter companies pursuant to agreements with financing bodies regarding the distribution of dividends to the Company's subsidiary (100%) BGP and/or repaying shareholder loans provided by the subsidiary BGP to said corporations, as the case may be. Without derogating from that stated above, it should be emphasized that so long as the above investee companies comply with the conditions of the financial provisions included in the financing agreements with the financing bodies (if any such provisions exist) and these agreements have not otherwise been materially breached, there is generally no external restriction on the distribution of dividends and/or on paying-off the shareholder loans provided to the investee companies by the subsidiary BGP.

1.4.6. Dividend distribution policy

On May 18, 2017 the Company's board adopted a dividend policy deriving from the scope of the Company's annual FFO. According to this policy, the Company shall distribute dividends and/or capital to its shareholders at the rate of 30% of its total FFO based on the audited annual consolidated financial statements known on the date of the distribution resolution. The resolution shall be adopted by the board after the approval of the annual financial statements for the year with respect of which the distribution is made and shall only be adopted if the payment of the distribution amount does not adversely affect the Company's ongoing commercial activities, its investment plan, liquidity, its leverage ratios, the rating of its bonds, the financial undertakings and covenants, the Company's financial policy and its needs. In addition, for the purpose of calculating the FFO for any given year, the FFO data for Q4 of the same year will be standardized to full year data.

It is clarified that the dividend policy should not be regarded as an undertaking by the Company to make distributions according to its provisions and each distribution shall be discussed separately by the Company's board, which shall be authorized to make a decision on an actual distribution at its discretion, *inter alia*, considering the foregoing criteria, and subject to the approval of such distribution by the Company's general meeting, if and to the extent required (according to applicable law). In addition, the Company's board also has the right to examine from time to time the aforementioned dividend policy and change and/or cancel it at its sole discretion.

<u>Part II - Other information</u>

<u>Financial information regarding the Group's operating segments</u>

For financial data and information about the Group's activities see the Company's 2023 financial statements, attached as Chapter C to this report. For an explanation about developments with respect to the data presented in the financial statements, see the board of directors' report on the state of the Group's affairs, attached as Chapter B to this report.

1.5. <u>General environment and influence of external factors on the Group's activities</u>

1.5.1. <u>General - Global</u>

Over 2022-2023 there were several international events with macro-economic implications on the Company's operating environment. The major events which should be noted include the war in Ukraine which broke out at the end of February 2022, rising interest and inflation rates worldwide including in Europe and particularly in Germany, and the "Swords of Iron" war which broke out in Israel on October 7, 2023, following a murderous attack launched by the Hamas terror organization against communities near the Gaza border in southern Israel.

1.5.1.1. <u>The war in Israel</u>

The "Swords of Iron" war (the "**war**") broke out in Israel on October 7, 2023, following a murderous attack launched by the Hamas terror organization against communities near the Gaza border in southern Israel. The war has understandably impacted and imposed restrictions on the Israeli economy, which included, *inter alia*, a reduction in business activity, extensive recruitment of military reserves, restrictions on workplace and public gatherings, and more. As of the date of the report and its publication date, the war has had a material impact on the entire Israeli economy, *inter alia*, there is a considerable slowdown in commercial activity in Israel resulting from the broad military reserve call-up, the evacuation of the civilian population from particular geographic areas and economic implications, including an increase in the budget deficit, a downgrade of Israel's credit rating to A2 (rather than A1) by "Moody's" credit agency, sharp changes with the exchange rate, changes with the CPI and instability in the Israeli capital markets. As of the approval date of the report, the Company does not anticipate that the aforementioned events will have a material impact on the Company's activities.

1.5.1.2. The war in Ukraine

The Russian army invaded Ukraine at the end of February 2022 as part of its government's attempts to conquer the country due to geopolitical tension between the countries. The increased tensions between the countries led various Western parties, including the United States and the European Union, to impose various economic sanctions on Russia and personal and economic sanctions on individuals particularly involved in the Russian business and political sectors.

The aforementioned sanctions, the hostilities between the countries and the developing geopolitical crisis have extensive effects on the prices and transportation of raw materials commonly used in the world, including iron and oil, which also affect the availability and cost of these materials for the Company’s projects. They also have extensive effects on the global economy including, *inter alia*, high volatility in the Israeli and global capital markets, volatile currency exchange rates, and on demographic changes associated with refugees and migrants.

It should be noted that as of the approval date of the report, the aforementioned events do not have a material impact on the Company’s activities. However, in view of the uncertainty surrounding the continuation of the hostilities and the expansion of the crisis, at this point the Company is unable to assess the possible impact, if any, that it will have on its future activities.

The Company’s assessments concerning the implications of the wars in Israel and in the Ukraine constitute ‘forward-looking information’, as defined in the Securities Law. These assessments may not materialize or may materialize differently to that assessed by the Company, due, inter alia, to circumstances which are not in the Company's control, including changes in the scope of the hostilities, the state of the global capital markets, the deterioration or continuation of the economic crisis and the implications on the availability and cost of raw materials as a result of the war in the Ukraine and the involvement of any of the countries, including Germany, in the war.

1.5.1.3. Increasing interest rates and inflation

Inflation has shown signs of moderation in 2023 compared with 2022. In Israel, the increase in the consumer price index in December 2023 reflected an annual increase of approximately 3%. The annual inflation rate in the European Union was estimated at approximately 6.3%, the inflation rate in the United States was estimated at approximately 3.1% and in Germany inflation has cooled down and is estimated at approximately 6.1% in 2023. Alongside the aforesaid, construction and energy costs increased over the reported period and as of the publication date of the report (including as a result of the war in the Ukraine), but the increase is slower than the increase in 2022. Inflation has slowed down over the last year, *inter alia*, due to the fact that central banks worldwide and in Israel increased interest rates over 2022-2023. This fact is one of the reasons for the expected reduction in interest rates by central banks around the world in 2024.

Interest rates started being raised around the world in 2022-2023 in an attempt to curb price increases. The sharp increases in inflation rates in the Eurozone in 2022 caused the European Central Bank (ECB) to tighten monetary policy as part of which the interest rate was raised to 4%. However, towards the end of 2023 the expectations of the ECB have changed following the partial success in curbing inflation, and as of January 2024, the fixed interest for refinancing amounts to 4.50%, the interest rate margin on loans is 4.75% and the interest on deposits is 3.7%.

Generally, the primary objective of the ECB's monetary policy is to maintain price stability, setting a low inflation target closer to an inflation rate of approximately 2% over the medium term. Inflation in 2023 was higher than 2%. The ECB expects to achieve the inflation target in the upcoming year; hence, the expectation that interest rates will be reduced in 2024.

In addition, the German government passed a series of laws aimed at easing the public burden resulting, *inter alia*, from the increase in energy prices. The changes in inflation and interest trends in Israel and around the world have a significant impact on business activity and the economy, which is manifested, *inter alia*, in operating costs, the costs of raw material, labor costs, and the structure of financing costs.

For more information about the impacts of inflation and increased interest rates on the valuation of the Company's properties see Part C of the board of directors report attached as Chapter B to this report.

1.5.2. General - Germany

As of the date of the report, the Group's activities in its operating segments focus on Germany and include the acquisition of residential buildings, renovating them (if necessary) and renting them. It should be noted that the Company's activity in the residential segment is focused on medium and large cities in the state of North Rhine Westphalia ("NRW") and on the cities of Leipzig, Magdeburg, Halle, Göttingen, Hanover and Kiel, and the Company's activity in the commercial segment is mostly concentrated in medium cities throughout Germany.

The Group is also engaged in land betterment in Düsseldorf and residential property development in Düsseldorf and concentrates its activities in a central area in the city of Düsseldorf, the administrative capital of NRW.

Presented below are the main details about the macro-economic environment in Germany (including details for the state of North Rhine Westphalia, where the Company's land is located) and the property sector in Germany as of the date of the report, as well as the macro-economic effects that have or are expected to have a material impact on the Group's business results or on the developments of the Group.

1.5.3. The macro-economic environment in Germany

	2020	**2021**	**2022**	**2023**	**2024****
Real growth	-3.7%	2.6%	1.8%	-0.4%	1.4%
Unemployment rate	5.9%	5.7%	5.3%	5.7%	3.32%
Inflation	0.5%	3.1%	6.9%	6.1%	2.6%
Interest rate	0%	0%	2.5%	4.5%	***3.75%

* The data were taken from www.statista.com

** Projection for 2024

*** The ECB Survey of Professional Forecasters - First quarter of 2024 (europa.eu)

1.5.3.1. General economic data

For the German economy, 2023 was characterized by negative real growth of -0.4% compared with positive real growth of 1.8% in 2022. In addition, for the other largest European economies (about 17 large European countries), and for the OECD countries, the GDP in the Eurozone increased by approximately 0.7% in 2023. The economists of the Organization for Economic Co-operation and Development anticipate a return to stability and positive growth in economic activity in Germany in 2024, projecting an increase of approximately 1.4%.

In addition, the inflation rate in Germany slightly fell in 2023 from 6.9% in 2022 to 6.1%. Moreover, inflation in 2024 is expected to drop further and 2.6% in the coming year.

The Company estimates that the increase in interest rates and inflation may have a negative impact on real estate prices in Germany.

1.5.3.2. North Rhine Westphalia

The federal state North Rhine Westphalia (NRW) is located in north-west Germany and its capital is Düsseldorf. NRW has approximately 17.93 million inhabitants. It is the most populated state in Germany and it accounts for approximately 25% of Germany's total GDP. The major economic sectors in the area are telecommunications (prominent companies in the field include: Vodafone, Deutsche Telecom), IT (HP, Toshiba, IBM, Fujitsu), insurance, media, logistics, mechanical and electronic engineering, vehicle manufacturing (Daimler, Opel, Ford) chemical industry (Bayer) and energy (RWE, E.ON).

1.5.3.3. Düsseldorf

Düsseldorf - General characteristics[16]

The city of Düsseldorf has approximately 644 thousand inhabitants, and is the sixth largest city in Germany. The city constitutes an important economic center, and according to the Federal Statistical Office, is the third largest city in Germany (after Frankfurt and Munich) in terms of GDP per capita. Düsseldorf also offers a high quality of life. The number of inhabitants has consistently increased over 1998-2019, but dropped for the first time in 2020 by approximately 0.25% (by approximately 1,650 inhabitants). In recent years the trend has again reversed and demand for residential areas in Germany in 2023 was categorized by additional population growth and net positive immigration, especially in the large metropolitan areas including Rhine-Ruhr which includes Düsseldorf. Due to the recent high net immigration totaling approximately one million people, the German population now exceeds 84 million people - a fact which has significantly generally bolstered demand for housing in Germany, and specifically in Dusseldorf.

[16] Based, *inter alia*, on statistical data published by the city of Düsseldorf www.duesseldorf.de, as well as a JLL research overview - Housing Market Overview - H2 2023 | JLL.

1.5.4. Real estate in Germany

1.5.4.1. General

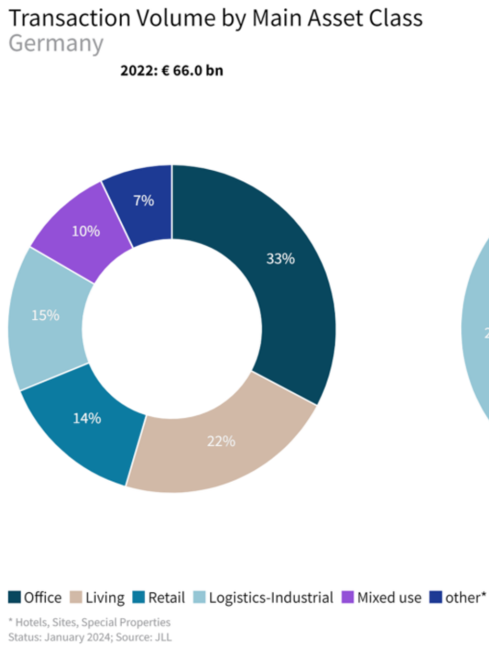
The German real estate market is the second largest in Europe (after the United Kingdom) and is characterized by low price volatility compared to other European and world markets, also with respect to the drop in prices in Germany as in all of Europe due to the increase in inflation and interest rates in 2022-2023. According to JLL's 2023 report, the construction of 135,000 new homes was approved in Germany in H1 2023, reflecting a decline of tens of percent points in the number of building permit approvals. In June 2023 the number of approvals declined by 28.5% compared to the same month YoY. Despite the construction of 295,000 new homes being completed in 2022, the data for 2023 show that the construction industry is in a sectoral recession and the impact shall continue to grow over time. In the current conditions only 190,000-200,000 new homes shall be completed in 2024 according to estimates, a forecast which reflects a significant decline.

1.5.4.2. Commercial real estate

According to JLL's report published in January 2024 - the scope of commercial real estate transactions in Germany in 2023 totaled approximately EUR 5.4 billion compared with EUR 9.4 billion in 2022. The scope of real estate transactions for offices in 2023 totaled approximately EUR 5.4 billion and constituted approximately 17% of the total real estate transactions in Germany in 2023, compared with 2022 in which the total office transactions came to approximately EUR 22 billion and constituted approximately 33% of the total real estate transactions in Germany for that year.

1.5.4.3. Residential real estate

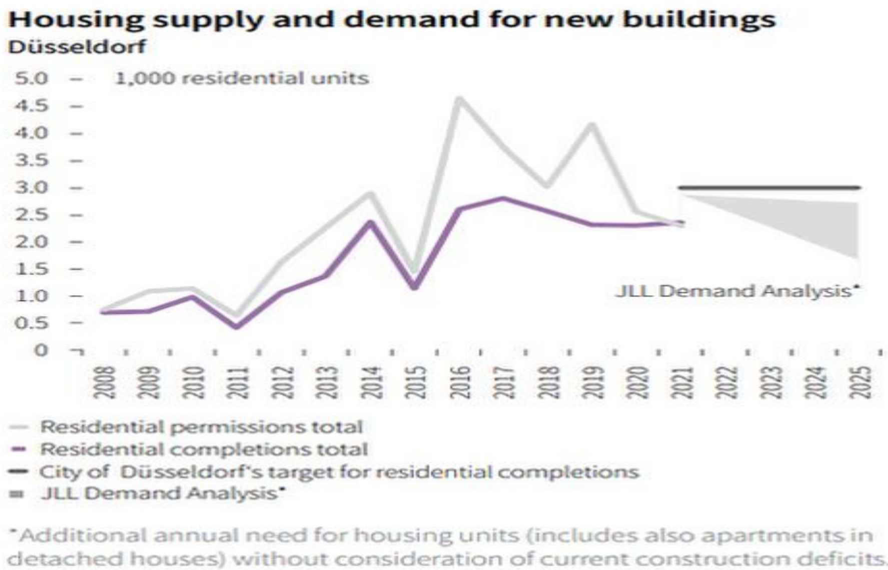
According to JLL, the scope of residential real estate transactions in Germany declined by more than 50% in 2023 and totaled approximately EUR 31.7 billion compared with EUR 66 billion in 2022.



The German residential market is characterized by a high rate of tenants living in rented apartments and extensive tenant protections, including, rent control. For more information, see section 1.17.2.1.

1.5.5. Real estate in Düsseldorf

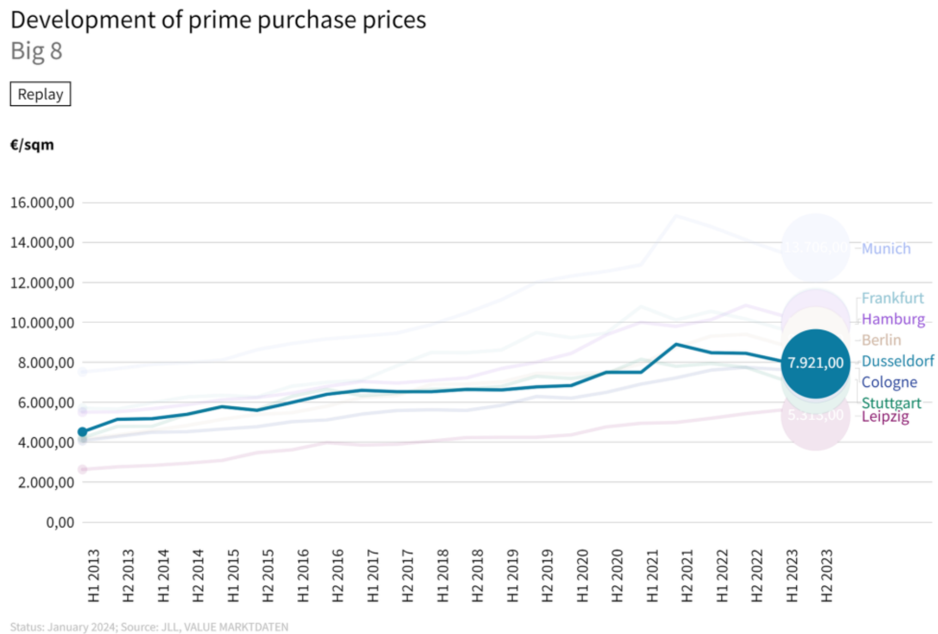
1.5.5.1. The residential real estate market in Düsseldorf

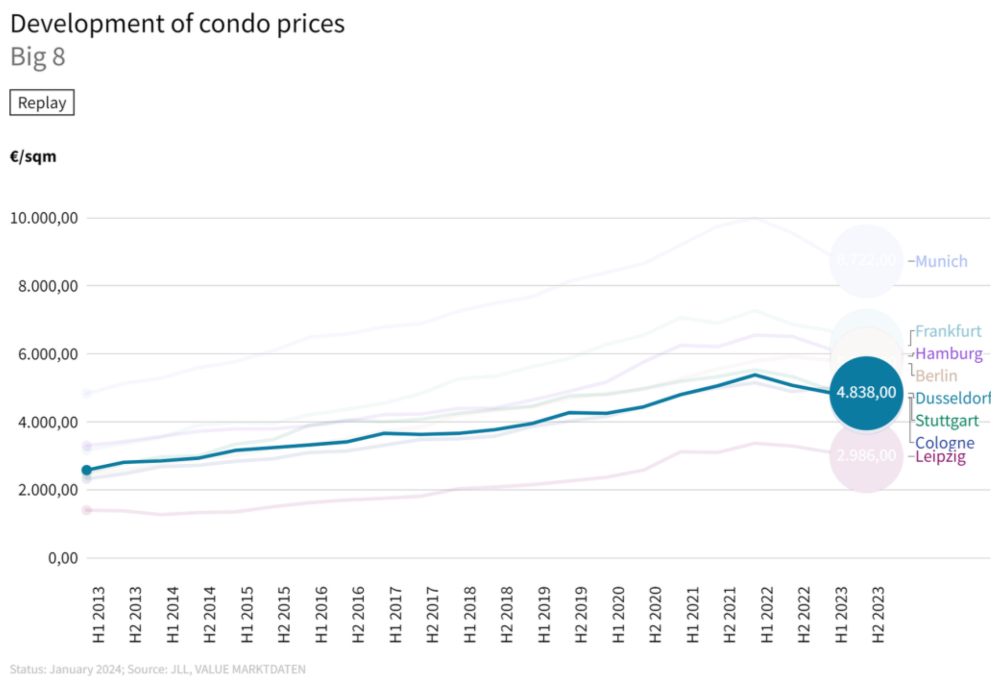


Due to the shortage of land for development in central areas in the city, the pace of construction of residential buildings in recent years did not keep up with the population growth rate. Demand for residential apartments in the city is expected to continue to grow due to the continuing increase in the number of households in the city. The housing market in Dusseldorf, like the other large cities, is very stretched. The completion of 2,140 apartments in 2022 is unable to meet the future demand of approximately 55 apartments for each 10,000 residents. The "Dusseldorf 2023" housing plan has been launched with the objective of completing 8,000 new apartments in the city by 2030.

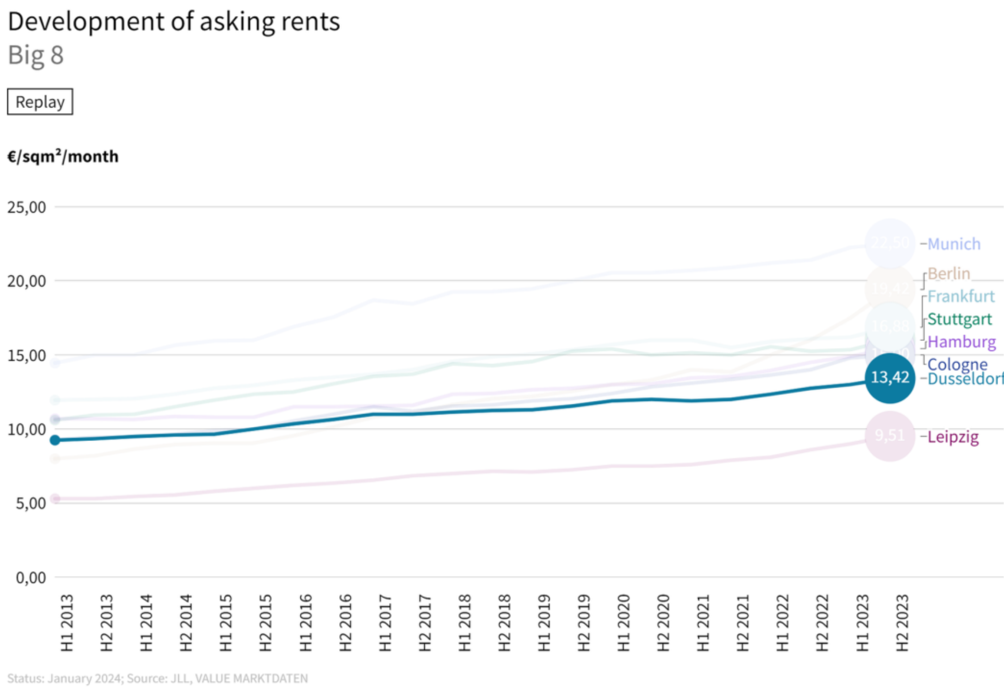
Despite the trend involving increasing prices in the Dusseldorf housing market which commenced in 2009, a reversal in the trend has been apparent from H2 2022; whereby, by the end of H2 2023 the sale price of apartments in Dusseldorf has declined by approximately 6.2% relative to the previous year (for prime apartments), while the sale price declined by approximately 9.6% relative to the previous year (for average priced apartments), the average price per sqm of condo apartments at the end of 2023 was approximately EUR 4,838 per sqm, compared with EUR 5,070 per sqm at the end of 2022. Presented below are diagrams showing the development and trends in purchase prices and rental fees of residential units in Düsseldorf in 2023:

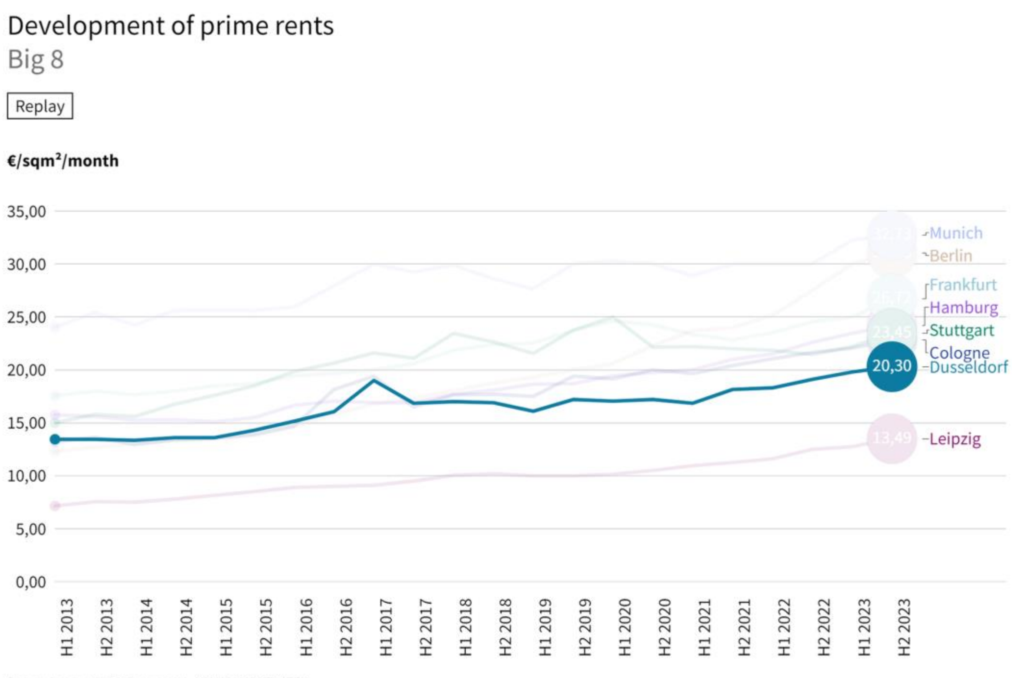
1.5.5.2. Development of real estate prices in Düsseldorf (EUR per sqm)





1.5.5.3. <u>Development of rental fees for residential apartments in Düsseldorf (EUR per sqm per month)</u>





In 2023 Dusseldorf continued to experience an upward trend with respect to rental prices, whereby the average rental price at the end of H2 was EUR 13.42

per sqm per month (compared with H2 2022 when the average rental price was EUR 12.75 per sqm per month).

The rental price in upmarket neighborhoods in Dusseldorf reached record heights and by the end of 2023 came to approximately EUR 20.30 per sqm, representing an increase of approximately 6.3% relative to the same period the previous year.

It should be noted that the contents of section 1.5 above concerning the Company's estimates of the impact of the changes in the general environment in which it operates on its activities and on the value of its assets, fall within the confines of forward-looking information as this term is defined in the Securities Law, 1968, and are based, inter alia, on current market conditions and estimated trends on their basis, which may not be realized or which may be realized in a materially different manner than that which is described above due, inter alia, to factors which do not depend on the Company, including an additional increase in interest rates and inflation, the market's response thereto, and additional macro-economic factors beyond the Company's control.

Part III - Description of the Corporation's business affairs by operating segment

1.6. Income-generating real estate in Germany - aggregate level

Aggregate disclosure concerning the Company's activity in the income-generating real estate segment - the disclosure is given in a consolidated manner for both the income-generating residential and commercial real estate segments (together - the income-generating real estate segment).

1.6.1. General information about the operating segment

1.6.1.1. The structure of the operating segment and changes thereto

As stated above, as of December 31, 2023 and as of the execution date of the report, the Group operates in the income-generating real estate segment solely in Germany. The income-generating real estate segment is divided into two sub-segments: (a) the income-generating commercial real estate segment and (b) the income-generating residential properties segment.

The Group's activity in the income-generating real estate segment as of the date of the report is centered in Germany, one of the largest and strongest countries in Europe.

As of the date of the report and its publication date, the Company's income-generating properties include projects which were initially classified by the Company as development real estate, the properties were eventually classified as income-generating residential properties due to the fact that the Company started to rent the apartments to tenants after construction was completed.

The income-generating property segment in which the Group operates is directly affected by the economic and demographic situation in Germany. For information concerning the economic and demographic situation in Germany see section 1.5 above.

1.6.1.2. The main areas in which the properties are located

Most of the Group's properties in the residential and development property segment are centered in: (a) The federal state of North Rhine Westphalia in western Germany; (b) In the cities of Hanover, Bremen, Kiel, Göttingen located in north Germany; and (c) In the cities Leipzig, Magdeburg and Halle located in eastern Germany.

1.6.1.3. Changes in the scope of operations in the segment and in its profitability

Over the last two years the scope of the Company's operating activities in the income-generating property segment in Germany declined whereby as of the end of 2023 the Company owned 9,307 residential apartments, compared with 9,608 and 12,158 residential apartments at the end of 2022 and 2021, respectively.

The income-generating commercial/retail property sub-segment

In 2018, after ADLER completed its acquisition of control over the Company, it was decided by the Company to sell its properties in the income-generating commercial/retail property segment in Germany following the Company's strategy to re-focus its activities on the income-generating residential property segment. As of the date of the report, the Company has completed the sale of a significant part of its commercial properties. For more information concerning the aforementioned sale of properties see note 7F to the Company's financial statements attached as Chapter C. For more information concerning the Company's strategy see section 1.20 below.

As of the date of the report, the Company's income-generating commercial/retail properties constitute only approximately 1.5% of the Company's income-generating properties.

The income-generating residential property segment

As of the date of the report, most of the Company's residential properties are located in western, northern and eastern Germany. In western Germany, which includes NRW, the Company owns approximately 4,754 residential units. In eastern Germany which includes the cities of Leipzig, Magdeburg and Halle the Company owns approximately 1,419 residential units. In northern Germany, which, *inter alia*, includes Hannover, Kiel and Bremen, the Company owns approximately 3,134 residential units. The size and concentration of the Company's properties give many managerial and operational advantages.

Together with these holdings, the Company improved the platform and its managerial abilities now allowing it to manage and improve income-generating residential properties while maintaining operating efficiency.

1.6.1.4. Critical success factors for the operating segment

The Company assesses that the critical success factors in the income-generating property operating segment, are as follows:

a. Focusing on a single geographic (only Germany) and regional area (the residential properties are mostly located in west Germany).

b. Full and independent managerial system (facility, property, asset management).

c. A critical mass of properties which creates economies of scale and which allow for properties to be managed at a lower marginal cost.

d. A combination of defensive properties creating high cash-flows through long-term contracts and properties which create (relatively) short term low cash-flows but at the same time allow significant betterment over time.

e. Strong financial position which allows patience and implementation of the business plan.

f. Accessibility to diverse sources of financing allowing the financing to be adjusted to market conditions/the relevant business plan.

g. Diverse and ongoing deal flow from banks, private entities, governmental companies, public companies, municipal authorities and more.

h. Accumulation of comprehensive and thorough know-how and deep familiarity with the legal environment (contract, land, banking and finance, receivership, mergers and acquisitions, environmental laws), the tax environment (tax planning with buying and selling land, corporate taxation) and the zoning environment (planning and zoning laws, city building plans, building permits), allowing the performance of complex transactions, both to acquire and to sell properties.

1.6.1.5. Primary barriers to entry and exit for the operating segment

The Company assesses that the primary barriers to entry in the income-generating property segment are as follows:

a. Large scale equity requirements;

b. The need to establish a management system which will effectively manage the economic, legal, engineering, planning, taxation, financing and operational (asset maintenance, renovation, marketing and lease, collection) aspects, and the like; and

c. Building a network of connections and accessibility to transactions and maintaining this network and connections.

The Company assesses that the primary barriers to exit for the income-generating property segment are as follows:

d. The sale of the properties is subject to supply and demand conditions; and

e. The sale of the properties is subject to the financing options available in the market for the potential purchasers.

1.6.1.6. Alternatives for the Group's activities

In the income-generating residential property segment, according to the Company's best estimate, the main alternative for renting apartments in the German market is for the tenants to directly own the residential apartments. However, according to the Company's best estimate and in light of a market analysis, the characteristics of the German market show that many residential apartments (approximately 50%) are rented (or are designated for rent) and are not owned by their occupants.

1.6.1.7. The structure of competition in the operating segment and changes thereto

For details concerning the structure of competition see section 1.9 below.

1.6.1.8. Restrictions, legislation, standards, and special constraints which apply to the operating segment

For more information see section 1.16 below.

1.6.1.9. Unique tax consequences applicable to the activity

As of the date of the report, the purchase tax on real estate in Germany amounts to between 3.5% to 6.5% of the cost of the property depending on the specific tax legislation in the federal state in which the property is located (for instance, 6% in Berlin and Hasse, 6.5% in NRW and Schleswig-Holstein, 5% in Baden-Württemberg and Bremen, and 5.5% in Saxony). For information regarding the Company's tax liability following the completion of the acquisition of the Company's shares by LEG on January 6, 2022, see Note 9A to the Company's annual financial statements, attached as Chapter C to this report.

1.6.1.10. Property purchase and sale policy

For information concerning the Company's actions to focus its business strategy on the income-generating residential property segment see section 1.20 below.

1.6.1.11. Material changes underlying the business activity in the last three years

Over 2020-2023, the Company performed a series of transactions for the sale of some of the Company's income-generating properties. For more information concerning these transactions see section 1.1.4.1 above and note 7F to the Company's 2023 financial statements, attached to this report. For more information concerning the Company's strategy see section 1.20 below.

1.6.1.12. Types of properties and their uses

See section 1.1.4 above.

1.6.1.13. Tenant mix

The income-generating commercial property segment

The Group's customers which rent office spaces, commercial/retail or other areas from it (not for residential use) are typically business corporations and chain stores. Most of the Group's properties in the income-generating commercial segment are rented as of the date of the report, to tenants who are financially stable.

It should be noted that some of the residential complexes include a small number of commercial areas which are rented to commercial tenants. It should be noted that the share of the commercial tenants in the property's total rented area or in the total rental fees deriving from the property is negligible.

The income-generating residential property segment

The Group engages a single type of tenant in the operating segment - tenants renting apartments in residential buildings. In addition, some of the residential complexes include a small number of commercial areas which are rented to commercial tenants. It should be noted that the share of the commercial tenants in the property's total rented area or in the total rental fees deriving from the property is negligible. It should be noted that approximately 11% of the rental revenues is paid monthly by the relevant local authority according to the housing subsidy policy for eligible tenants of that relevant authority.

As of the date of the report the company does not depend on a single tenant or a limited number of tenants whose loss may materially affect the operating segment.

1.6.2. Summary of the results for the operating segment

Presented below is a summary of the financial results for the operating segment for the three-year period ending on December 31, 2023:

Parameter	**For the year ended:**		
	December 31, 2023	**December 31, 2022**	**December 31, 2021**
	EUR 000's		
Total revenues from the operations (consolidated)	74,296	84,637	82,793
Net profits (losses) from re-valuations (consolidated)	(106,509)	(143,250)	117,242
Operating profits (losses) (consolidated)*	(64,427)	(93,425)	166,705
NOI (consolidated)	42,082	49,825	49,463
NOI (Corporation's share)	41,786	48,631	48,423

* Operating profit results are calculated as the total NOI and increase/decrease in the value of the investment properties.

1.6.3. **Geographic areas**

Presented below are economic parameters for the geographic area in which the Group operates (Germany):

	Germany		
	For the year ended:		
	December 31, 2023	**December 31, 2022**	**December 31, 2021**
Gross domestic product (EUR billions)*	4,121	3,971	3,564
GDP per capita (EUR)*	49,531	47,723	42,839
GDP growth rate*	-0.3%	1.5%	2.7%
Inflation rate*	6.1%	6.9%	3.1%
The yield on long-term local government debt ***	2.39%	2.44%	-0.08%
Long-term government debt rating ****	AAA	AAA	AAA
ILS:EUR exchange rate *****	4.01	3.78	3.52

* Taken from the website of the German Federal Statistical Office (www.destatis.de)

** www.statista.com

*** Germany Government Bonds - Yields Curve (worldgovernmentbonds.com)

***** According to the S&P rating agency (www.standardandpoors.com).

***** Taken from the website of the Bank of Israel (www.boi.org.il).

1.6.4. **General segmentations of the operating segment**

The following tables present different segmentations of the Group's income-generating properties by uses.

1.6.4.1. Segmentation of income-generating areas by locations and uses

As of December 31, 2023

	Uses	Residential	Commercial (including offices)	Total	Percent of the total property areas
Locations		Sqm			
Germany	Consolidated	566,974	16,228	583,202	100.0%

	Uses	Residential	Commercial (including offices)	Total	Percent of the total property areas
Locations		Sqm			
	Corporation's share	562,402	16,228	578,630	100.0%
Percent of the total property areas	Consolidated	97.2%	2.8%	100.0%	
	Corporation's share	97.2%	2.8%	100.0%	

As of December 31, 2022

	Uses	Residential	Commercial (including offices)	Total	Percent of the total property areas
Locations		Sqm			
Germany	Consolidated	588,359	30,267	618,626	100.0%
	Corporation's share	583,787	28,841	612,628	100.0%
Percent of the total property areas	Consolidated	95.1%	4.9%	100.0%	
	Corporation's share	95.3%	4.7%	100.0%	

1.6.4.2. Fair value segmentation of the income-generating properties according to locations and uses

As of December 31, 2023

Locations	Uses	Residential	Commercial (including offices)	Total (EUR 000's)
Germany	Consolidated	909,660	13,550	923,210
	Corporation's share	895,237	13,550	908,787
Percent of the total property areas	Consolidated	98.5%	1.5%	100.0%
	Corporation's share	98.5%	1.5%	100.0%

As of December 31, 2022

Locations	Uses	Residential	Commercial (including offices)	Total (EUR 000’s)
Germany	Consolidated	1,029,781	28,400	1,058,181
	Corporation’s share	1,013,904	27,425	1,041,329
Percent of the total property areas	Consolidated	97.3%	2.7%	100.0%
	Corporation’s share	97.4%	2.6%	100.0%

NOI segmentation[17] according to locations and uses

For the year ended December 31, 2023

	Uses	Residential	Commercial (including offices)	Total (EUR 000’s)
Germany	Consolidated	43,197	1,014	44,211
	Corporation’s share	42,733	1,014	43,747
Percent of the properties’ total NOI	Consolidated	97.7%	2.3%	100.0%
	Corporation’s share	97.7%	2.3%	100.0%

For the year ended December 31, 2022

	Uses	Residential	Commercial (including offices)	Total (EUR 000’s)
Germany	Consolidated	48,638	1,186	49,825

[17] The NOI performance indicator is calculated as the Company’s net rental and management revenues. For more information concerning its calculation see the Company's statement of profit and loss included in the Company's financial statements attached as Chapter C to this report.

	Uses	Residential	Commercial (including offices)	Total (EUR 000's)
	Corporation's share	47,462	1,168	48,631
Percent of the properties' total NOI	Consolidated	97.6%	2.4%	100.0%
	Corporation's share	97.6%	2.4%	100.0%

For the year ended December 31, 2021

	Uses	Residential	Commercial (including offices)	Total (EUR 000's)
Germany	Consolidated	47,500	1,963	49,463
	Corporation's share	46,515	1,908	48,423
Percent of the properties' total NOI	Consolidated	96.0%	4.0%	100.0%
	Corporation's share	96.1%	3.9%	100.0%

For additional information concerning the NOI performance indicator see section 8.3 of the board of directors report attached as Chapter B to this report.

1.6.4.3. Segmentation of re-valuation profits and losses according to locations and uses

For the year ended December 31, 2023

Locations	Uses	Residential	Commercial (including offices)	Total (EUR 000's)
Germany	Consolidated	(105,140)	(1,369)	(106,509)
	Corporation's share	(104,352)	(1,375)	(105,727)
	Consolidated	98.7%	1.3%	100%

Locations	Uses	Residential	Commercial (including offices)	Total (EUR 000's)
Percent of the total re-valuation profits or losses	Corporation's share	98.7%	1.3%	100%

For the year ended December 31, 2022

Locations	Uses	Residential	Commercial (including offices)	Total (EUR 000's)
Germany	Consolidated	(140,412)	(2,838)	(143,250)
	Corporation's share	(134,226)	(2,862)	(137,088)
Percent of the total re-valuation profits or losses	Consolidated	98.0%	2.0%	100%
	Corporation's share	97.9%	2.1%	100%

For the year ended December 31, 2021

Locations	Uses	Residential	Commercial (including offices)	Total (EUR 000's)
Germany	Consolidated	124,121	(6,879)	117,242
	Corporation's share	120,830	(6,472)	114,358
Percent of the total re-valuation profits or losses	Consolidated	106%	(6%)	100%
	Corporation's share	106%	(6%)	100%

1.6.4.4. Segmentation of average rental fees per sqm according to locations and uses:

Uses	Residential		Commercial (including offices)	
Germany	EUR		EUR	
	For the year ended		For the year ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Average annual rental fee per sqm	86	84	115	106

The above data provide a snapshot of the rental fees as of the end of the year.

1.6.4.5. Segmentation of average occupancy rates according to locations and uses:

Uses	Residential			Commercial (including offices) Offices		
Germany	Percentage					
	As of December 31, 2023	2023	As of December 31, 2022	As of December 31, 2023	2023	As of December 31, 2022
Average occupancy rate (as a %)	97%	97%	98%	74%	68%	62%

It should be emphasized that of the Company's total income-generating areas, the retail/commercial and office buildings only constitute approximately 2.8%.

1.6.4.6. Segmentation of number of income-generating properties according to locations and uses:

Uses	Residential *		Commercial (including offices)	
Germany	For the year ended		For the year ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Number of income-generating properties	31	32	3	4

* The Company's residential portfolio is diversified across many cities in Germany; it should be emphasized that in addition to the residential unit areas, some of the complexes include a small number of commercial areas which are rented to commercial tenants. It should be noted that the share of these tenants in the property's total rented area or in the total rental fees deriving from the property is negligible.

1.6.4.7. Segmentation of actual average rates of return[18] (in percentages, according to year-end value) and according to locations and uses:

Uses	Residential		Commercial (including offices)	
	For the year ended		For the year ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Actual rate of return	5.2%	4.7%	10.2%	7.8%

1.6.4.8. Major tenants and projected revenues from signed lease agreements: As of the date of the report and its publication date, most of the Company's income-generating properties are rented to private tenants for residential purposes. Most leases are for a period of one year. For more information about the Company's revenues from these leases which may be indicative of the Company's projected revenues, see Note 20 to the Company's financial statements attached as Chapter C to this report. As of the date of the report and its publication date, the Company does not depend on any tenant.

[18] Return - the ratio between the NOI over a certain period and the value by the end of said period.

It should be clarified that the aforesaid, including regarding the Company's estimated projected revenues, fall within the confines of forward-looking information as this term is defined in the Securities Law, 1968, which is based, inter alia, on the current circumstances. The Company's foregoing assessments may not be achieved or may be achieved in a materially different manner than that which is described above due, inter alia, to the state of the market and third parties and factors which do not depend on the Company.

1.6.4.9. <u>Purchase and sale of properties (in the aggregate) and existing material buildings</u>:

<table>
<tr><th colspan="2" rowspan="2">Location</th><th rowspan="2">Parameters</th><th colspan="3">Period
(For the year ended)</th></tr>
<tr><th>December 31, 2023</th><th>December 31, 2022</th><th>December 31, 2021</th></tr>
<tr><td rowspan="9">Germany</td><td rowspan="5">Properties which were purchased</td><td>Number of properties purchased during the year</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Net cost of properties purchased during the year (consolidated) (EUR 000's)</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>NOI of properties which were purchased (consolidated) (EUR 000's)*</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Area of properties purchased during the year (consolidated) (EUR 000's)</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Profit/loss recorded for the sale of the properties (consolidated) (EUR 000's)</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td rowspan="4">Properties sold</td><td>Number of properties sold during the year</td><td>2</td><td>4</td><td>4</td></tr>
<tr><td>Net consideration from the sale properties sold during the year (consolidated) (EUR 000's)</td><td>27,210</td><td>143,695</td><td>36,243</td></tr>
<tr><td>Area of properties sold during the year (consolidated) (EUR 000's)</td><td>25,279</td><td>176,315</td><td>37.6</td></tr>
<tr><td>NOI of properties sold during the year (consolidated) (EUR 000's) *</td><td>2,141</td><td>8,607</td><td>1,394</td></tr>
</table>

* Annualized

<table>
<tr><th rowspan="2">Property name and characteristics</th><th rowspan="2">Year</th><th colspan="10">Data</th><th colspan="3">Additional information about the appraisal and underlying assumptions</th></tr>
<tr><th></th><th>Year</th><th>Carrying value (fair value at the end of the period) – EUR 000's</th><th>Annual revenues (consolidated)</th><th>Actual annual NOI</th><th>Rate of return on NOI</th><th>LTV ratio</th><th>Revaluation profits (losses) (consolidated) - EUR 000's</th><th>Occupancy rate at year end</th><th>Average rental fee per sqm (monthly)</th><th>Identity of appraiser</th><th>The appraisal model used by the appraiser</th><th>Additional assumptions underlying the appraisal (cap rate, discount rate)</th></tr>
<tr><td rowspan="4">Bremen*</td><td>Location</td><td>Bremen</td><td rowspan="2">2023</td><td rowspan="2">74,860</td><td rowspan="2">4,433</td><td rowspan="2">4,178</td><td rowspan="2">5.58%</td><td rowspan="2">30.2%</td><td rowspan="2">(9,113)</td><td rowspan="2">96.4%</td><td rowspan="2">7.25</td><td colspan="3" rowspan="4">See Part C of the board of directors report attached as Chapter B to this report.</td></tr>
<tr><td>Operating currency</td><td>EUR</td></tr>
<tr><td>Primary usage</td><td>Income-generating residential real estate</td><td rowspan="2">2022</td><td rowspan="2">83,140</td><td rowspan="2">4,345</td><td rowspan="2">4,116</td><td rowspan="2">4.95%</td><td rowspan="2">25.0%</td><td rowspan="2">(3,392)</td><td rowspan="2">97.8%</td><td rowspan="2">7.00</td></tr>
<tr><td>Original</td><td>EUR 34,645</td></tr>
</table>

Property name and characteristics	Year	Data										Additional information about the appraisal and underlying assumptions		
			Year	Carrying value (fair value at the end of the period) – EUR 000's	Annual revenues (consolidated)	Actual annual NOI	Rate of return on NOI	LTV ratio	Revaluation profits (losses) (consolidated) - EUR 000's	Occupancy rate at year end	Average rental fee per sqm (monthly)	Identity of appraiser	The appraisal model used by the appraiser	Additional assumptions underlying the appraisal (cap rate, discount rate)
	cost/original construction cost (in operating currency)	thousands												
	Corporation's share (%)	100%	2021	85,620	4,300	3,975	4.64%	45.3%	7,085	96.7%	6.88			

* It should be noted that some of the properties are located in the city of Bremerhaven, close to the city of Bremen.

Property name and characteristics	Year	Data										Additional information about the appraisal and underlying assumptions		
			Year	Carrying value (fair value at the end of the period) – EUR 000’s	Annual revenues (consolidated)	Actual annual NOI	Rate of return on NOI	LTV ratio	Revaluation profits (losses) (consolidated) - EUR 000's	Occupancy rate at year end	Average rental fee per sqm (monthly)	Identity of appraiser	The appraisal model used by the appraiser	Additional assumptions underlying the appraisal (cap rate, discount rate)
Kiel	Location	Kiel	2023	76,870	4,148	3,762	4,89%	33.1%	(11,717)	99.5%	7.02	See Part C of the board of directors report attached as Chapter B to this report.		
	Operating currency	EUR												
	Primary usage	Income-generating residential real estate	2022	88,130	4,073	3,663	4.16%	29.8%	(4,019)	99.5%	6.93			
	Original	EUR 45,320												

	cost/original construction cost (in operating currency)	thousands										
	Corporation's share (%)	100%	2021	91,750	3,995	3,648	3.98%	29.4%	8,657	99.4%	6.87	

1.6.5. **Necessary adjustments on Company level**

1.6.5.1. <u>Adjustment of fair value for values in the statement of financial position</u>:

		As of December 31, 2023	**As of December 31, 2022**
		(Consolidated) (EUR 000's)	
Presentation in the report describing the Corporation's business affairs	Total income-generating properties (consolidated)	923,210	1,058,181
	Total investment land (consolidated)	30,200	35,300
	Total (consolidated)	953,410	1,093,481
Adjustments	Properties included in "non-current property held for sale" in the statement of financial position	-	(138,659)
	Value adjustments arising from accounts receivable and accounts payable line-items	-	-
	Adjustments arising from the presentation of properties at cost	-	-
	Other adjustments	5,600	5,600
	Total adjustments	5,600	(133,057)
	Total, after adjustments	959,010	960,423
Presentation in the statement of financial position	Investment property line-item in the statement of financial position (consolidated)	959,010	960,423
	Total	959,010	960,423

1.6.5.2. <u>FFO profits</u>

For information concerning the Company's FFO profits see section 8.1 of Chapter B of this report.

1.7. **Land betterment segment in Düsseldorf**

1.7.1. **General information about the operating segment**

1.7.1.1. The structure of the operating segment and changes thereto

For more information about the properties owned by the Company with respect to this operating segment, see section 1.7.1.7 below.

1.7.1.2. Critical success factors for the operating segment

The Group estimates that the major factors contributing to the success of the operating segment are as follows:

a. Deep familiarity with the local real estate market in the city of Düsseldorf and mapping its medium-long term needs.

b. Building a high-quality and experienced team of planners (city planners, architects, road and infrastructure planners, environmental development planners), with long-standing familiarity of the real estate market in Dusseldorf along with an understanding and mastery of the planning and construction laws relevant to said re-zoning procedure.

c. Accessibility and a personal acquaintance with the various planning officials and decision makers at the Düsseldorf municipality.

d. Accumulating vast and comprehensive know-how and deep familiarity with the legal and planning environment.

1.7.1.3. Primary barriers to entry and exit for the operating segment

The Company estimates that the primary barriers to entry in the income-generating property operating segment are as follows:

(1) Large scale equity requirements;

(2) The need to establish a management system which will effectively manage the economic, legal, engineering aspects, and the like; and

(3) Thorough acquaintance, on a professional basis, with the decision makers in the Düsseldorf municipality, in general, and in the city's different planning bodies, in particular.

The Company assesses that the primary barriers to exit for the income-generating property segment are as follows:

(1) The sale of the properties is subject to supply and demand conditions; and

(2) The sale of the properties is subject to the financing options available in the market for the potential purchasers.

1.7.1.4. The structure of competition in the operating segment and changes thereto

For more information see section 1.9 below.

1.7.1.5. Restrictions, legislation, standards, and special constraints which apply to the operating segment

For more information see section 1.17 below.

1.7.1.6. The main areas in which the properties are located

The properties are located in the city of Düsseldorf. For more information see section 1.7.3 below

1.7.1.7. Property's type and use

The Company owns three land complexes with respect to this operating segment:

- A land complex ("**Grafental Ost")** in a central location in the city of Düsseldorf, on which the Company's "Grafental" residential project is located. The land is zoned for residential development, and in the reported period the Company continued to promote the approval process of the building permit.

- A land complex with several residential buildings ("**Grafenberg**"), located in the Grafenberg neighborhood - one of the most expensive residential neighborhoods in the city of Düsseldorf and near the Company's "Grafental" residential project which is under construction. In December 2021, the Company's application to change the designation of the land to land for residential development was approved. This projects consists of three sub-phases. Building permits were received for the first phase in December 2022. Building permits for the project's other phases have not yet been received.

- A land parcel ("**Gerresheim**") in the Gerresheim neighborhood in Düsseldorf, Germany, located in proximity and south of the upmarket Grafenberg neighborhood and near the Grafenberg Forest.

1.7.1.8. The tax implications which apply to the Group and which are unique to this operating segment

See Note 15 to the Company's annual financial statements attached as Chapter C to this report.

1.7.1.9. Property purchase and sale policy

See section 1.20 below.

1.7.1.10. Material changes underlying the business activity in the last three years

a. Grafental Ost City Building Plan

The city building plan for 301 residential units/approximately 29 thousand sqm of net building rights (of which approximately 120 residential units/approximately 10 thousand sqm of net building rights which are expected to be subject to rent control) was approved in March 2023. This city building plan applies to phases J - K of the Düsseldorf residential project (for more information see section 1.8 below).

The foregoing information concerning the progress with the building permit processes, falls within the confines of forward-looking information as this term is defined in the Securities Law, 1968, which is not fully controlled by the Company and there is no certainty if and when it will actually materialize, since obtaining it is subject to the planning and building procedures which are required under German law, and third-party approvals not within the Company's control.

b. Land for betterment in the Grafenberg Neighborhood

The Company owns a land complex with an area of approximately 20 thousand sqm located in the Grafenberg neighborhood - one of the most expensive residential neighborhoods in the city of Düsseldorf and near the "Grafental" residential project which is being built by the Company in Düsseldorf and which was purchased in 2014.

In 2021 the Company received the approval of the Düsseldorf municipality for the rezoning of the land in the Grafenberg neighborhood converting it to residential construction. According to the Company's plan, it will be possible to build a residential project consisting of 85 units (approximately 13,500 net built sqm) on the land.

Additionally, in December 2022 the Company received a building permit for the first part of this project.

c. For information about the Gerresheim project see section 1.8.2.2 below describing the land for residential development in Düsseldorf operating segment.

1.7.2. **Summary of the results for the operating segment**

Presented below is a summary of the financial results for the operating segment for the three-year period ending on December 31, 2023:

Parameter	For the year ended		
	December 31, 2023	December 31, 2022	December 31, 2021
	EUR 000's		
Total revenues from the operations (consolidated)	10	87	156
Profits or losses from re-valuations (consolidated)	(5,179)	(15,622)	(5,639)
Profits (losses) from operations (consolidated)	(5,179)	(15,622)	(5,639)
Same property NOI (for the two last reporting periods) (consolidated)	-	-	-
Same property NOI (for the two last reporting periods) Corporation's share	-	-	-
Total NOI (consolidated)	-	-	-
Total NOI (Corporation's share)	-	-	-

1.7.3. Geographic areas

		Dusseldorf/Germany/NRW		
		For the year ended		
		December 31, 2023	December 31, 2022	December 31, 2021
Binding sectoral parameters:				
Index pertaining to the prices of the properties according to the relevant uses in Düsseldorf	Residential (price per sqm)****	4,860	5,380	4,800
	Offices (prime rent per sqm)****	20.3	19.10	18.15
Building price index in Germany - the annual rate of change **		4.3%	16.5%	3.3%

* According to the website of Düsseldorf municipality www.duesseldorf.de

** Taken from the website of the German Federal Statistical Office (www.destatis.de). It should be noted that the Company did not request the permission of the aforementioned entity to include this information which is public information in the public domain.

*** According to Wall Street Journal (www.wsj.com)

**** According to JLL market research.

***** According to the IT.NRW statistical bureau;

****** According to a publication of the Central Bank of Germany (http://www.bundesbank.de). It should be noted that the Company did not request the permission of the aforementioned entity to include this information which is public information in the public domain.

For more information concerning additional economic factors relevant to Germany, see section 1.5.3 above.

1.7.4. Investment land

Lands classified as investment property (land owned by the Company in Grafenberg and land owned by the Company on which phase J of the Grafental project will be built).

Location	**Parameters**	**Period (For the year ended)**	
		31.12.2023	**December 31, 2022**
Germany	The carrying amount for the lands as presented in the financial statements by year-end (consolidated) (EUR 000's)	30,200	35,300
	Total building rights on the lands according to approved plans, according to uses (sqm thousands)	26	26

1.8. **<u>The income-generating residential development property segment</u>**

Definitions just for this section 1.8

(1) Development real estate project which ended in the current year: A project complying with all of the following:

(a) The project's completion rate as of the last date of the reported year is one hundred percent;
(b) The delivery of the apartments in the project was completed in the reported year;
(c) Revenues for the project were recognized in the reported year;
(d) No proceeds are expected from the project which have not yet been recognized;
(e) The inventory attributed to the project was fully de-recognized by the last day of the reported year.

(2) Development real estate project whose construction was completed in the current period and whose sale has not yet been fully completed - a project whose completion rate as of the last date of the reported year is one hundred percent, and which does not comply with the conditions specified in items 1(b) and (d) above.

(3) Development real estate project under construction - a project complying with all of the following: (a) the construction of the project commenced before the end of the reported year and there is no preclusion preventing its continued construction; (b) the construction of the project has not been completed by the last day of the reported year.

(4) Planned development real estate project - a project complying with all of the following: (a) on the last day of the reported year the construction of the project has not yet commenced; (b) one of the following: (1) the Corporation's management assesses that its construction is expected to begin in the year immediately following the reported year; (2) a building permit was received for the project (or outside Israel - a certificate parallel to a building permit).

(5) Virgin land project - such a project is land presented as inventory or land inventory whose construction has not yet started, and does not comply with the provisions of subsection 4(b) above.

Introduction

This operating segment includes the Company's following projects:

Grafental Project - The Düsseldorf residential project

The Group owns land ("**Grafental**") in a central location in the city of Düsseldorf,[19] the administrative capital of NRW.

The Company decided to develop the land by having a residential neighborhood built on part of it.

The neighborhood is being developed in several phases while maintaining a high ratio of pre-sales (the "**residential project**"). The Company has started to promote the construction of the residential project following its above decision. The Company therefore decided to classify the part of the project attributed to residential property development as land inventory, according to the Company's operating cycle. Of the project, the tract of land designated for subsidized rental housing (**"Phase J**") was not classified as inventory and is presented and handled in the Company's financial statements as investment property (according to acceptable accounting rules). Additional information concerning this tract of land is included as part of the virgin lands in this chapter.

<u>Project description</u>

The residential project is a residential neighborhood project whose construction commenced in 2011, in a total scope of approximately 1,600 residential units, comprised of approximately 400 affordable housing residential rental units, and approximately 1,200 residential units as condo apartments for sale on the free market to the medium-upper echelon. The neighborhood is being developed in several phases while aspiring to maintain a high ratio of pre-sales.

As of the date of the report, the construction of phases A to I has been completed and they were fully delivered and occupied. Presented below is a detailed description of the main actions taken by the Company in the reported period in connection with promoting the execution of the Düsseldorf residential project:

A. <u>The Grafental Ost virgin land project - The remaining phases of the Düsseldorf residential project</u>

(1) Phase J: Under the <u>Grafental Ost</u> city building plan: Construction of 152 residential rental units (comprised of 68 apartments for subsidized rent, 52 apartments as affordable housing and 32 apartments which shall be rented on the free market) covering a net area of approximately 12,000 sqm, that the Company intends to hold.

(2) Phase K: Under the <u>Grafental Ost</u> city building plan: Construction of approximately 149 residential units covering a net area of approximately 16,800 sqm, designated to be sold on the free market (condo apartments).

For additional information concerning the actions taken by the Company in connection, *inter alia*, with the sale of the above properties, see section 1.1.4.1 above.

[19] Including areas on which residential units were built and delivered to the apartment purchasers and which are not owned by the Company as described in this chapter.

<u>The Company's residential project in the Gerresheim neighborhood in the city of Dusseldorf, Germany</u>

On February 28, 2018, the Company completed the purchase of a land tract in the city of Düsseldorf, Germany for an amount totaling (including ancillary costs) approximately EUR 141.9 million. The land is located in the Gerresheim neighborhood (whose population totals approximately 30 thousand individuals) east of Düsseldorf's city-center, adjacent to and south of the luxurious Grafenberg neighborhood and near the Grafenberg Forest. The plan for the vacant land covering an area of approximately 193 dunam includes the construction of approximately 1,500 residential units and an additional area of approximately 30 thousand sqm for commercial use, offices, schools and kindergartens.

On September 14, 2022, the Company announced that the board of directors learnt that the city of Düsseldorf decided to create a pre-emptive right (*Vorkausfrechtssatzung*) with respect to the area on which the Company's Gerresheim project is located. The pre-emptive right shall become effective on its actual creation and public declaration (*Bekanntmachung*). For more information see the immediate report published by the Company on September 14, 2022 (Ref. No: 2022-01-117691) which is included herein by way of reference.

On November 24, 2022 it was brought to the attention of the Company's board of directors that difficulties had emerged in the negotiations with the municipality of Düsseldorf with respect to the approval of the zoning plan applicable to the Gerresheim project, which may lead to an additional delay in receiving the permit or which may completely thwart it from being received.

Further to that stated above, the Company was informed that the city of Dusseldorf has decided to continue advancing the initial negotiations with the Company in connection with approving the zoning plan for the land and the building permit.

For more information about the sale of the Company's development property portfolio, see section 1.1.4.1 above.

It should be clarified that the aforesaid fall within the confines of forward-looking information as this term is defined in the Securities Law, 1968, which is based, inter alia, on the current circumstances and the Company's assessments concerning the status of the negotiations with the municipality of Düsseldorf. There is no certainty that the Company will receive the city building plan permit or whether the Company will realize the business plan to sell any of its properties, and if so, when and under which conditions such plan will be achieved, since the realization of all of the above is subject to factors beyond the Company's control, including changes in the real estate and capital markets, and is also subject to receiving the approvals of third parties unrelated to the Company.

The Gerresheim project has been classified in this report as a "very material project". All the data about it have been consolidated for ease of reference for the reader in section 1.8.2.2 below.

Aggregate description - Development real estate

1.8.1. General information about the operating segment

1.8.1.1. The structure of the operating segment and changes thereto

See section 1.8 above about the structure of the operating segment and changes thereto.

1.8.1.2. The geographic area in which the activity is performed

The activity mostly takes place in a central location in the city of Düsseldorf, the administrative capital of NRW, where the Grafental, Gerresheim and the Grafenberg projects are located.

1.8.1.3. Project types

The relevant projects include construction on land owned by the Corporation.

1.8.1.4. Types of uses of the sold inventory

The sold inventory is comprised of residential apartments, parking spaces and common areas related thereto. There is also a negligible scope of commercial areas.

1.8.1.5. Nature of the engagements with head contractors in the operating segment

With respect to the Grafental project - The Company conducted an external tender for the various phases of the project involving leading construction companies. A “turnkey” agreement was executed with a lead contractor for the execution of all the construction works.

1.8.1.6. Material changes underlying the business activity in the last three years

For additional information concerning the actions taken by the Company to sell its development properties, see section 1.1.4.1 above.

1.8.1.7. Operating financing policy

The project is financed by combining equity and drawing on a credit facility provided by banks to the extent required. Most of the equity provided by the Company for the project is the value of the land pledged in favor of the financing bank against the construction loan. It should be noted that the payments received from purchasers for the sale of the apartments in the projects which are designated for sale are deposited in the financing account and will reduce the balance of the construction loan (to the extent taken). For more information concerning the financing of the project see section 1.8.3 below with respect to each phase.

1.8.1.8. Unique tax consequences applicable to the activity

For information concerning the tax consequences affecting the Company see Note 15 to the financial statements attached as Chapter C to this report.

1.8.1.9. Restrictions, legislation, standards, and special constraints which apply to the operating segment

For more information see section 1.18 below.

1.8.1.10. Critical success factors for the operating segment

The Company assesses that the critical factors contributing to the success of the operating segment are as follows:

a. Deep familiarity with the local real estate market in the city of Düsseldorf and mapping its medium-long term needs.

b. Building a high-quality and experienced team of planners (city planners, architects, road and infrastructure planners, environmental development planners), with long-standing familiarity of the real estate market in Dusseldorf along with an understanding and mastery of the planning and construction laws relevant to being issued with construction permits.

c. Accessibility to and personal acquaintance with the various planning officials and decision makers in the Düsseldorf municipality.

d. Planning the project, including the determination of the mix of apartments and their size, the technical specifications, the design of the facades and the public areas to maximize the quality of the sold product relative to competitors in the market and to enable high sale prices to be obtained (compared to the competitors).

e. Establishing a highly experienced marketing and sales team in the residential market in Düsseldorf within the Company.

f. Establishing a project management team highly experienced in the planning and execution of residential construction projects.

g. Obtaining financing for the construction of the project under optimal terms (low interest margins, not high pre-sale rates, immaterial investment of additional equity beyond providing the land as collateral for the construction loan).

h. Choosing a lead contractor with professional capabilities, experience, number of employees and equipment enabling for the project to be completed while implementing and achieving the plans, schedules and the required quality without materially deviating from the expected costs.

i. Delivering the apartments to purchasers and/or tenants without delay (or with a negligible delay) relative to the scheduled date and minimizing quality and inspection problems after delivery to the maximum extent possible along with a high level of service for the tenants after occupancy, to achieve a high level of satisfaction for them, enabling the Company to brand itself as a leading entity in the residential construction market in Düsseldorf and contributing to the Company's ability to successfully market the next phases of the project.

1.8.1.11. Primary barriers to entry and exit for the operating segment and changes thereto

For barriers to entry see section 1.7.1.3 above. The main barrier to exit is the Company's commitment to a 5 year quality and inspection warranty as of the scheduled delivery date of the residential units built as part of the project. Also see subsection (i) above on this issue.

1.8.1.12. Structure of competition

For more information see section 1.9 below.

Disclosure concerning all of Company's projects

1.8.2. The required data for a very material project

1.8.2.1. Grafental Ost land (Phases J-K of the planned residential project as part of the Grafental Ost city building plan)

a. Presentation of the project

(Data according to 100% Corporation's effective share in the project - 89.9%)	**As of December 31, 2023**
Project name	Grafental Ost (phases J-K of the residential project)
Project's location	Hohenzollernalle 40235, Düsseldorf, Germany
Short description of the project	Approximately 29 thousand sqm, approximately 300 residential units in multi-residential buildings and low-slung houses

(Data according to 100% Corporation's effective share in the project - 89.9%)	As of December 31, 2023
Corporation's effective share in the project	89.9%
Holding structure of the project (holding description through subsidiaries and the like)	See section 1.1.5 above.
Names of project partners	See section 1.1.5 above.
Method of presentation in the financial statements	Consolidated
Purchase date of the land on which the project is built	June 2008
Size of the land on which the project will be built	Approximately 29 thousand sqm, net.
Completion date of construction works [planned]	Not yet determined.
Commencement of project marketing [expected]	Not yet determined.
Marketing completion date [expected]	Not yet determined.
Agreements with lead contractors in connection with the project	N/A
Commencement date of construction works [planned]	Not yet determined.
Description of legal rights in the land (ownership, leasehold and the like)	Ownership
Special agreements concerning the project (combination/vacation and construction/other)	N/A
Material exposures of the reporting Corporation to the project	With respect to planning and environmental development obligations - see the development agreement in section 1.8 above.
Has a net sale value been assessed in the reporting period? If yes, disclosure of the base assumptions should be given.	No
Discussion of infrastructures around the project	For information concerning the project companies engagement in the development agreement see section 1.8 above.
Special issues (material building deviations, soil contamination and the like)	N/A

b. State of the project's planning

State of the planning of the Grafental Ost virgin land as of December 31, 2023			
Current state of the planning			
Inventory type	**Total building rights (sqm)**	**Total units**	**Comments**
Residential units	28,924	301	301 residential units included under the Grafental Ost city building plan for which a building permit is expected to be issued in 2025. According to the city building plan, phases J-K of the Grafental project are expected to be built: • Phase J - will be built with a net area of 12,163 sqm and will include 152 residential rental units, including 68 subsidized rental apartments, 52 rent-controlled affordable housing apartments and 32 uncontrolled apartments. • Phase K - will be built on a net area of 16,761 sqm, and will include 149 residential units designated for sale.

c. Costs invested in the project

As of the date of the report, the Company has not yet received building permits for phases J-K, and therefore the costs which were invested in the project are negligible.

d. Project marketing: No marketing information was presented due to the preliminary stage of the project.

e. Gross profitability: The Company believes that the analysis of gross profitability is not relevant due to the preliminary stage of the project.

f. Sensitivity analysis of the project's gross profit which has not yet been recognized: The company believes that the sensitivity analysis is not relevant due to the preliminary stage of the project.

g. Specific financing and financing facilities for the project**:** The company has not yet entered into a financing agreement with a bank to finance the construction of the phase.

h. Pledges and legal restrictions: The project's real estate serve as collateral for the construction facilities which were given for the previous phases of the complex and have not yet been paid off/terminated.

1.8.2.2. Gerresheim virgin land - 193 dunam in the Gerresheim neighborhood, Düsseldorf, Germany

a. Presentation of the project

	As of December 31, 2023
Project name	Glasmacherviertel
Project's location	Glasmacherviertel Heyestrase 40625 Dusseldorf-Gerresheim, Germany
Short description of the project	193 dunam for industrial use. The Company is working towards changing the zoning of the land to enable the construction of a residential neighborhood. For more information concerning the status of the rezoning procedure see section 1.1.4.2 above.
Corporation's effective share in the project	100%. For more information concerning the cancellation of the Gerresheim transaction see section 1.1.4.2 above.
Holding structure of the project (holding description through subsidiaries and the like)	See section 1.1.5 above.
Names of project partners	N/A
Method of presentation in the financial statements	Consolidated
Purchase date of the land on which the project is built	February 2018
Size of the land on which the project will be built	193 dunam
Completion date of construction works [planned]	Not yet determined.
Project marketing commencement date [expected]	Not yet determined.
Marketing completion date [expected]	Not yet determined.
Agreements with lead contractors in connection with the project	Not yet determined.
Commencement date of construction works [planned]	Not yet determined.
Description of legal rights in the land (ownership, leasehold and the like)	Ownership

	As of December 31, 2023
Special agreements concerning the project (combination/vacation and construction/other)	N/A
Material exposures of the reporting Corporation to the project	N/A
Has a net realization value been estimated in the reported period? If yes, disclosure of the base assumptions should be given.	No
Discussion of infrastructures around the project	The construction of the project will require the Company to develop public infrastructure for the complex.
Special issues (material building deviations, soil contamination and the like)	For details about the special issues posing challenges to obtaining the building permit in Gerresheim 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.

b. State of the project's planning

The state of the planning of the 193 dunam virgin land project, in the Gerresheim neighborhood, Düsseldorf, Germany, (Data are according to 100%, Corporation's share in the project 100%)			
Current state of the planning			
Inventory type	**Total building rights (sqm)**	**Total units**	**Comments**
Industrial use	N/A	N/A	
State of the planning after the planned change			
Inventory type	**Total building rights (sqm)**	**Total units**	**Comments**
Residential units	Approximately 161,000	1,482	The Company is working to promote the city building plan with the local authority. To date the Company cannot estimate when the permits will be received.
Commercial and office areas	Approximately 35,000	N/A	
Kindergartens, school and	Approximately 10,000	3	

The state of the planning of the 193 dunam virgin land project, in the Gerresheim neighborhood, Düsseldorf, Germany, (Data are according to 100%, Corporation's share in the project 100%)			
conservation of a historical site.			

c. Costs invested in the project[20]

	2023	2022
Total cumulative land costs by the end of the period	141,645	141,645
Total cumulative costs of planning, development, taxes and fees	11,083	8,830
Total cumulative construction costs	-	-
Total cumulative financing costs (capitalized)	39,134	30,376
Total cumulative costs	191,862	180,851

d. No data were presented for marketing, revenue recognition, estimated gross profitability rate and sensitivity analysis of the expected gross profit due to the early stages of the project.

e. Specific financing, pledges and legal restrictions relating to the project: The Company has not yet entered into a financing agreement with a bank to finance the construction of the project.

1.8.2.3. Grafenberg virgin land

a. Presentation of the project

	As of December 31, 2023
Project name	Grafenberg
Project's location	Ernst-Poensgen-Allee 3, Grafenberg, Dusseldorf, Germany
Short description of the project	13.5 thousand sqm on which the Company shall build 85 residential

[20] In view of the early stages of the project, at this stage only costs which were invested in the project are being presented.

	As of December 31, 2023
	units and 139 parking spaces designated for sale.
Corporation's effective share in the project	100%
Holding structure of the project (holding description through subsidiaries and the like)	See section 1.1.5 above.
Names of project partners	N/A
Method of presentation in the financial statements	Consolidated
Purchase date of the land on which the project is built	March 2014
Size of the land on which the project will be built	13.5 thousand sqm
Completion date of construction works [planned]	2027
Commencement of project marketing [expected]	2025
Marketing completion date [expected]	2026
Agreements with lead contractors in connection with the project:	N/A
Commencement date of construction works [planned]	N/A
Description of legal rights in the land (ownership, leasehold and the like)	Ownership
Special agreements concerning the project (combination/vacation and construction/other)	N/A
Material exposures of the reporting Corporation to the project	N/A
Has a net realization value been estimated in the reported period? If yes, disclosure of the base assumptions should be given.	No
Discussion of infrastructures around the project	The construction of the project will require the Company to develop public infrastructure for the complex.
Special issues (material building deviations, soil contamination and the like)	N/A

b. State of the project's planning

Current state of the planning			
Inventory type	**Total building rights (sqm)**	**Total units**	**Comments**
Residential construction	13.5 thousand sqm	85	Building permit for residential use was received in December 2021.

c. Costs invested in the project[21]

	2023	2022
Total cumulative land costs by the end of the period	11,900	11,900
Total cumulative costs of planning, development, taxes and fees	4,749	4,671
Total cumulative construction costs	-	-
Total cumulative financing costs (capitalized)	-	-
Total cumulative costs	16,649	16,571

d. No data were presented for marketing, revenue recognition, estimated gross profitability rate and sensitivity analysis of the expected gross profit due to the early stages of the project.

e. Specific financing, pledges and legal restrictions relating to the project: The Company has not yet entered into a financing agreement with a bank to finance the construction of the project.

The foregoing information concerning the city building plan and its publication, falls within the confines of forward-looking information as this term is defined in the Securities Law, which is not fully controlled by the Company and which may not materialize or materialize at different dates than those assessed by the Company due, inter alia, to authorizations required to be obtained from third parties and regulatory procedures beyond the Company's control.

[21] In view of the early stages of the project, at this stage only costs which were invested in the project are being presented.

Part IV - Matters generally relevant to the Group's activities

1.9. **Competition**

1.9.1. General

To the best of the Group's assessment, the real estate field in Germany is generally highly competitive, both on the part of domestic developers and primarily on the part of foreign developers, acting with different scopes of investment and who see significant potential with Germany's economic position, and on the other hand – the availability of real estate assets, their relatively low costs and relatively high yield, as a good business opportunity.

The competition in the operating segment is based on the geographic location of the properties. Other companies also offer rentals by most sites in which the Group has properties. Where the properties are similar in level and intended use, the competition relates mostly to the amount of the rental fees, making adjustments to tenant's needs and additional costs (management fees, *Arnona [municipal levies]* and the like).

The competitors include property developers, property companies acting to increase the value of the properties by actively managing rentals and property development, to the extent such an option exists, and on the other hand "financial players" - focusing mainly on the margin between the interest on the loan and the property's return.

The Group deals with the competition by acting as a "domestic player" in light of the fact that it has been focusing its activity on the German market since 2004, thoroughly familiar and knowledgeable of the local laws and regulations relevant to the property market, the business relationships it has developed with bodies involved in the German property market which give it access to a large variety of transactions and investors before they reach the market, and the Group's ability to quickly close transactions (buying and selling) due to a unique methodology, transaction analysis and underwriting ability within the Group and high access to banks and local financing bodies. Further to the above and as of the publication date of the report, the Company takes actions to strengthen the aforementioned business relationships, in view of the fact that the Company's controlling shareholder is ADLER.

The Group has a team in Germany of approximately 79 employees (of the Company's 88 total employees) enabling it to actively manage the properties by harboring a direct relationship and general familiarity with the tenants, ability to supervise and quickly respond to the tenants' demands, physical defects and collection problems, and good familiarity with market conditions in each region in which the Company's properties are located and good connections with local marketing bodies. In addition, the management platform developed by the Group in Germany enables it to reduce the overall management costs compared with management by a third party.

1.9.2. Operating segment - income-generating real estate

The income-generating real estate segment is relatively decentralized compared with other European countries. To the best of the Company's assessment, the sector is generally highly competitive, both on the part of domestic developers and on the part of foreign developers, acting with different scopes of investment who see significant potential with the state of the German economy, and on the other hand – the availability of real estate assets, their relatively low costs and relatively high yield, as a good business opportunity.

To the best of the Company's knowledge, a large number of players act in the income-generating residential property segment which include, *inter alia*, public real estate companies and large and resourceful real estate groups, institutional investors (building funds and German and international insurance companies), and a number of private real estate companies and private investors usually purchasing single income-generating properties. **It should be noted that as of the date of the report, the scope of the Group's operations is immaterial in relation to the total German real estate market.**

1.9.3. Operating segment - residential development properties

Other than projects which are much smaller than those of the Company, the Company has not identified any project as its main competitor.

1.10. Property, plant and equipment

1.10.1. Group's offices

The Company's offices are located in Amsterdam. The Company also has other offices throughout Germany from which the Property Management Company manages the properties (hereinafter collectively: the "**Company's offices**").

The Company rents the Company's head offices as a primary tenant, in consideration for monthly rental fees totaling approximately EUR 7 thousand.

1.10.2. Fixed assets

The Group does not have a material scope of fixed assets. The fixed assets serving the Group's activity in the operating segment includes vehicles, furniture, computers and other equipment.

1.10.3. Investment properties

See sections 1.7 and 1.8 above.

1.11. **Human Capital**

1.11.1. The Group's employees: The Group's employees and service providers as of December 31, 2023 and December 31, 2022 are as follows:

Employing company	**Position with the employing company**	**No. of employees**	
		As of December 31, 2023	**As of December 31, 2022**
The Company	CEO[22]	1	1
	Administration	2	1
	Bookkeeping	1	1
	CFO	1	1
	Controller	1	1
S.I.B. Capital Future Markets Ltd.	IT person and administrative services	2	2
	Financial department (analyst)	1	2
The Property Management Company	Bookkeeping	15	17
	Administration	6	9

[22] It should be noted that the Company's CEO is not paid a salary by the Company.

Employing company	Position with the employing company	No. of employees	
		As of December 31, 2023	As of December 31, 2022
(property management)	Property management/marketing/technical	51	67
Grafental project management company	Bookkeeping	1	1
	Administration	1	2
	Project management	5	8
Total		**88**	**112**

It should be noted that the decline in the number of Company employees in 2023 is primarily attributable to the sale of the property portfolio in the city of Leipzig which was completed by the end of 2022, and the transfer of most of the employees who were managing these assets, to the purchasing company.

Most of the Group's employees are engaged under personal employment agreements for unfixed periods of time. It should be noted that the termination of the employment of the Group's German employees is subject to German labor laws according to which an employee may only be dismissed for a material reason and following a procedure established by law.

The employment agreements regulate the employee's position, scope of employment and number of work hours, sick days and vacation days, and the termination of the employment. It should be noted that the legal arrangements concerning dismissal under German law are different to those under Israeli law and German labor laws are generally in favor of the employee. The law in Germany does not provide for severance pay, but at the same time, it is difficult to dismiss an employee and companies employing more than 20 employees[23] are subject to even stricter labor laws. Such a company, wishing to dismiss an employee must prove a reasonable reason for the employee's dismissal and until otherwise proven the employee is able to institute legal action against the company and continue to be employed by it

[23] Relevant to the Property Management Company.

throughout that period until it has been proven that the dismissal was made for a reasonable reason. Social insurance is partly paid by the employer.

All of the Company’s senior officers have signed a non-disclosure and confidentiality undertaking, including independent contractors, according to which the employees undertake to maintain confidentiality of all matters relating to the operations and the business secrets of the Group members during the term of their employment and thereafter, which came to their attention during the term of their employment.

The Group trains its employees from time to time through courses and professional training.

1.11.2. <u>The Group’s office holders and members of the senior management</u>

The senior management of the Group is comprised of the board of directors, the CEO and CFO.

<u>Changes to the Company's board of directors in the reported period:</u>

On March 6, 2023, Mr. Taco de Groot was appointed to the Company's board of directors as an external director. For more information see the immediate reports published by the Company on March 6, 2023 (Ref. No: 2023-01-020371 and 2023-01-020377).

Mr. Thomas Echelmeyer stopped serving as one of the Company’s ordinary directors on December 20, 2023. For more information see the immediate reports published by the Company on December 20, 2023 (Ref. No: 2023-01-115093 and 2023-01-115102).

On 20 December, 2023, Mr. Thierry Beaudemoulin, the Company’s CEO, was appointed as an ordinary director on the Company’s board of directors. For more information see the immediate reports published by the Company on December 20, 2023 (Ref. No: 2023-01-115096 and 2023-01-115102).

On March 21, 2024, Mr. Thomas Zinnocker gave notice that he will end his role as one of the Company’s directors and chairman of the board of directors at the end of the Company’s next general meeting (general or extraordinary, as the case may be). According to his notice, Mr. Zinnocker is also anticipated to conclude his role at the Company’s parent company. For more information see the Company’s immediate report dated March 24, 2024 (Ref. No: 2024-01-025264), hereby included by way of reference.

For more information concerning the Company's senior office holders according to the provisions of Regulation 26A of the Securities (Periodic and Immediate Reports) Regulations, 1970 (hereinafter: the "**Report Regulations**") see regulation 26 of Chapter D, attached to this report.

For more information concerning the terms of office of the five highest paid senior office holders of the Company according to the provisions of Regulation 21 of the Report Regulations see regulation 21 of Chapter D, attached to this report.

For information regarding the Company's remuneration policy of the Company's senior office holders see regulation 21 of Chapter D attached to this report.

1.11.3. Material dependence on key employees

The Company estimates that it does not have a dependency on any of its senior office holders or on employees of the Group.

1.12. Financing

1.12.1. Definitions

For ease of reference, presented below are the definitions of the major terms used in this section:

"LTV" Loan to Value Ratio - the ratio between the amount of the loan on the examination date and the fair value of the property according to an appraisal as of that date.

"DSCR" Debt Service Coverage Ratio - debt coverage ratio, calculated by dividing the net operating income (NOI) of the borrower in the examined period by borrower's debt service costs and expenses in the examined period (namely, the interest and principal payments in the examined period).

1.12.2. Average interest rate

Presented below is an overview of the average interest for the Company's bank loans in 2023:

Average interest rate for bank loans as of December 31			
	2023	**2022**	**2021**
Banks	3.07%	2.00%	1.29%

1.12.3. Credit facility

As of the date of the report, the Company has no executed credit facilities from banks.

1.12.4. Financing restrictions applicable to the Group

1.12.4.1. Financial covenants established in the financing agreement the Group members are party to:

In some of the financing agreements the property companies are required to undertake certain financial and other obligations. The failure to comply with these obligations constitutes, in some instances, cause for acceleration by the lender, according to the terms and conditions specified in the financing agreements and as is customary in these types of agreements.

Similarly, the trust deeds for the Company's Bonds (Series B, C and D) require the Company to comply with various financial covenants, as established in the relevant deed. Failure to comply with these covenants may constitute grounds to accelerate the bonds. For additional information about this matter, see Part B of the Company's board of directors report for 2023, attached as Chapter B to this report.

As of December 31, 2023, the Company is in compliance with all of the financial covenants established in the financing agreements that the Company is party to. For more information concerning the manner of calculation of the financial covenants in material loan agreements for the Company see the table in section 1.12.7 below.

1.12.4.2. Change of control conditions established in financing agreements that the Group members are party to:

As aforesaid, in some of the financing agreements with banking institutions the property companies are required to undertake that no change of control shall take place on the level of the property company and up to the Company's level (BCP).

Similarly, in the framework of the deeds of trust for Bonds C and D it was determined that a transfer of control in the Company (as defined in the Securities Law), either directly or indirectly, in a manner that ADLER shall no longer be the controlling shareholder of the Company constitutes cause for acceleration and/or enforcement of collaterals, as the case may be.

1.12.4.3. Pledges and guarantees:

To secure loans from banking institutions, pledges have been registered properties, on the bank account to which rental fees are paid, assignment of rights for rental payments, assignment of rights for the property's insurance policies and pledges on the shares of the property companies. It should be noted that for some of the properties and the property companies a cross guarantee was given to secure the financing which was taken for the acquisition of the properties and/or for re-financing the properties.

It should be noted that the outstanding bank loans are non-recourse loans to the borrower.

Pledges have been registered over the shares of BGP, the Company's subsidiary, to secure the Company's undertakings to its Bondholders (Series B, C and D). For additional information about this matter, see Part B of the Company's board of directors report for 2023, attached as Chapter B to this report.

1.12.5. Presented below is an overview of the Group's loans, material pledges and credit from banking institutions as of December 31, 2023:

#	The borrowing corporation	The lender	Date loan given	Amount of the original loan (EUR 000's)	No. of installments (principal + interest)	Outstanding principal as of December 31, 2023 (EUR 000's)	Final repayment date	Pledges/collaterals	Annual interest	Restrictions applicable to the Company in connection with the loan	Financial liabilities	Comments
1	Portfolio loans[24]	Foreign banking institution	January 18, 2021 (the loan was extended on June 1, 2023)	100,492	A fixed amount of approximately EUR 588 thousand is repaid on account of the principal once quarterly. Payment of the interest accrued on the	92,813	June 30, 2026. In this context see section 1.12.2A above.	First priority pledge on the properties (6 residential complexes, 2 commercial and office buildings, known as the Panther Portfolio). Pledge on the bank accounts and insurance receivables	Fixed interest at the rate of 4.7% on the part of the loan which finances the residential complex (EUR 83,813 thousand) Variable interest at the rate of 1.71% + 3M Euribor on the part of the loan which finances the 2 commercial properties (EUR 9,000 thousand).	The borrower should inform the lender in advance of any change of control in the property company. For this purpose change of control means a change of 50% or more in the share holdings of the property company.	LTV lower than 65% DSCR higher than 135%	(1) Non recourse loan; (2) the financial obligations are on the property group level; (3) It should be noted that this loan was extended on June 30, 2023. For more information about the extension of the loan

[24] Tendered to Brack Capital (Hannover) B.V, Brack Capital Gelsenkirchen GMBH&Co. KG, (Ludwigsfelde) B.V, Brack Capital (Neubrandenburg) B.V, Brack Capital Germany (Netherlands) XIX B.V, Investpartner GMBH(Wuppertal) , Brack Capital Germany (Netherlands) XXX B.V. (Velbert)

#	The borrowing corporation	The lender	Date loan given	Amount of the original loan (EUR 000's)	No. of installments (principal + interest)	Outstanding principal as of December 31, 2023 (EUR 000's)	Final repayment date	Pledges/collaterals	Annual interest	Restrictions applicable to the Company in connection with the loan	Financial liabilities	Comments
					outstanding balance of the principal is also made at the same time.			and assignment of the rental fees in favor of the lender.				see section 1.12.6.3 below. .
2	The Company	ADLER Real Estate AG., the Company's controlling shareholder	For information concerning the credit facility from ADLER see section 1.12.6.2 below.	200,000 (the original credit facility)	The interest on the loan is paid on a quarterly basis; the principal shall be paid off in one installment at the end of the loan period.	75,000	December 29, 2024. For more information, see section 1.12.2C above.	As of the publication date of the report no pledges are outstanding.	Variable interest at the rate of 3.00% + 3M Euribor In this context see section 1.12.2C above.	For details about the loan from the controlling shareholder see section 1.12.6.2 below.		

1.12.6. Additional information about the Company's material credit

1.12.6.1. For information about the Company's Bonds (Series C) and Bonds (Series D), which as of the date of the report constitute material credit for the Company pursuant to Legal Position 104-15 of the Israel Securities Authority (Reportable Credit), see Part D of the board of directors report. It should be noted that Bonds (Series D) were issued subsequent to the date of the report.

1.12.6.2. Loan from the controlling shareholder – For more information see section 2 of the above table and section 1 of Regulation 22 of Chapter D attached to this report.

1.12.6.3. Bank financing - The Group usually takes bank loans for a group of assets and/or for a specific asset. The loan is a non-recourse loan to the Company secured, *inter alia*, by pledging the rights in the asset and/or group of assets, as the case may be. The Group's bank financing as of December 31, 2023, totals approximately EUR 350.2 million. For information concerning material loans taken by the Company, see section 1.12.5 above.

- Credit facility from a banking corporation - On May 13, 2022, the Company entered into an agreement with an international banking corporation, which it previously had no commercial relationship, to obtain a credit line totaling approximately EUR 30 million. For more information see the immediate report published by the Company on May 15, 2022 (Ref. No: 2022-01-057913) which is included herein by way of reference. The credit line was tendered to the Company until the middle of Q1 2023 (with an extension option for approximately two months). It should be noted that the Company had no need to utilize the credit line and it therefore terminated it on January 31, 2023.

- 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) which is included herein by way of reference and section 23(2) of the Company's financial statements attached as Chapter C to this report.

- On May 24, 2023, the Company entered into an agreement with a banking corporation to extend the maturity date of one of the Company's existing loans (through its second-tier subsidiaries) in an amount totaling EUR 94 million, as of the agreement execution date (the "**extended loan amount**"). The loan, which is expected to be repaid on June 30, 2023, was extended for three (3) years, until June 30, 2026. For more information regarding the amendment of the terms of the loan, see the immediate reports published by the Company on May 24 and June 9, 2023 (Ref. No: 2023-01-048010 and 2023-01-062322, respectively).

  It should be clarified that the aforesaid concerning the Company's assessments regarding the extension of the maturity date of its credit facility, falls within the confines of forward-looking information as this term is defined in the Securities Law, which may not materialize or which may materialize in a different manner than that which is described above due, inter alia, to the requirement to obtain the approval of the Company's general meeting and consents of third parties beyond the Company's control.

1.12.7. As of December 31, 2023, the Company's financial liabilities, including a loan from the controlling shareholder, bank loans and Bonds (Series B and C) total approximately EUR 527.7 million.

Further to that presented in the above table, below are data concerning the Company's compliance with the financial covenants in its loans[25]:

Calculation of the financial covenants: DSCR and LTV is calculated according the definitions in the relevant loan agreements and is not necessarily compatible with the generally accepted accounting principles[26].

[25] With respect to financial covenants regarding the Company's Bonds (Series C and D) see part E of Chapter B, "Board of Directors Report", attached to this periodic report.

[26] The various financial covenants are defined in the loan agreements as follows: LTV is the ratio between the outstanding debt to the bank and the fair value of the property in the books less transaction costs and various taxes, while DSCR is the ratio between the flow for the service of the debt and the expected principal + interest payment in the coming year, with the flow for the service of the debt being the revenues deriving from the financed property twelve months forward according to signed agreements (excluding agreements which are going to conclude during the year) less operating costs of the property according to the bank's formula. It should be noted that the calculation of the financial covenants is not necessarily as of the date of the report or as of the report's execution date (as the

# from the loan table	Date loan given	Amount of the original loan (EUR 000's)	Outstanding principal As of December 31, 2023 EUR 000's	Financial liabilities/Other undertakings	Actual DSCR financial covenant as of December 31, 2023 and of the report's execution date	Actual LTV financial covenant as of December 31, 2023 and of the report's execution date
1	January 18, 2021	100,492	92,813	LTV lower than 65% DSCR higher than 135%	DSCR=152%	LTV=47%

1.12.8. Company's credit rating by Maalot

For additional information see section 17 of the board of directors report for 2023, attached as Chapter B to this report.

1.12.9. Company's assessments concerning the need to raise funds from additional sources

As of the date of the report, the balance of the Company's cash and cash equivalents totals approximately EUR 42.5 millions.

Considering the Company's liquidity needs which are specified, *inter alia*, in its financial statements and in section 7.1 of the board of directors report, the Company constantly examines the financing alternatives available to it. As of the date of the report and during the reported period, the Group finances its operations from its own resources (including the sale of assets) and by taking debt from external sources

case may be) but rather as of the closest day on which the Company is required to present said calculation to the financing institution.

including loans from banking institutions (bank financing), issuance of bonds and a loan from the controlling shareholder as described below.

The Company's above-stated assessment with respect to its need to raise capital falls within the definition of forward-looking information, as defined in the Securities Law. Among other things, this information is based on the Company's state of liquidity, its working plan for the upcoming year and the subjective assessments of the Company's management. The assessment may materialize differently, including materially differently, due to various factors not within the Company's control, including, among other things, changes in the interest and inflation environment, an economic slowdown or financial crisis which may result in a decline in the available sources of financing, or a tightening of the conditions to receive such or other changes in the state of the capital markets which may impact the need or ability to raise additional sources of financing or due to the materialization of one or more of the risk factors specified below in section 1.22.

1.13. **Working capital**

Consolidated	Carrying amount in the financial statements (EUR 000's)	Adjustments (for a twelve month period in EUR 000's)	Total (in EUR 000's)
Current assets	92,843	-	92,843
Current liabilities	150,585	-	150,585
Excess (deficit) of current assets over current liabilities	(57,742)	-	(57,742)

* It should be noted that the primary reason for the Company's deficit in working capital is due to a loan from the controlling shareholder (totaling approximately EUR 75 million) which is expected to be repaid in the next 12 months, and is therefore included as part of the Company's current liabilities. It should further be noted that as of the date of the report the Company has no working capital deficit following its completion of the issuance of Bonds (Series D) in February 2024. For more information see Part D of the board of directors report attached as Chapter B to this report.

1.14. **Insurance**

1.14.1. Insurance of the Group's operations and property: As part of its current operations in Germany, the Group insures its operations and property under various insurance policies by local insurance companies, as follows:

a. Property insurance against the customary risks in Germany for the various properties owned by it including loss of rental fees for an indemnity period of up to 36 months, according to the event.

b. Third party liability insurance with liability limits of EUR 35,000,000 per event and for an insurance period of one year covering the Group's buildings in connection with maintenance, operation and management of the buildings in Germany.

c. It should be noted that the annual insurance premiums total approximately EUR 1.5 million.

For information regarding the Group's engagement with ADLER Assekuranzmakler GmbH & Co. KG, a subsidiary of ADLER, as an insurance broker (the "**insurance broker**") to engage in various insurance policies see regulation 22 of Chapter D attached to this report.

1.14.2. Company's directors and office holders liability insurance: See regulation 29A of Chapter D: "Additional Details regarding the Corporation", attached to this report.

1.15. **Taxation**

1.15.1. Main tax aspects in Germany

Corporate tax and corporate tax rate: The revenues of the subsidiaries generated from real estate in Germany (from both rental fees and sale of properties) are subject to corporate tax in Germany. The rate of the corporate tax in Germany is 15.825% (including solidarity tax).

Local trade tax: In addition to the corporate tax, local trade tax is imposed in Germany (Trade Tax). The local trade tax does not apply to revenues arising from passive holding of real estate subject to various terms and conditions.

Rate of tax withheld at source from dividends: According to domestic German law, tax at the rate of 26.375% is withheld at source from dividends paid to foreign residents subject to the elimination of double taxation treaties that Germany is party to and the EU parent-subsidiary directive, according to which tax is not withheld at source from dividends between two EU member states[27] subject to minimal holding rates and a minimal holding period.

Rate of tax withheld at source from interest: According to domestic German law no tax is withheld at source from interest paid to foreign residents other than interest paid on certain bonds and profit participating loans - in these cases tax at the rate of 26.375% is withheld at source, subject to the provisions of the elimination of double taxation treaties that Germany is party to and the EU interest and royalties directive, according to which tax is not withheld at source from interest between two EU member states[28] subject to a minimal holding rate.

Capital gains: Generally, capital gains are included in the calculation of the taxable income as regular income which is subject to corporate tax (other than capital gains from the sale of shares by a company which is exempt from tax under certain conditions).

Recognition of financing costs: As of 2008 "Interest Barrier rules" apply in Germany which have replaced the thin financing rules. Under these rules the deduction of a company's net interest costs is limited to EUR 3 million per year. If a company's net interest costs exceed EUR 3 million, the interest costs which may be deducted for tax purposes shall not exceed 30% of the company's EBITDA. The part which may not be deducted is carried forward to future years and will be added to the demanded interest costs up to a ceiling of EUR 3 million or 30% of the company's EBITDA, whichever is higher.

1.15.2. The avoidance of double taxation treaty between the Netherlands and Germany

Corporate tax: According to the double taxation treaty between the Netherlands and Germany, the revenues of the subsidiaries from real estate in Germany (from both rental fees and sale of properties) are subject to corporate tax in Germany and are exempt from corporate tax in the Netherlands.

Capital gains: Capital gains from the sale of shares of a Dutch company (by a Dutch company) whose assets mostly include real estate in Germany shall be taxed in the Netherlands, and as of January 1, 2019, shall also be taxed in Germany, following changes in the German tax laws. However, the change only applies to capital gains which accrued as of December 31, 2018. It should be noted that 95% of the capital gains will be exempt from tax in Germany.

[27] It should be noted that the Netherlands and Germany are both EU member states.

[28] It should be noted that the Netherlands and Germany are both EU member states.

Capital gains from the sale of shares of a German company (by a Dutch company) whose assets mostly include real estate in Germany shall be taxed in Germany as follows: 95% of the capital gains will be exempt and the balance will be subject to overall corporate tax at the rate of 15.825%.

1.15.3. Taxation in the Netherlands

Corporate tax: Applies to the global income (from any source) of a Dutch resident company at the rate of 19.0% in 2023 on annual income of up to EUR 200,000 and at the rate of 25.8% on taxable income beyond an annual sum of EUR 200,000, subject to certain exemptions established under Dutch tax laws.

Participation exemption in the Netherlands: One of the exemptions established under Dutch tax laws is the participation exemption according to which a Dutch company (the "holding company") which meets certain conditions may be entitled to a tax exemption on its income from dividends and capital gains deriving from shares held by it in another company (the "investee company"). The exemption shall apply to any holding in an investee company (at the rate of 5% and more) if the holding is not deemed as being a holding for passive investment (the "intention test").

Real estate companies: Real estate assets are not regarded as passive income. The participation exemption therefore applies to real estate companies.

Rate of tax withheld at source from dividends: According to domestic Dutch law, tax at the rate of 15% is withheld at source from dividends paid to foreign residents subject to the elimination of double taxation treaties that the Netherlands is party to, the EU parent-subsidiary directive and Dutch tax laws. For more information see section 1.4.1 above.

Rate of tax withheld at source from interest: According to domestic Dutch law, no tax is withheld at source from interest paid to foreign residents other than interest paid on certain bonds and profit participating bonds - which are subject to the same provisions which apply to tax withholding at source on dividends (as described above).

Capital gains: Generally, capital gains are included in the calculation of the taxable income as regular income which is subject to corporate tax. Profit from the sale of shares by a Dutch company is exempt from tax in the Netherlands subject to compliance with the participation exemption conditions established under Dutch law (see above with respect to the applicability of the participation exemption to the Company).

1.15.4. Taxation in Israel

BCP is a Dutch resident company, and therefore, according to the provisions of the Israel Tax Ordinance [New Version], 1961 (the "**Ordinance**"), and the provisions of the treaty between Israel and the Netherlands concerning the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income (the "**treaty**"), BCP will only be liable to tax in Israel for income generated or accrued in Israel and for capital gains from the sale of real estate in Israel or rights in a real estate association in Israel and on capital gains from the sale of movable property used as part of the assets of a permanent establishment of BCP in Israel.

1.15.5. Tax assessments

For information concerning the tax assessments of the Company and/or any of the subsidiaries, including with respect to a possible tax liability of the subsidiaries, see Note 15 to the financial statements as of December 31, 2023, attached as Chapter C to this periodic report.

1.15.6. Effective tax rate

The tax rate in the Netherlands is 25.8%, as stated above, but the vast majority of the Company's revenues derive from dividends and capital gains from the subsidiaries abroad holding real estate in Germany, which are exempt by virtue of the participation exemption.

1.15.7. Losses for tax purposes

See Note 15 to the Company's consolidated and audited financial statements as of December 31, 2023, attached as Chapter C to this report.

1.16. **Environmental hazards and their management**

In 1999 the Federal Soil Protection Law was enacted in Germany aimed at regulating the handling and rehabilitation of contaminated lands, imposing the responsibility therefor on the purchasers of the lands. The law wishes to afford long-term protection to the lands by preventing damage to the quality of the land, repairing the existing damages, and includes provisions aimed at preventing the creation of new problems.

In addition, the local authorities maintain a registry (Altlasten) in which plots are registered if the area in which they are located is classified as an area which consists of contaminating materials. Accordingly, in the event that land is purchased, the purchaser of the property is responsible to the authorities to remove the hazard (irrespective of whether of not the land is registered in the registry). In the event of land development or construction on land classified in the registry as dangerous or in the event of rezoning, the relevant authorities may conduct an independent examination of the contamination potential and if contamination is identified the owner of the property or those who caused the contamination are obligated to neutralize it.

The contaminants are divided into two main types: Soil contamination and groundwater contamination, with the second being more severe since its disposal costs are higher. Throughout Germany there are entire areas and regions whose groundwater is contaminated due to war damages, heavy industry and mines and the use of contaminants which were buried underground and were not removed in an orderly manner.

As part of the purchase process of the properties, the Group members are required to comply with relevant standardization provisions if any exist with respect to air pollution and environment protection. In the due diligence examination conducted by it, the Group conducts preliminary examinations on environmental issues; on contaminations according to the registry and for various indications and suspicions of contaminations. Only after the issue is examined is a decision made with respect to the acquisition. According to the Group's policy, an examination shall be conducted by an expert before the acquisition of the property in the event of a real suspicion of contamination.

As of the date of the report, the Group did not purchase a property the subject of material suspicions or registration concerns. No concerns prevented the Group from obtaining financing for these properties and no concerns bothered the financing banks with the valuations they performed for themselves.

To the Company's best assessment, the cost of the examinations conducted by the Group members and the cost of handling environmental issues are not material to the Group.

To the Company's best assessment, it does not own any property (i) whose current use may be prohibited or limited as a result of soil contamination problems; (ii) the subject of an investigation by the authorities and which may be restricted, or (iii) which requires repair/rehabilitation/remediation due to soil or groundwater contamination problems.

1.17. **Restrictions and supervision of the Corporation's activities**

1.17.1. General

1.17.1.1. Real estate sale laws in Germany

Under German law, real estate transactions are executed through a notary public who has a dominant role in the process of property acquisition. The notary acts as a neutral party and constitutes a kind of a guarantee until the transaction is completed. The notary's role is to secure the rights of the purchaser and the seller, while usually the consideration for the purchased property is transferred to the notary in trust and is secured by him/her until the registration in purchaser's name without any opposing right is secured. With respect to the completion of a real estate purchase transaction, it should be emphasized that the completion of the transaction involves the registration of the rights and transfer of the ownership or leasehold rights (hereinafter: the "**proprietary rights**") to purchaser's name in the registrations of the land registrar. Under German law, the transfer of the proprietary rights is completed upon them being registered in the land registry according to a notarial agreement concerning the transfer of the proprietary rights. The transfer of the consideration to the seller is subject to complying with the following conditions: (1) the notary checked and found that no cautionary notice/caveat to the contrary is registered on the property. The notary causes a cautionary notice/caveat to be registered in purchaser's name to secure purchaser's right to have the ownership in the purchased property transferred to his/her name; (2) the notary checked and found that the required legal and governmental confirmations to complete the transaction were received, including the municipality's waiver of its right of first refusal concerning the property; (3) the notary checked and found that certificates were received confirming that pledges and limitations on the transfer of rights in the sold property were removed (excluding pledges that at purchaser's consent will remain registered on the property). Under German law there are several rights in real estate, including, *inter alia*, the following rights:

a) Ownership right, leasehold right and ownership right in a part of a condominium.

b) The leasehold right is a proprietary right for a long period of time (up to 99 years) which may be bequeathed and assigned. A leasehold right is registered in a separate section in the land registry. Under German law, a leasehold right is similar in nature to an ownership right but is limited in time to 99 years with an option for an extension. The lessee may pledge its right (mortgage and other pledges). In these circumstances the consent of the land owner will usually be required.

c) The ownership right in a condominium is an ownership right in a specific part of the building and common and non-specific ownership of all the owners of the specific parts in the common property located within the building.

d) Real estate in Germany is divided into plots which are defined in the land registry as blocks and/or plots which are recorded separately in the land registry. These records include information concerning the land, the holders of the rights in the land and concerning rights of third parties with respect to the land.

The registry is divided into three parts as follows: first part - regulates the identity of the holders of the land (whether they are owners or lessees). The second part - regulates the existing restrictions on the land which do not serve as collateral for a financial liability of third parties (such as easements, right of refusal of a local authority, leasehold right and the like) and a third part - the registration of pledges and liens to secure obligations towards third parties such as a mortgage to a financing institution and the like.

1.17.1.2. <u>Site protection and conservation</u>

Under local law, the Authority for the Protection and Conservation of Cultural-Historic Sites (the "**Conservation Authority**") acts in Germany, which enforces the proper use of buildings with cultural-historic background, and which manages, *inter alia*, a registry of buildings designated for protection and conservation. Under German law, buildings with cultural-historic background are subject, *inter alia,* to the following protective provisions: (1) <u>right of refusal</u> - the sale of land with a property classified as cultural-historic according to the law is subject to the local authority having a right of first refusal, if the local authority intends to conserve the property. This right of refusal may be exercised within two months from the date on which notice is given to the local authority of the sale of the property; (2) <u>change in nature of use of the property</u> - the Conservation Authority is required to be notified of any change in the nature of use of the property; (3) <u>conservation and re-building obligations</u> - the owners and users of the property are obligated to make proper use of the property, conserve it as a cultural-historic property to the extent possible, protect it from possible risks. If the property is adversely affected the Conservation Authority may instruct to restore the property to its previous condition; (4) <u>approvals required to perform actions on the property</u> - any action with a property classified as a cultural-historic property, including the re-construction of a cultural-historic property, changes therein, external painting and covering, signs and advertisement, demolition and cleaning require the approval of the Conservation Authority.

The Company has a single-digit number of small buildings (all used for residential rentals) designated for conservation. The only limitation which applies to these properties is when material renovations are performed on the facade of the building. In such circumstances the owner is required to obtain the approval of the building conservation department at the local authority under which the owner undertakes to conserve the building and the configuration of the original facade. It should be noted that as of the execution of the report, the Company does not intend to renovate any of the facades of the buildings designated for conservation and therefore no action is required of the Company in that regard. It should also be emphasized that the Company has not initiated any procedure to obtain a building permit for any of the buildings designated for conservation.

1.17.1.3. Planning and building laws

Under German law, planning issues and urban building plans are governed by Federal German legislation, while issues relating to the building of projects, including building permits, are governed by state laws which are unique to each area (according to an internal division within Germany which is divided into 16 states). German law provides that as a general rule, the construction of a project requires for a permit to be issued by the relevant authority, which is issued following the submission of a proper application and compliance with required conditions. The permit is valid for a fixed pre-determined period (according to state law) and it expires at the end of said period. Accordingly, construction without a building permit, violation of the terms of the building permit, failure to comply with building safety instructions and other similar kinds of violations may lead to the imposition of penalties on the developer of the project. In addition, in certain events (for instance, if the building poses a risk to public health and cost-effective repair is not possible, or in the event of construction without a permit in violation of a material construction or planning directive) the relevant authorities in Germany are vested with the authority to instruct the owner of the building to demolish it. As a general rule, renovating buildings that does not change the appearance of the building and does not require re-zoning does not require a permit from the local authority. It should be noted that as of the execution date of the report, the Company complies with all of the requirements of the German planning and building laws, including the need to receive building permits for the renovation of buildings where the scope and/or nature of the renovation requires a building permit, and carries out any action for which a building permit was given according to terms and conditions of the relevant permit.

1.17.1.4. Environmental laws

See section 1.16 above.

1.17.2. **Operating segment - income-generating real estate**

The income-generating real estate segment is governed by various laws regulating the activity in this segment, including real estate legislation and legislation regulating lessor-lessee relationships. The Group is subject to the supervision and control of the various authorities with which the Group members interact as part of its activity in the operating segment. In this regard it should be noted that there is a difference between the various laws which govern the sub-segments of the operating segment, namely the income-generating commercial and the income-generating residential properties sub-segments. The various laws which govern the operating segment divided into the sub-segments shall be described in more detail below.

Among other things, the following laws and regulations apply to the Group and affect the Group's activity in Germany:

1.17.2.1. Rental laws in Germany in the income-generating commercial real estate operating segment

a. **The written requirement for rental agreements** - under German law, there is no formal requirement for a rental agreement. However, a rental agreement for a period which exceeds one year, is required to be written. If the writing requirement is not properly and fully complied with, the agreement shall be deemed valid for an unlimited period of time and may only be terminated through the provision of prior notice according to a period established by law. Currently, commercial rental agreements customarily include a defect curing clause with respect to the writing requirement (hereinafter: the "**curing clause**") to cure any violation of the writing requirement and prevent the parties from terminating it before the termination of the agreed rental period. Violations or defects concerning the written requirement may be cured by amending the rental agreements in a manner that it will comply with the written requirements under German law. However, the parties will only be required to enter into such an amendment if a curing clause as aforesaid was included in the original rental agreement. Germany does not have a rental registry or any other official registry validating rentals towards third parties.

b. **Revising/raising rental fees** - German law only imposes restrictions on increasing rental fees for residential rental agreements. For non-residential rental agreements, a mechanism is typically established in the rental agreement updating the rent in accordance with changes in the Consumer Price Index. The rent must be updated in both directions (namely, it must be increased or decreased, as the case may be). Agreement on updating rent as aforesaid can only be made if the rental period under the agreement exceeds 10 years, either due to the fixed period stipulated in the agreement or due to a combination of the fixed period together with contractual option periods.

c. **The rental period -** under German law, the maximum pre-determined rental period in a written rental agreement is 30 years. After 30 years each party has the right to terminate the agreement through the provision of three months' prior notice before the requested termination date. This period of time is established by law. The rental period in commercial rental agreements is typically between three to twenty years. Rental agreements typically include options to extend rental agreements by five additional years subject to the provision of prior written notice (usually 6 or 12 months in advance) and/or automatic extension options for additional one or two year periods at the end of the rental period, if neither party has terminated the agreement earlier.

d. **Early termination of the agreement and evicting the tenant** - under German law, a rental agreement will terminate at the end of the rental period upon the occurrence of a default event or according to the parties' mutual consent. German law provides that with respect to a rental agreement which is unlimited in time each party may terminate it according to the termination dates established by law or by agreement. A party to a rental agreement for a pre-determined period may only terminate it unilaterally for a "proper reason" - such as tenant's failure to pay the rent on the one hand or preventing the tenant from exercising their right to use the asset according to the agreement, on the other. For information concerning the eviction of tenants from the premises see subsection 1.17.2.2 below.

e. **Obligation of the owner of the property towards the tenants upon sale -** under German law, if the owner of the property gave notice of its sale then the tenant has the right to terminate the rental agreement. If the owner of the property did not give notice of the sale, then the owner will be responsible for the fulfillment of the obligations of the new purchaser, which entered its shoes, towards the tenant. The rental agreement is automatically transferred to the new purchaser and it does not have to be re-executed by the parties. If the tenant deposited collateral and by the end of the rental period the purchaser of the property does not return the collateral, the former owner of the property will responsible for returning it to the tenant.

f. **Operating costs -** under German law, the owner of the property is responsible for the payments and costs applicable to the property ("Nebenkosten"), such as taxes, insurance premiums, "superintendent" costs, cleaning, heating and the like. This provision can be contracted out in a rental agreement. In practice it is customary for the tenant to bear some of the operating costs of the property, while usually, the calculation is made according to the ratio between area of the premises rented to the tenant and the property's total area.

g. **Repairs and maintenance** - under German law, the owner of the property is responsible for repairs and maintenance. However, the parties typically come to a different agreement on this matter. It is customary for the owner of the property to be responsible for repairing and maintaining the roof and structure of the rented asset ("Dach und Fach") while the tenant is responsible for all the repairs and maintenance within the rented premises. It is usually agreed that the tenant is responsible for the internal design repairs ("Schönheitsreparaturen"), including plaster, paint and the like during the rental period. It should be noted that according to recent rulings in Germany, the tenant's obligation to carry out internal design repairs may be invalid in certain circumstances (such as the tenant's obligation to renovate the rented premises at the end of the rental period).

1.17.2.2. <u>Rental laws in Germany in the income-generating residential properties operating segment</u>

Presented below are the provisions of the German law applicable to residential rental agreements. All other provisions of the German law concerning rental agreements (including, without derogating from the generality of the aforesaid, formal requirements, the written requirement and early termination of a rental agreement for a pre-determined period, the responsibility of the owner of the property after the sale of the rented property to another) which are described in this section apply to both commercial and residential rental agreements.

a. **Costs and payments -** under German law, the owner of the property is responsible for the payments and costs applicable to the property "Nebenkosten". The parties may agree between them that the tenant will pay these payments and costs. Such an agreement should be clear and unequivocal. There are legal limitations on the participation rate of tenants in these expenses under residential rental agreements. Expenses which may be imposed on the tenant are established by law and include, *inter alia*, real estate taxes, structural and third party insurance premiums, costs of garbage disposal, sewage, water, electricity, heating, lighting, gardening, "superintendent" and elevator operating costs. It should be emphasized that the tenant cannot be responsible for the costs of the administrative management of the property and the maintenance/repair costs of the property (with the exception of the costs of the day-to-day maintenance of certain technical facilities such as elevators). The parties may agree on a mechanism for the payment of down-payments on a monthly basis (or in certain cases - on a quarterly basis) for these expenses. By the end of a rental year and within a year from that date, the landlord is required to provide the tenant with a full breakdown of the expenses for that rental year, specifying in detail the manner in which these expenses are allocated among the tenants of the property, and according to which a calculation shall be made between the parties with respect to the payment which was actually made (either over or short).

b. **Repairs and maintenance -** under German law, the owner of the property is responsible for repairs and maintenance of the property. It can be agreed in the rental agreement that the tenant will be responsible for repairs and maintenance, but there are clear restrictions on the transfer of liability as aforesaid (liability for payment only without responsibility for execution and limitation on the amount of the expense per event and per period relative to the rent and generally). Due to rulings of the German courts these clauses in rental agreements may be deemed ineffective and become non-binding.

c. **Updating the rent -** German law recognizes four basic options for raising residential rent: first, gradual increase of the rent by the mutual consent of the parties. Second, it can be agreed to adjust the rent and link them to the cost of living index and the consumer price index (typical for rent for commercial rather than residential properties). Third, the owner of the property may request to raise the rent to the fair market price according to the market rent level report ("Mietspiegel"), but such a raise shall not exceed 10%, as follows:

In specific areas declared by an order of the federal state where the conditions justify governmental rental supervision, and for only five years from the order's approval date, an apartment may be rented to a new tenant for rent which is not more than 10% higher than the rent under the existing agreement for the property/apartment and provided that the new rent is not higher than the relevant rent as specified in the Mietspiegel. In areas in which such an order does not apply - the rent for a new tenant may be raised above the existing agreement for the property/apartment as long as the new rent is not higher than the relevant rent specified in the Mietspiegel. This limitation does not apply to apartments in new construction or to buildings which underwent thorough renovation which raises the standard of the apartments close to that of a new construction. Until now, such an order has not been applied to the areas in which the Company operates.

The rent may be raised for an existing tenant as long as the rent is in accordance with that specified with respect to the property/apartment in the Mietspiegel table and such a raise shall not exceed 20% in a three-year calculation. However, as part of the efforts of the German government to increase rent control, each state may limit in specific cities/areas rent increases to no more than 15% in a three-year calculation (Kappungsgrenze). The NRW government imposed such a limitation in several cities in the state of NRW, but the limitation does not apply to the cities in which the Company's residential rental portfolio is located in NRW. In addition, the government of Bremen and the municipality of Hanover declared such a limitation which is valid to the city of Bremen (but not to Bremerhaven) in which the Company owns 745 residential units, to the city of Hanover in which the Company owns 838 residential units, and to the city of Gottingen in which the Company owns 238 residential units.

In addition to the above increase, a property owner may also increase the annual rent after it has improved or renovated the rented property subject to a limit of up to 8% of the total cumulative investment in the improvement or renovation, and a maximum increase of EUR 3 per sqm in 6 years. It should be noted that if the rent (before the increase) was lower than EUR 7 per sqm, the amount of the increase shall be limited to up to 2 EUR per sqm. With respect to residential units whose rent is subsidized by the local authority - in the event that the rent increase exceeds the subsidy tables of the local authority, the latter may instruct the tenant to vacate the apartment and find alternative housing to meet the conditions of the subsidy rates.

It should be noted that in the vast majority of the cases, the rent prevailing in the market is similar to or higher than the rent which may be subsidized according to the municipality's tables and therefore, when such an apartment is vacated, the Company will be able to rent the vacant apartment, after its renovation, at a price that will not be fall below the rent which may be subsidized. It should be noted that the above limitations were taken into account in the calculation of the fair value of said properties.

d. **Rental term and termination** - under German law, the rental period can be pre-determined provided that the agreement is made in writing. The maximal rental period is 30 years. After 30 years, each party may terminate the rental agreement provided that prior notice is given according to applicable law. However, it should be noted that in the residential apartment rental segment the term of the rental agreements may be pre-determined for a specific period of time only in the following circumstances, mainly if the owner of the property intends after the termination of the rental period to: (1) use the property for themselves or for their family members; (2) renovate, improve or develop the property; or - (3) rent the property to an employee in their business; therefore, accordingly, most residential rental agreements are for an unlimited time and can be terminated subject to applicable law concerning early termination as described below.

e. **Early termination of the rental period and eviction of tenants under rental agreement which are not limited in time** - German law provides that each party may terminate the agreement with the provision of prior notice established by law. With respect to the owner of the property, said period is extended with the passage of time from the commencement of the rental period. In addition, notice of the termination of the agreement by the owner of the property requires good reason for termination. A good reason may exist if the tenant materially breaches the rental agreement, if the owner of the property needs the property for its own use or the use of their family member, or if the rental agreement prevents the owner of the property from making proper use of the property and substantial damages are consequently suffered by it. It should be emphasized that an agreement may not be terminated in order to raise the rent of the property.

Each party may also terminate the agreement forthwith for proper cause. If the proper cause is a breach of a contractual obligation (such as failure to make two monthly rental payments), a written warning should be issued before the agreement may be terminated, unless one of the exceptions under law applies. In the event of non-payment as aforesaid, the tenant may cure the flaw by paying the amounts in arrears up to two months after a legal action to evict them has been initiated. If the owner of the property terminated the agreement as aforesaid and received a final court order instructing the tenant to vacate the property and return it to the owner of the property but the tenant fails to vacate the property, the owner may commence eviction procedures.

f. **Sale of the property, sub-tenancy by the tenant** - under German law the tenant may not transfer the rental agreement and may not pledge or sublet it without the consent of the owner of the property. The refusal of the owner of the property to transfer possession, as aforesaid, shall be based on reasonable reasons. If the consent of the owner will only be given in consideration for an increase of the rent, the owner of the property may give its consent for such transfer subject to an increase of the property's rent. If the tenant passes away, the rental agreement remains valid with the tenant's spouse or children who shared the property with the deceased.

g. **Limitations on rental agreements for public housing** - rental agreements in the framework of public housing (for this purpose public housing means properties which were established and/or renovated through the financing of special public financing institutions which grant subsidized loans) are subject to special restrictions under German law, including significant restrictions on rent increase. These restrictions apply by virtue of the law as well as by virtue of the financing agreements of the above public financing institutions. In this regard it should be emphasized that if the borrowing company makes an early payment of the loan taken by it from a public financing institution in connection with the establishment and/or renovation of a residential property, the same restrictions shall continue to apply to the company until the expiration of 10 years from the early payment date or until the contemplated payment date according to the financing agreement, whichever is earlier.

As of the date of the report, the Company has rental agreements for public housing reflecting a total annual income of approximately EUR 5.1 million, constituting approximately 10% of the Company's total income in 2023.

1.17.3. **Operating segment - Land betterment in Dusseldorf**

1.17.3.1. Planning and building laws

Under German law, planning issues and urban building plans are governed by Federal German legislation, while issues relating to the building of projects, including building permits, are governed by state laws which are unique to each area (according to an internal division within Germany which is divided into 16 states). German law provides that as a general rule, the construction of a project requires for a permit to be issued by the relevant authority, which is issued following the submission of a proper application and compliance with required conditions. The permit is valid for a fixed pre-determined period (according to state law) and it expires at the end of said period. Accordingly, construction without a building permit, violation of the terms of the building permit, failure to comply with building safety instructions and other similar kinds of violations may lead to the imposition of penalties on the developer of the project. In addition, in certain events (for instance, if the building poses a risk to public health and cost-effective repair is not possible, or in the event of construction without a permit in violation of a material construction or planning directive) the relevant authorities in Germany are vested with the authority to instruct the owner of the building to demolish it. However, as a general rule, renovation which does not change the facade of the building and does not require rezoning does not require a permit from the local authority.

1.17.3.2. Environmental laws

With respect to the Gerresheim land - the land was remediated from its industrial contamination and approximately 90% of the upper soil layer up to a depth of about 3 meter was replaced by the seller under the supervision of the relevant authorities, including the environmental department of the municipality of Düsseldorf.

1.17.4. **Operating segment - residential development properties**

1.17.4.1. See section 1.17.1.1 above. The table of payments to be received from purchasers of apartments in Germany which is specified in German law is as follows: 30% upon the commencement of construction works, 28% upon completion of the skeleton, 12.6% upon completion of the roof, 10.5% upon completion of the installation of the internal piping (water, electricity, sewage) and systems in the building (elevators, heating and the like), 7% upon completion of the finishing works (interior and exterior), 8.4% upon delivery of the apartment and 3.5% upon completion of all the works in the project (for instance, if the environmental development works have not yet been completed when the apartments were delivered).

1.17.4.2. In addition, upon receiving the first payment on account of the purchase price, if the Company cannot register a cautionary notice/caveat in favor of the purchaser with the land registry since the registration procedure of the condominium (parcellation) has not yet been completed, the Company is required to provide the tenant with a bank guarantee for the total amount paid by them until the registration of the cautionary notice/caveat as aforesaid.

1.17.4.3. German law also imposes liability for quality and inspection for a period of 5 years from the delivery date. The liability is not transferred to the lead contractor and applies to the developer. However, the developer on the other hand receives from the lead contractor a quality guarantee at the rate of 5% of the total works upon the completion of the works in the project to cover the Company's quality and inspection obligations towards the purchasers of the apartments.

1.18. **Collaboration agreements**

On July 1, 2019, the Company completed the acquisition of rights in a number of joint ventures by exercising its right of first refusal/offer (as the case may be) alongside the Company's controlling shareholder, in a manner that ADLER's subsidiary purchased 10.1% of the rights and/or holdings in the relevant property companies. For more information see the Company's immediate reports dated January 29, May 11 and July 1, 2019 (Ref. No: 2019-01-010509 and 2019-01-040008 and 2019-01-056562, respectively), included herein by way of reference, and Regulation 22 of Chapter D of this report. For more information concerning a transaction which was made by one of the foregoing joint ventures see section 1.1.4.1A above and Regulation 22 of Chapter D of this report.

1.19. **Legal proceedings**

For legal proceedings pending against the Group see Note 16B to the consolidated financial statements as of December 31, 2023, attached as Chapter C to this report.

1.20. **<u>Targets and Business Strategy</u>**

The Company's goal is to provide its shareholders with an excess return, relative to the level of risk, *inter alia*, by focusing its business activities mainly on the income-generating residential development property segment in the German market, given that the German residential real estate market is considered a stable, large and liquid market.

The Company intends to examine the possible actions with respect to the Company's existing projects, including their marketing, holding them for long-term rental purposes or selling them subject to market conditions. The Company intends to leverage the knowledge and experience gained by it in the execution of complex development transactions allowing value to be enhanced throughout the life of the property.

In addition, the Company intends to retain a stable and high-quality management team constantly examining ways to reduce administrative costs.

It should be noted that the Company is constantly examining the German real estate market and searches for ways to maximize the Company's results, including by selling additional properties from the Company's property portfolio, considering, *inter alia*, the possible consideration, the book value of the property, the potential proceeds deriving from the relevant property and market conditions.

1.21. **<u>Anticipated development in the upcoming year</u>**

1.21.1. The Company intends to continue with its business strategy and strengthen its financial position by re-financing the Company's liabilities and making attractive sales of the Company's properties.

1.21.2. In the income-generating residential properties segment the Company intends to continue implementing the operational activities aspiring mainly to increase the occupancy rates and rental income.

It should be noted that the aforesaid concerning the business strategy, the anticipated development in the upcoming year and the Company's assessments concerning specific projects, is based solely on the Company's assessments of trends, events and developments in connection with the Company's activity, which had or are expected to have an impact on the development of its activity and its business results. The Company's assessments stated above in this section concerning future development fall within the definition of "forward-looking information" under the Securities Law. The Company's assessments stated above, are based on data currently available to the Company and assuming that it shall continue to operate in the normal course of business. There is no certainty that these assumptions and estimates will be fully or partially realized since they depend

on external parties that the Company cannot influence or whose ability to influence them is limited, including the receipt of regulatory approvals and their dates and the occurrence of any of the risk factors specified in section 1.22 below.

1.22. **<u>Discussion on Risk Factors</u>**

The Company's management assesses that the Group's activity in the operating segments is exposed to the following primary risk factors:

1.22.1. **Macro-economic risk factors**

a. **The state of the German economy -** among the macro-economic factors in Germany which may affect the Company's operating results are the growth in GDP and change in employment rates. These factors have a direct impact mainly on the demand for new residential apartments. In addition, fiscal restraint manifested in the reduction of welfare budgets may adversely affect the residential rental market in Germany and increase unemployment rates in Germany. It may lead to a decrease in demand for apartments and halt the increase of the average rent per sqm. Due to the nature of the Company's activity in the real estate segment in Germany, the state of the German economy has a significant impact on the Company's operating results. Substantial negative changes in the economic situation in Germany may affect the Company's ability to develop its business in this country. Interest rate increases in the market affect property values and rental prices per sqm. They also affect the demand curve for existing and new residential apartments. In 2022 - 2023 interest and inflation rates have increased which in fact have impacted the book value of the Company's properties but it did not affect rent prices per sqm during the reported period.

b. **Recession in the credit market, depression in the Israeli and global capital markets and insolvency of European countries** - an economic slowdown in the global markets as a result of events with macroeconomic effects may cause interest rates to increase, inflation, recession in the credit market, a depression in the Israeli and global capital markets and to a possible insolvency of European countries. This scenario may result in difficulties to obtain bank financing, stricter financing conditions (higher equity to debt ratio, higher interest costs as a result of an increase in the margins demanded by the banks and the like) which may lead to a slowdown in the entire real estate market in Europe, in general, and in Germany, in particular, which may reduce the number of transactions and adversely affect the Company's ability to expand. In addition, a depression in the Israeli and global capital markets (*inter alia*, due to possible changes in the Israeli judicial system and due to the war in Israel) may adversely affect the Company's future ability to issue securities on both Israeli and global stock exchanges. Such a deterioration of the Israeli and global capital markets may encumber the ability to raise capital and debt to finance the Company's activities.

Interest risks - with respect to the Company's properties, an increase in interest rates increases the rates of return sought by investors, thus reducing the value of the real estate. An increase in interest rates will also increase the Company's financing expenses with new loans taken by it and may also impact the Company's ability to sell properties (if the Company wishes to perform such sales) because an increase in interest rates also impacts the financing expenses entailed in buying the property for the buyer.

c. **Inflation and rising interest rates; an increase in construction inputs** - The negative trend of growing inflation and higher interest rates continued over 2022-2023. The changes in inflation and interest trends in Israel and around the world may have an impact on the Group's activity, *inter alia,* due to the impact of these processes on the business activity in the market, including operating costs, cost of raw materials, the structure of financing costs and the like. In addition, in 2022-2023 increases were recorded in construction costs which may have an impact on the profitability of the properties included in the Company's development real estate portfolio, as well as on the valuation of these properties. The Company estimates that its rich and diverse property portfolio will enable it to preserve its financial strength in a manner which will limit the impact of the inflation, the increasing interest rates and higher construction costs on its operating results. In addition, it should be noted that the bonds which were issued by the Company are linked to the index and are therefore directly affected by the rising inflation rate in the market.

d. **Impacts of the war in Ukraine -** The Russian invasion of Ukraine in February 2022, may have a general, across the board impact on the global economy, including the capital markets and prices of common raw materials such as iron and oil, and demographic impacts due to problems of refugees and migration. These consequences may have an impact on the Company's business activity, its capital assets, and the availability of financing in the capital markets. It should be clarified that true to date, and considering the early stage of the crisis, the Company estimates that the war in Ukraine does not have a substantial impact on its activity. However, the Company's assessments are based in this context, *inter alia,* on public information which was published in the media as of the publication date of the report, and therefore these assessments may change or not materialize or materialize in a different manner than that stated above.

e. **The security and political situation in Israel** - As described above in section 1.5.1.1, the "Swords of Iron" war broke out in Israel in Q4 2023 which is having an impact on the entire economy. As of the date of this report, the implications of the war and its impact on macro-economic factors in Israel and on Israel's financial position are uncertain. Similarly, as of the publication date of the report, the legal reform initiated in January 2023 by the Israeli government and the resulting protests stopped due to the outbreak of the war and there is no certainty regarding when the government will continue advancing the reform and its implications on the Israeli economy. As of the approval date of the report, the Company does not anticipate that these events will have a material impact on the Company's activities considering the fact that the Company does not operate in Israel, other than in light of the fact that the Company's shares and Bonds (Seies B, C and D) are listed in Israel, the Company has no other activities in Israel and effectively has no commercial exposure in Israel; however, that stated above may impact the Israeli capital markets, where the Company's securities are traded and may therefore impact the Company's ability to raise capital. True to date, the Company assesses that what is stated above is not having a material impact on its activities, particularly while bearing in mind that the Company successfully raised approximately ILS 360 million through an issuance of bonds in February 2024. At this stage, the Company is unable to assess the extent the protraction of the war or the renewal of the judicial reform will have generally on the Israeli economy and specifically on the Company's results.

1.22.2. **Risk Factors**

<u>Sectoral risk factors - income-generating and residential development properties</u>

a. **Decline in the demand for rental spaces** -The crisis in the European and German real estate market may lead to a decline in the demand for rental spaces, to erosion of the Group's rental fees and may adversely affect its financial results. The Company's high occupancy rates may be harmed if the demand for spaces declines and/or if existing rental agreements are not renewed. The demand for office and commercial spaces may decline as a result of the increase in the supply of space due to competition over high-quality tenants (tenants with financial strength).

b. **Decline in the occupancy rate of the Group's apartments** - As of the date of this report, the Group's operating activity is characterized by high occupancy rates. The occupancy rate depends on the quality of the properties, their geographic location and on diverse external circumstances such as infrastructures in the area in which the property is located and accessibility to the properties. As part of its business plan, the Group acts to improve the occupancy rate, including (subject to the lawful limitations) by evicting tenants from properties with a low occupancy rate for the purpose of renovating the properties and bringing new tenants while increasing rental fees. A low occupancy rate of the Group's properties over time, together with fixed management costs for the property, may adversely affect its operating results.

c. **Decline in tenant's ability to pay** - This risk factor may lead to an increase in provisions for doubtful debts or alternatively may lead to non-renewal and even early termination of rental agreements. The Company has an internal examination process it performs prior to engaging tenants in order to ensure the tenant's financial position and payment ethic.

d. **Decline in the scope of governmental support to the low-income echelons** - In certain areas in Germany, in which the Company also operates, the government gives support in the form of rental support to populations in need (unemployed, disabled and the elderly). Decline in the scope of the support may reduce tenant solvency. It should be noted that approximately EUR 5.1 million, constituting approximately 11% of the total annual rental revenues in the income-generating residential properties segment, is paid monthly by the relevant local authority according to the housing subsidy policy for the eligible tenants of that relevant authority.

e. **Value of Company's properties** - The Company is exposed to a decline in the value of the properties held by it and to an inability to sell them. A decline in the value of the Group's properties and/or inability to sell them may adversely affect the Company's business results. The fair value of development properties is determined, *inter alia*, according to the discounted cash-flow method. The calculation of the discounted cash-flow involves certain assumptions, including - assumptions regarding the discount rates, assumptions regarding the renewal of agreements (mainly the probability of renewal and the expected rent upon the renewal) and the occupancy rates of the various properties, estimates which by their very nature contain a certain amount of uncertainty.

f. **Property and liability risks** - The Company insures its properties under an insurance policy and it acquires policies to insure the customary risks the Group is exposed to. In the event of an insurance event the Company is liable to have financial exposure in the amount of the difference between the total insurance coverage and the financial quantum of the claim or property damage. It should be emphasized that the Company's management assesses that the Company is not under-insured.

1.22.3. **General Risk Factors**

a. **Legislation and regulation in the real estate sector in Germany, including liability for environmental damage (ESG)** - The Group's activity is subject to the German regulation in all areas of operation in a manner that a change in the regulatory environment (including, *inter alia*, changes in legislation regulating the renovation of buildings owned by the Group, provisions concerning energy efficiency requirements, legislation affecting the local rental laws and legislation pertaining to the conversion of buildings into condominiums) may have an impact on the Group's activity and its results. In addition, the Group's activity in Germany is subject to domestic privacy protection laws which require strict compliance with requirements concerning the use and holding of private information. The failure to comply with these laws may subject the Group to penalties in scopes calculated on the basis of the Group's revenue streams. In addition, the Group may be exposed to certain obligations concerning environmental conservation and to costs involved in complying with these obligations, which may have a negative effect on the Group's operating results.

b. **Information and cyber security** - The Company's activity is based, *inter alia*, on computerized information systems. In recent years there has been an increase in the frequency and severity of cyber-attacks around the world. Hostile attack attempts may adversely affect the integrity and stability of the Company's information systems, and consequently, disrupt the Company's activities, steal its data, cause damage to the Company's reputation and expose it to legal actions. These events may adversely affect the Company's business results. To protect its information systems the Company performs daily cyber tests which include combined attacks on the email system, endpoints, entry and exit of communication channels and the Company's websites. During the reported period no cyber events occurred which significantly affected the Company's activity. The Company constantly evaluates the risk of cyber-attacks with the external consultation of Cymulate.

Unique Risks to the Company

c. **Decline in demand for new residential apartments in Düsseldorf** - In recent years Düsseldorf has been characterized by an increase in demand for the acquisition of new residential apartments as a result of the economic boom experienced by the city in the last 10 years, which encourages a positive migration of high socioeconomic groups to the city. A change in this trend as a result of a slow-down in the economic activity of the city may adversely affect the demand for new residential apartments in Düsseldorf as well as the sale prices of such apartments. It may consequently extend the duration of its execution and adversely affect the profitability of the Company's residential development project in Düsseldorf.

d. **Increase in the supply of available land and/or residential construction projects in Düsseldorf** - Düsseldorf is characterized by surplus demand for new residential apartments compared to the existing supply as a result of demographic growth, on the one hand, and a shortage of available land for residential construction in attractive locations in the city. The shortage of available lands as aforesaid may result in a trend of rising prices for new apartments, real estate developers acting towards rezoning existing land complexes changing their designated use from commercial, industrial and office complexes to residential complexes. If this trend leads to a significant growth in the supply of land in central locations in the city for the construction of new residential apartments, it may adversely affect the demands for the projects executed by the Company, lead to a decrease in the selling prices of new apartments in the city, and consequently extend the duration of its construction and harm the profitability of the Company's residential development project in the city of Düsseldorf.

e. **Increase in the prices of construction inputs and/or contracting costs -** An increase in the prices of construction inputs as a result of the recovery of the global economy (for instance, an increase in the prices of raw iron due to growth in demand for iron in India, Brazil and China) or, alternatively, as a result of the war that broke out in the Ukraine and its impact on oil prices and the availability of raw materials and their supply and/or an increase in the costs of contracting works for residential construction in Düsseldorf as a result of a possible increase in the number of competing projects will lead to an unexpected increase in the construction costs for the Company's project in the city and will decrease its profitability.

The following table presents the foregoing risk factors according to their nature - macro-risks, sectoral risks and unique risks to the Group. These risk factors were graded according assessments made by the Company's management, on the basis of the circumstances existing on the date of the report, according to their estimated impact level on the Group's business:

	Impact level of risk factor on the operating segment		
	High	**Medium**	**Low**
Macro-risks			
State of the German economy		+	
Recession in the credit market, depression of the Israeli and global capital markets and insolvency of European countries	+		
Interest risks	+		
Inflation and rising interest rates, increase in construction inputs	+		
Implications of the war in Ukraine		+	
Security and political situation in Israel		+	
Sectoral risk factors - income-generating and residential development properties			
Decline in demand for rental spaces		+	
Decline in the occupancy rate of the Group's apartments		+	
Decline in tenant solvency		+	
Decline in the scope of governmental support for low-income echelons		+	
Value of Company's properties	+		
Property and liability risks		+	
Legislation and regulation in the real estate sector in Germany, including liability for environmental damages (ESG)		+	
Data and cyber security		+	
Unique Risks to the Company			

	Impact level of risk factor on the operating segment		
	High	**Medium**	**Low**
Decline in demand for new residential apartments in Düsseldorf		+	
Increase in supply of available properties and/or residential projects under construction in Düsseldorf	+		
Increase in the prices of construction inputs and/or contracting costs	+		

The Company's assessments concerning the foregoing risk factors including the general resulting impact of the risk factors, the war in Ukraine, the war in Israel, and specifically inflation and rising interest, is based on information which is available to the Company and which exists in the world as of the date of the report and includes the Company's estimates and intentions, considering the current state of affairs. It should be clarified that the Company may be exposed in the future to additional risk factors and/or that the risks factors described above shall evolve in a different manner than that which is anticipated by the Company and the impact of each risk factor, if materialized, may differ from the Company's estimates.

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

The board of directors of Brack Capital Properties N. V. (hereinafter: the “Company”) is pleased to file the board of directors' report for the twelve month period ended as of December 31, 2023 (the “reported period”) in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970 (the “Reporting Regulations”). The financial statements attached as Chapter C 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 “Swords of Iron” war, and it wishes the injured a speedy recovery and the safe return home of all IDF soldiers and hostages.

In this report below:
The “date of the report” - December 31, 2023.
The “report execution date” or the “execution date of the report” - March 28, 2024.
The “reported period” or the “period of the report” - the 2023 annual period.

Introduction

Presented below are the Company’s principal results for the twelve month period ended as of December 31, 2023.

1. **Profitability**

The net loss attributed to the Company's shareholders for the 2023 annual period amounts to approximately EUR 143.3 million, compared with a loss of approximately EUR 170.6 million in 2022. It should be noted that this annual loss primarily derives from a decline in the value of the Company’s investment properties (totaling approximately EUR 111.7 million) and a decline in the value of the Company’s land inventory (totaling approximately EUR 61.4 million). 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 C - Disclosure regarding material and very material appraisals' below.

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

- ***Income-generating properties***: The Company’s NOI in 2023 totaled approximately EUR 42.0 million, compared with approximately EUR 49.8 million in 2022. The Company’s EBITDA in 2023 totaled approximately EUR 29.1 million, compared with approximately EUR 38.0 million in 2022. The Company's FFO for the 2023 annual period amounts to approximately EUR 17.8 million, compared with approximately EUR 25.4 million in 2022. It should be noted that the sharp decline in FFO, NOI and EBITDA in 2023 compared with 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). For information concerning the financial metrics presented in this report which are not based on generally accepted accounting principles, see Section 8 below.

There was an approximately 2.2% increase in rental fees in the residential income-generating property segment in Q4 2023 from similar assets compared with the parallel quarter in 2022. As of the execution date of the report, the average rental fee is EUR 7.20 per sqm, and the rental fee in the Company's income-generating property portfolio is approximately 8.2% 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 97.4%.

- ***Residential developments***: The Company's development properties are not at the stage of construction, the Company therefore did not recognize a profit from the sale of apartments in 2023. 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 C - 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	567	5.2%	5.7%	4.6%	5.0%	97.4%
Commercial	16	10.2%	10.2%	-	-	73.6%
Total	**583**	**5.3%**	**5.7%**	**4.5%**	**5.0%**	**97.0%**

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 562.4 million, and EPRA NTA[4] totals approximately EUR 714.3 million as of the date of the report.

[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 revenues assuming that all the properties are rented at the current occupancy rate at market rate.

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

[4] EPRA NTA - For information about the metric and its calculation see Section 8.2 of this report.

3.2. **Debt ratios**: The LTV ratio[5] amounts to approximately 41.44% as of the date of this report, compared with approximately 36.43% in the same period YoY. The EBITDA to interest coverage ratio solely for the income-generating portfolio during the reported period amounts to approximately 2.91.

3.3. **Liquidity**: Cash balances (consolidated) totaled approximately EUR 42.5 million as of the date of the report.

3.4. **Financing**: As of the date of the report, the Company has bank loans totaling approximately EUR 350.2 million which are subject to average annual interest of 3.07% and with an average lifetime of 5.94 years, as well as listed bonds totaling approximately EUR 102.5 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 February 28, 2024, subsequent to the date of the report, the Company completed an issuance of a new series of Bonds (Series D) in a total scope of approximately ILS 360 million, and accordingly, as of the publication date of the report, the scope of the Company's listed bonds total approximately EUR 194.8 million which is subject to average Shekel denominated interest (linked to the CPI) of 4.5%.

For more information concerning the Company's financing sources and its liquidity see Section 7.1 below.

4. **<u>Brief description of the Group's businesses and its operating environment</u>**

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 and the sale of additional properties being examined by the Company, see Sections 1.20 and 1.1.4(c) of Chapter A attached to this report.

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:

4.1. **Income-generating residential properties:** As of the date of the report, the Group owns 9,307 rental apartments with a total area of approximately 567,000 sqm.

4.2. **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.

4.3. **Residential property development and land betterment in Düsseldorf:** The

[5] Net debt to total properties and inventory

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 aforementioned land complexes see sections 1.7 and 1.8 of Chapter A to this report.

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

5. **Financial Position**

Assets	As of 31 December 2023	December 31 2022	Explanation for the change
Current assets	EUR 000's		
Cash and cash equivalents	42,527	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	47,734	32,354	The increase is attributable to a balance of receivables totaling approximately EUR 13.5 million for completing the sale of the residential income-generating property portfolio in the city of Hamm. The amount was received in full in January 2024. For more information see Note 9.9 below.
Accounts and other receivables for sale of apartments	251	264	
Tenants and trade receivables, net	2,331	2,167	
Assets of disposal groups held for sale	-	143,823	The decline is attributable to the reclassification of properties previously classified as "held for sale", to "investment property - income-generating properties" pursuant to IFRS 5.
Total current assets	**92,843**	**389,085**	
Non-current assets	EUR 000's		
Investments in financial assets measured at fair value through profit or loss	4,508	5,287	
Inventory of land	156,100	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

Assets	As of 31 December 2023	December 31 2022	Explanation for the change
			financial statements and Part C below.
Investment property - rights in land	30,200	35,300	For details see Note 7 to the Company's consolidated financial statements.
Investment property - income-generating properties	928,810	925,123	For details see Note 7 to the Company's consolidated financial statements.
Deposits restricted for investment in properties	8,038	4,997	
Accounts receivable, debit balances and other financial assets	7,524	175	The increase is attributable to a deposit totaling EUR 7.4 million deposited as collateral with the investment house hedging the Company’s risk for changes in the EUR/ILS exchange rate.
Deferred taxes	-	236	
Total non-current assets	**1,135,180**	**1,177,469**	
Total assets	**1,228,023**	**1,566,554**	

Liabilities	As of 31 December 2023	As of 31 December 2022	Explanation for the change
Current liabilities	EUR 000's		
Current maturities of loans from banking corporations	20,631	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 9.4 below.
Current maturities of bonds	24,753	62,944	The decline is due to the completion of the exchange tender offer with Bondholders (Series B). For details see Section 9.7 below.
Other financial liabilities	4,948	7,795	The balance primarily derives from the value of the derivative hedging the Company's bonds from changes in the EUR/ILS exchange rate.
Loan from the controlling shareholder	75,000	151,330	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 Section 9.3 below.
Accounts payable, credit balances and other liabilities	25,126	25,993	
Current tax liabilities	127	410	
Liabilities of disposal groups held for sale	-	66,780	The decline is attributable to the reclassification of liabilities previously classified as "held for sale", to the relevant liability line-items pursuant to IFRS 5.
Total current liabilities	**150,585**	**415,046**	
Non-current liabilities	EUR 000's		
Loans from banking institutions	329,178	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 9.4 below. Additionally, an amount totaling approximately EUR 52 million, which was classified in 2022 as obligations held for sale, was classified in this line-item in 2023.

Liabilities	As of 31 December 2023	As of 31 December 2022	Explanation for the change
Bonds	77,755	104,774	The decline is due to the completion of the exchange tender offer with Bondholders (Series B). For details see Section 9.7 below.
Other financial liabilities	21,249	15,491	The increase primarily derives from the value of the derivative hedging the Company's bonds from changes in the EUR/ILS exchange rate.
Deferred taxes	71,015	84,542	The decline is primarily attributable to a decrease in the value of the Company's investment property portfolio. For more information about the declines in value following appraisals relevant to the reported period, see Part C of this report.
Total non-current liabilities	**499,197**	**417,267**	
Total liabilities	**649,782**	**832,313**	
Equity			
Equity attributable to shareholders of the Company	562,394	705,732	
Minority interests	15,847	28,509	
Total equity	**578,241**	**734,241**	
Total Liabilities and Equity	**1,228,023**	**1,566,554**	

6. Operating Results

	For the year ended 31 December			Explanation for the change
	2023	**2022**	**2021**	
	EUR 000's			
Revenues from property rentals	49,776	59,887	59,243	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	24,530	24,837	23,706	
Property management expenses	(24,207)	(24,830)	(23,644)	
Cost of maintenance of rental properties	(8,142)	(10,102)	(10,228)	

	For the year ended 31 December			Explanation for the change
	2023	**2022**	**2021**	
Net rental and management revenues	**41,957**	**49,792**	**49,077**	
Revenues from selling apartments	-	-	8,301	The cost of selling the apartments in 2022 and 2023 stems entirely from the decrease in the value of land inventory. For more information see Note 6 to the Company's consolidated financial statements and Part C below.
Cost of selling apartments	(61,377)	(13,556)	(7,304)	
Profit (loss) from selling apartments	**(61,377)**	**(13,556)**	**997**	
Group's share in the profits (losses) of companies handled under the equity method	-	859	(2,083)	
General and administrative expenses	(13,072)	(13,119)	(11,547)	
General and administrative expenses relating to the inventory of building under construction and land inventory	(1,404)	(1,669)	(1,502)	
Net increase (decrease) in value of investment properties	(111,687)	(158,872)	111,603	For more information see Part C below.
Profit (loss) before financing expenses	**(145,583)**	**(136,565)**	**146,545**	
Financing expenses excluding the impact of exchange rate and index changes and hedging transactions	(10,062)	(10,880)	(10,635)	
Impact of exchange rate and index changes and hedging and other transactions	(876)	(20,301)	(10,023)	

	For the year ended 31 December			Explanation for the change
	2023	**2022**	**2021**	
Change in fair value of financial instruments, credit and other losses	(3,226)	(9,533)	(28,949)	
Other revenues (expenses), net	(674)	(21,135)	-	
Profit (loss) before taxes on income	**(160,421)**	**(198,414)**	**96,938**	
Tax abatement (taxes on income)	14,421	21,220	(24,362)	
Total net and comprehensive profit (loss) for the period	**(146,000)**	**(177,194)**	**72,576**	
Net and total profit (loss) attributed to:				
Shareholders of the Company	(143,338)	(170,558)	72,676	
Minority interests	(2,662)	(6,636)	(100)	

7. **<u>Sources of financing, liquidity and cash-flows</u>**

	For the year ended 31 December			Explanation for the change
	2023	**2022**	**2021**	
	EUR 000's			
Cash-flows from operating activities (used for operations)	16,576	(569)	20,032	See the cash-flow report.
Cash-flows from investment activities (used for activities)	(955)	122,474	(18,042)	See the cash-flow report.
Cash-flows for financing activities (used for activities)	(185,619)	65,759	(11,943)	See the cash-flow report.

7.1 <u>Access to sources of financing</u>

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 350.2 million which is subject to average interest of 3.07% with an average lifetime of 5.94. During the reported period, the Company entered into agreements to extend the maturity dates of one of the Company's material loans and one of its very material loans. For more information see the immediate reports published by the Company on March 28, 2023 (Ref. No: 2023-01-033288) and May 24 and June 6, 2023 (Ref. No: 2023-01-048010 and 2023-01-062322, respectively), Sections 9.2 and 9.4 below and Section 1.12.6.3 of Chapter A to this report.

(b) Financing though bonds: The Company has listed bonds totaling approximately EUR 102.5 million as of the date of the report, bearing an average ILS interest (linked to the index) of 4.05%. During the reported period the Company completed an exchange tender offer for Bonds (Series B) of the Company, as part of which the Company settled 92% of Bonds (Series B) in consideration for Bonds (Series C) and cash. Additionally, subsequent to the date of the report, the Company completed the issuance of a new listed series of Bonds (Series D) with a total scope of approximately ILS 360 million, accordingly, as of the publication date of the report, the Company has listed bonds totaling approximately EUR 194.5 million which is subject to average Shekel denominated interest (linked to CPI) of 4.5%. For more information regarding the exchange tender offer and the issuance of bonds by the Company during and subsequent to the reported period, see Sections 9.7 and 9.10 below.

(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 1.12.6.2 of Chapter A, 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 properties: To finance its operating activities and fulfill its obligations, over 2022-2023 the Company entered into and completed several transaction for the sale of the Company's properties, for a total asset value of approximately EUR 298.9 million, with the net consideration totaling approximately EUR 175.4 million being received in cash. 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 1.1.4.1 of Chapter A to this report.

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 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 agency 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 has 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 in Chapter A attached to this 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 Section 9 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 9.7 below and the issuance of Bonds (Series D) (subsequent to the date of the report), as described in Section 9.10 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 2023 financial statements).

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.

It should be clarified that the Company's assessments concerning the aforesaid including with respect to the Company's assessments of its access to financing and the impact of ADLER's financial position in this context and in general, the impacts of the rising inflation rate and interest rates in the market, the Company's debt rating, substantial challenges in obtaining financing, 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.

<u>Examination of warning signs</u>

Further to that stated above, the Company's board of directors discussed the very existence of the Company having a warning sign, as defined in Regulation 10(b)(14) of the Report Regulations, due to the fact that the Company's standalone financial statements specify there being prolonged negative cash-flow from operating activities and due to the fact that both the Company's standalone and consolidated financial statements specify there being a working capital deficit.

The Company's board of directors believes that the foregoing is not indicative of the Company having a liquidity problem, *inter alia*, considering: (a) The Group's financial structure and on the basis of the financial data specified in the Company's consolidated financial statements as surveyed by the Company's management, and in light of the fact that if the Company had a need for additional cash-flow it would be able to draw management fees or dividends from its subsidiaries; (b) The extension of the maturity date of one of the Company's very material loans as specified in Section 9.4 below; (c) The successful completion of an exchange tender offer of the Company's Bonds (Series B) for Bonds (Series C) (for additional information see Section 9.7 below); (d) The successful completion of an issuance of a new series of Bonds (Series D) by the Company in a scope of ILS 360 million; (e) The possibility to sell some of the Company's other properties (including in accordance with that stated in Section 1.1.4 of Chapter A of this report) and in light of the Company's relatively low LTV ratio; and (f) The 24 month cash-flow forecast presented to the Company's board of directors.

Therefore, as of the report date, the Company has no warning signs.

8. **Financial metrics not based on generally accepted accounting principles**

8.1 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. It primarily involves adjustments of the fair value of investment properties, various capital profits and losses, different deductions, adjustment of project management costs and possession costs 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-month period ending on December 31, 2023	**For the three-month period ending on December 31, 2022**	**For the year ended December 31, 2023**	**For the year ended December 31, 2022**
Net profit (loss) attributed to the shareholders of the Company[6]	(42,917)	(69,438)	(143,338)	(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	25,916	71,945	110,128	150,957

[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-month period ending on December 31, 2023	For the three-month period ending on December 31, 2022	For the year ended December 31, 2023	For the year ended December 31, 2022
Group's share in losses (profits) of companies treated under the equity method	-	-	-	(859)
Impairment of goodwill or negative goodwill	-	-	-	-
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	(33)	2,009	3,226	9,533
B. Adjustments for non-cash items				
Effects of measurement, exchange rate differentials and non-cash hedging transactions	(296)	1,866	1,564	19,610
Costs for deferred taxes and taxes for previous years	(4,400)	(2,680)	(15,174)	(19,564)
C. One-time line-items/ new activities/ discontinued activities/ other				
One-time adjustments and others	1,998	(119)	4,979	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	205	365	1,262	1,501
Adjustments for impairment of land inventory	24,303	2,417	55,178	12,188
Total adjustments to the net profit	47,693	75,803	161,163	195,997
Nominal F.F.O. according to the management's approach (excluding index-related linkage expenses)	**4,776**	**6,365**	**17,825**	**25,439**

	For the three-month period ending on December 31, 2023	For the three-month period ending on December 31, 2022	For the year ended December 31, 2023	For the year ended December 31, 2022
Adjustments arising from linkage to the index	-	(676)	(1,274)	(2,883)
Real F.F.O. according to the instructions of the Securities Authority	**4,776**	**5,689**	**16,551**	**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.

8.2 EPRA metrics - Net asset value (EUR millions)

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.

Presented below is a calculation of the Company's EPRA metrics as of December 31, 2023:

	EPRA NRV	EPRA NTA	EPRA NDV
Equity attributed to the Company's shareholders	562.4	562.4	562.4
Plus deferred taxes for EPRA adjustments (minus share attributable to minority interests)	74.5	74.5	-
Neutralizing the fair value of net derivative financial instruments	20.5	20.5	-
Inventory revaluation[7]	-	-	-
Plus Real Estate Transfer Taxes (RETT) and other acquisition costs	80.4	56.9	-
Fair value of nominal liabilities subject to fixed interest[8]	-	-	34.7
Total	**737.8**	**714.3**	**597.1**

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	-

[7] Difference between fair value and book value

[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.

	EPRA NRV	EPRA NTA	EPRA NDV
Fair value of nominal liabilities subject to fixed interest	-	-	50.8
Total	**900.2**	**876.1**	**761.2**

It should be noted that the decline in the EPRA metrics in the period between December 31, 2022 and December 31, 2023, is, among other things, related to the decline in the fair value of the Gerresheim project, as well as the impairment of the Company's residential income-generating properties throughout the reported period.

8.3 NOI Metric - Net Operating Profit

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.

8.4 EBITDA metric

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. The Company clarifies that the EBITDA metric data are not a substitute for the data appearing in the financial statements and are not audited by the Company's auditors.

9 **<u>Material events and changes during and after the reported period until the publication date of this report</u>**

9.1 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.

9.2 On March 27, 2023, the Company executed an agreement with a lending banking corporation with the objective of extending the maturity date of part of an existing Company loan, for more information see section 1.12.6.3 of Chapter A of this report and the immediate report published by the Company on March 28, 2023 (Ref. No: 2023-01-033288).

9.3 <u>The credit facility from ADLER, ADLER's undertakings and amendment of the credit facility agreement</u>

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). For more information about amendments to the ADLER credit facility agreement, see Section 1.12.6.2 of Chapter A of this report.

9.4 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. For more information see Section 1.12.6.3 of Chapter A of this report, and the immediate reports published by the Company on May 24 and June 6, 2023 (Ref. No: 2023-01-048010 and 2023-01-062322, respectively).

9.5 On June 28, 2023, investigators from the Fiscal Information and Investigation Service, acting under instruction form 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. For more information see the immediate report published by the Company on June 29, 2023 (Ref. No: 2023-01-060676).

9.6 Further to the Company's earlier reports, further to the decision by the Company's shareholders to not authorize the Company's board of directors to issue shares with the objective of preventing the Company's shares being placed on the maintenance list despite the repeated requests made by the Company's board of directors to its primary shareholders on this issue, pursuant to a decision of the Tel Aviv Stock Exchange Ltd. ("**TASE**"), the Company's shares were transferred to the TASE maintenance list on January 31, 2024, due to the Company failing to comply with the maintenance rules established in the TASE listing rules and guidances enacted thereto regarding the requirement for a minimal public holding of the Company's shares. For more information regarding the Company's shares being placed on the maintenance list, including the actions taken by the Company in an attempt to prevent its shares from being placed on the maintenance list, see the Company's earlier reports and its immediate report dated February 21, 2024 (Ref. No: 2024-01-015733), hereby included by way of reference.

9.7 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).

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

9.9 On December 15, 2023, the Company completed the sale of residential properties in the city of Hamm according to a property valuation of approximately EUR 24.0 million. The Company received an advance payment from a buyer that same day totaling approximately EUR 0.8 million. The sale was performed through a "share transaction", and in January 2024 the Company received the outstanding consideration for the transaction, totaling approximately EUR 13.6 million. It should be noted that the Company recognized a profit of approximately EUR 0.7 million in its financial statements due to the completion of this transaction. For more information see the immediate reports published by the Company on December 17, 2023 and January 16, 2024 (Ref. No: 2023-01-113755 and 2024-01-005842, respectively).

9.10 Subsequent to the date of the report, on February 28, 2024, the Company completed an issuance of a new series of Bonds (Series D) in a total scope of approximately ILS 360subject to Shekel-denominated interest (linked to CPI) of 5.05%. For more information concerning the terms of the Bonds (Series D), see Part B of this report.

9.11 Subsequent to the date of the report, on March 21, 2024, Mr. Thomas Zinnocker gave notice that he will conclude his service as one of the Company’s directors and as chairman at the end of the Company’s next general meeting (annual or extraordinary, whatever it may be). For more information see Section 1.11.2 of Chapter A to this Report.

9.12 Subsequent to the date of the report, the Company was informed that the City of Dusseldorf has decided to continue to advance the negotiations with the Company regarding the approval of the urban development contract and building permit. The Company is examining its continued activities, *inter alia*, according to the Company’s general strategy to examine the sale of properties from all parts of its property portfolio. For more information, see the immediate report dated March 28, 2024 (Ref. No: 2024-01-028906).

<u>**Part B - Aspects of corporate governance**</u>

10 <u>**General**</u>

<u>The law applicable to the Company as a Dutch company</u>

The Company is a Dutch company and it is not subject to the provisions of the Israel Companies Law, 1999 (hereinabove and hereinafter: the "**Companies Law**"), other than the sections of the Companies Law which apply to foreign companies offering shares to the Israeli public pursuant to Section 39A of the Israel Securities Law (hereinafter: "**Section 39A**"). The Securities Order (Replacing Addendum IV to the Law), 2016, became effective on February 17, 2016, whereby Addendum IV to the Securities Law was replaced with a new Addendum IV with two parts; Part A, which applies provisions of the Companies Law onto companies incorporated outside of Israel (hereinafter just in this subsection: "**foreign companies**") and whose shares are offered to the Israeli public **- including it applying the provisions of Sections 301-311 of the Companies Law regarding permitted distributions, dividends, buybacks and prohibited distributions** (hereinafter: "**Part A to Addendum IV**") and Part B which applies the provisions of the Companies Law on foreign companies which have publicly issued bonds. It should be clarified that Addendum IV does not apply to foreign companies which publicly offered shares or bonds <u>**prior to the amendment of the legislation**</u> (like the Company). However, the amendment applies to any foreign company (including the Company) which publicly offers securities from the date of the amendment (i.e., from February 17, 2016) onwards, including foreign companies (including the Company) reissuing securities. **Therefore, due to the fact that on April 4, 2016, the Company reissued Bonds (Series C), it has been subject to the amendment described above since such time.**

Further to that stated above and according to the directive issued by the Israel Securities Authority (ISA) to foreign companies which are subject to Section 39A, to update their incorporation documents to reflect the provisions of Addendum IV, the Company subsequently, and according to its commitment to ISA, formally adopted the provisions of the Companies Law in the Company's articles of association to reflect Addendum IV.

On July 3, 2017, the Company's extraordinary general meeting (following the approval of the Company's board of directors on May 18, 2017) confirmed that since the Company's shares IPO'd to the Israeli public and are listed on the Tel Aviv Stock Exchange Ltd, under Israeli law, the provisions of Section 39A of the Securities Law apply to the Company, and therefore some of the provisions of the Israeli Companies Law also apply to the Company, in addition to the Company's articles of association and Dutch law. The shareholders also accordingly approved the amendment of the Company's articles of association.

It should further be noted that since the derivative action and defense provisions (Sections 194-205A of the Companies Law) and the provisions imposing financial sanctions (Sections 363A(a) and (b)(2)-(12), 363B and 363C of the Companies Law) cannot be <u>explicitly</u> entrenched in the Company's articles of association, since they are inconsistent with the cogent law applicable to the Company in the Netherlands (which cannot be stipulated against), the Company included in its amended articles as approved by the Company’s general meeting on July 3, 2017, provisions regarding jurisdiction and governing law, including regarding derivative action and defense and the imposition of administrative enforcement measures by ISA. It should also be noted that on August 16, 2018, the Company's general meeting approved an additional amendment to the Company's articles of association, primarily introducing a clearer distinction between an “executive director” and a “non-executive director” (Ref. No: 2017-01-069852 and 2018-01-076657, respectively).

In addition to the foregoing, on January 29, 2017, the deeds of trust were amended between the Company and Reznik Paz Nevo Trusts Ltd. as the trustee for the Bondholders (Series A-C) such that the deeds of trust included the obligations of the Company/officers in connection with the imposition of financial sanctions or administrative enforcement measures on the Company and/or its officers[9] as well as undertakings by the Company and its officers not to raise any arguments against the Bondholders’ right to file a derivative action (the “**Company and officer undertakings**”).

Statement regarding the Dutch Corporate Governance Code

The Company has adopted both the directives of the Dutch and Israeli corporate governance regimes with the objective of cultivating trust and confidence in the integrity and transparency with how business is conducted by public companies. There are many similarities due to the fact that both regimes are based on the same principles. However, there are certain differences between the corporate governance rules applicable in the Netherlands and in Israel. The Company supports the principles and best practice under the Dutch Corporate Governance Code (or the “Dutch Code”). As opposed to the Israeli rules that apply to Israeli companies, the Dutch Code adopts a “comply or explain” regime. Therefore, any deviation from best practice is permissible provided that an explanation is given. Any deviation from a directive or practice of the Dutch Corporate Governance Code can be explained by the implementation of Israeli corporate governance practices.

[9] Not to dispute the authority of ISA and/or the Administrative Enforcement Committee in Israel (hereinafter: the “**Committee**”) in connection with financial sanctions and/or administrative enforcement measures that may be imposed on the Company and/or its officers (as the case maybe) by ISA and/or the Committee pursuant to Chapter H3 and/or Chapter H4 of the Securities Law and to honor the decisions of ISA and/or the Committee including, without derogating from the generality of the foregoing, to pay the financial sanctions and/or payments to parties injured from the violation which may be imposed on the Company and/or its officers (as the case may be and if imposed at all) and to take actions to cure the violation and to prevent it.

11 **Directors with accounting and financial expertise and independent directors**

For details regarding the qualifications, education and experience of Patrick Burke, Thomas Zinnocker, Ron Hadassi (external director) and Taco Tammo Johannes de Groot (external director) who are serving in the Company as directors possessing accounting and financial expertise, see Regulation 26 in chapter D to this report.

12 **Independent directors**

As of the date of the report, the Company has not adopted in its articles of association any provision regarding the number of independent directors.

For details regarding the qualifications, education and experience of Patrick Burke, Liselot Dalenoord, Ron Hadassi and Taco Tammo Johannes de Groot, who were classified by the Company as independent directors, see Regulation 26 of Chapter D of this report.

13 **Details regarding the corporation's internal auditor**

On March 6, 2023, the Company's board of directors (subsequent to the recommendation of the audit committee) appointed CPA Hila Barr-Hoisman, who is a partner at the accounting and consulting firm Deloitte Brightman Almagor Zohar, as the Company's internal auditor, and her details are as follows:

Name:	CPA Hila Barr-Hoisman
Date of commencement of role:	March 6, 2023
Compliance with the terms and conditions applicable to internal auditors:	The internal Auditor meets the conditions prescribed in Section 146 of the Companies Law and Sections 3(a) and 8 of the Internal Audit Law.
Designation of role:	The internal auditor does not hold any other position in the Company other than serving as the internal auditor. The internal auditor does not hold any other position outside of the Company that creates or which may result in a conflict of interests with her position as the internal auditor of the Company.
Personal interest:	The internal auditor is not an interested party in the Company, is not an officer of the Company and is not related to any of the above and does not serve as one of the Company's auditors or anyone on its behalf and does not provide external services to the Company, other than internal auditing services.
Ownership of Company securities:	The internal auditor, according to her notice, does not hold any of the Company's securities nor does she hold any securities of an entity related to the Company, as such term is defined in Addendum IV to the Report Regulations.

Name:	CPA Hila Barr-Hoisman
Commercial/material relationship with the Company:	The internal auditor does not have any material commercial relationship or other material relationship with the Company or an entity related to the Company, as such term is defined in Addendum IV to the Report Regulations.
Employee or external service provider of the Company	The internal auditor is not an employee of the Group or an external service provider of the Group.
Appointment of the internal auditor:	The appointment of the internal auditor was approved by the Company's board of directors on February 21, 2023, at the recommendation of the Company's audit committee and based on her professional experience as an internal auditor in the area of internal audit.
Organizational superior	Chairman of the audit committee
Internal auditor’s qualifications:	The internal auditor has been licensed as a CPA since 2000 and is a partner at the accounting and consulting firm of Deloitte Israel & Co. She has extensive experience in risk management and internal audit along with broad experience in performing internal audit functions in public companies. The internal auditor holds qualifications in the field of internal audit, including CIA and CISA certifications.
The internal auditor being external to the Company:	The internal auditor provides internal audit services as an external party, through her team from Deloitte Israel & Co.
Scope of engagement:	The Company's audit committee approved an audit plan in a scope of approximately 450 hours for 2023. The following audits were carried out under this plan: Salary payments and customer collection. The audit plan is multi-year and its cost is based on a rate of ILS 250 per work hour (on average) and to the Company's best understanding, the scope of compensation does not affect the auditor’s independent discretion.
The audit plan:	The audit plan is part of a multi-year plan. The planning of the audit tasks, setting priorities and audit frequency are affected by the following: The likelihood of managerial and administrative flaws, the exposure to operating and activity risks, issues requiring an audit by the administrative authorities, issues required by law, pursuant to internal or external procedures, the need to maintain the cyclicality of issues previously tested.

Name:	CPA Hila Barr-Hoisman
	The Company's annual internal audit work plan was set in collaboration with the chairman of the audit committee, the internal auditor and her team. The annual work plan is approved by the Company's audit committee at the beginning of each financial year. The plan is determined in accordance with the recommendation of the internal auditor, after consulting with the management and the audit committee. The plan is subject to change and encompasses the entire Group, including corporations held outside of Israel.
Professional standards:	The internal auditor, according to a notice issued by her, performs the audit according to international audit standards of the International Institute of Auditors (IIA).
The scope, nature and continuity of the activity and work plan of the internal auditor:	The board of directors believes that the nature and continuity of the internal auditor's activity and work plan are reasonable under the circumstances and they are adequate to achieve the Company's internal audit objectives.
Free access for the internal auditor:	The internal auditor has been given free access as required under Section 9 of the Internal Audit Law, including continuous and direct access to the Company's IT systems, including financial data.
Internal auditor's report:	The internal auditor submits her written reports to the audit committee and the Company's management. The findings of the 2023 audit were sent to the Company's management and the audit committee on various dates during 2023. Discussions were held at these times by the audit committee together with the internal auditor sharing the findings of the audit.
Compensation:	Professional fees for internal audit services were determined based on an amount equivalent to ILS 250 per hour on average, amounting to ILS 113 thousand in total. The Company assesses that this compensation does not affect the internal auditor's professional discretion.

14 **Details about the Company's external auditor**

Name: Ziv Haft, BDO

In accordance with the resolution adopted by the general meeting on December 20, 2023, the accounting firm Ziv Haft, BDO was appointed as the Company's external auditor for 2023, until the end of the Company's next general meeting. For additional details see the

Company’s immediate reports dated November 14, 2023 and December 20, 2023 (Ref. No: 2023-01-103576 and 2023-01-115090, respectively), hereby included by way of reference.

Auditor’s fees (BDO):

Year	**Audit services**	**Other services**
	Amount (EUR 000’s)	**Amount (EUR 000’s)**
2022	-	-
2023	130 (*)	-

(*) The fee paid to BDO for 2023 only reflects the work on the audit of the annual financial statements as they were only appointed in Q4 2023.

The accounting firm Somekh Chaikin, KPMG served as the Company’s external auditor prior to the general meeting’s resolution of December 20, 2023.

Auditor’s fees (KPMG):

Year	**Audit services**	**Other services**
	Amount (EUR 000’s)	**Amount (EUR 000’s)**
2022	445 *	9
2023	495 **	-

(*) The 2022 audit services include an amount of approximately EUR 85 thousand for auditing the Company’s shelf prospectus.

(**) The 2023 audit services include an amount of approximately EUR 95 thousand for auditing the Company’s shelf prospectus.

Principles to establish the fees and the approving organs: The Company’s board of directors was authorized by the Company’s shareholders to establish the auditors’ fees. The auditors’ fee was established through negotiations between the Company’s board of directors and the auditor, and the Company’s management believes that it is reasonable and customary based on the nature of the Company and the scope of its operations. The auditor’s fee was approved by the Company’s board of directors. The auditor’s fee was established based on an assessment of the work hours required to audit the Company, based on the scope of the audited operations and its complexity. It should be noted that the Company’s shareholders are the organ which appoints the auditor.

Part C - Disclosure regarding material and very material appraisals and material appraisers

The appraisals of the Company’s residential income-generating property assets were performed by CBRE Appraisers who are the leading appraisers in the German market in the field of real estate services. The assets appraised by CBRE constitute 75% of the total assets on the Company's balance sheet. During the reported period the Company recognized a loss from the impairment of residential income-generating property assets mostly resulting from an increase in the capitalization/discount rates (caused, *inter alia*, as a result of an increase in the interest rates and the inflation) during the reported period.

During the reported period there was an increase of approximately 0.5% in the capitalization/discount rates used to measure the fair values of some of the Company’s investment 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 105.1 million was recognized from the change in fair value of the Company’s income-generating properties.

It should be noted that the appraisals of the Company's development properties were performed by NAI APOLLO Appraisers. The assets appraised by NAI APOLLO constitute 15% of the total assets on the Company's balance sheet. During the reported period the Company recognized a loss from the impairment of development property assets mostly resulting from an increase in the capitalization/discount rates (caused, *inter alia*, as a result of an increase in the interest rates and the inflation), as well as from an increase in building costs during the reported period.

For more information concerning the major assumptions underlying the appraisals of the Company's assets, see Note 7 to the Company's consolidated financial statements attached as Chapter C to this report.

The appraisals of material investment properties assets[10],[11] were not attached to this report since they are “material” but not “very material” appraisals.[12] A condensed overview of the data from the above-mentioned appraisals is provided below. The appraisal of the land inventory was not attached to this report according to the provisions of Regulation 8B(g) of the Report Regulations, since it is a “very material”[13] appraisal made in connection with inventory balances.

[10] As defined in the Report Regulations.

[11] As defined in the Report Regulations.

[12] As defined in the Report Regulations.

[13] As defined in the Report Regulations.

Identifying the subject of the appraisal	The timing of the appraisal (Effective date)	The value of the subject of the appraisal shortly before the appraisal date (if generally accepted accounting principles, including depreciation and deductions, did not require to change its value according to the appraisal) (EUR 000's):	The value of the subject of the appraisal which was determined according to the appraisal (EUR 000's)	Identifying the appraiser and its characteristics including education, experience in making appraisals for accounting purposes for reporting corporations in scopes similar to or exceeding those of the reported appraisal and dependence on the company requesting the appraisal, including reference to indemnity agreements with the appraiser	The appraisal model used by the appraiser	The assumptions underlying the appraisal, according to the appraisal model				
						Capitalization/ discount rate Exit cap rate	Growth rate	Terminal value (EUR 000's)	Prices used as a basis for the comparison	Several comparison bases
Residential portfolio in Bremen	Applicable date - December 31, 2023	76,890	74,860	CBRE Michael Schlatterer (MRICS, RICS Registered valuer) Independent appraisers experienced with appraising assets in similar scopes. Without an indemnity agreement, excluding indemnity for liabilities arising from incorrect or inaccurate information provided to it by the Company.	Discounted cash-flow	4.50%	1.50%-2.00%	96,392	Comparison transactions including price per sqm for similar properties	CBRE's database of signed rental agreements with respect to approximately 261 apartments in Bremen.
Residential portfolio in Kiel	Applicable date - December 31, 2023	80,070	76,870	CBRE Michael Schlatterer (MRICS, RICS Registered valuer) Independent appraisers experienced with appraising assets in similar scopes. Without an indemnity	Discounted cash-flow	4.23%	1.75%-2.50%	105,065	Comparison transactions including price per sqm for similar properties	CBRE's database of signed rental agreements with respect to approximately

Identifying the subject of the appraisal	The timing of the appraisal (Effective date)	The value of the subject of the appraisal shortly before the appraisal date (if generally accepted accounting principles, including depreciation and deductions, did not require to change its value according to the appraisal) (EUR 000's):	The value of the subject of the appraisal which was determined according to the appraisal (EUR 000's)	Identifying the appraiser and its characteristics including education, experience in making appraisals for accounting purposes for reporting corporations in scopes similar to or exceeding those of the reported appraisal and dependence on the company requesting the appraisal, including reference to indemnity agreements with the appraiser	The appraisal model used by the appraiser	The assumptions underlying the appraisal, according to the appraisal model				
						Capitalization/ discount rate Exit cap rate	Growth rate	Terminal value (EUR 000's)	Prices used as a basis for the comparison	Several comparison bases
				agreement, excluding indemnity for liabilities arising from incorrect or inaccurate information provided to it by the Company.						140 apartments in Kiel.
Land for construction in Gerresheim, Düsseldorf	Applicable date - December 31, 2023	159,700	141,700	NAI APOLLO Stefan Mergen; Dr. Peter Stark Independent appraisers experienced with appraising assets in similar scopes. Without an indemnity agreement, excluding indemnity for liabilities arising from incorrect or inaccurate information provided to it by the Company.	Residual value	N/A	N/A	785,600 (estimated value upon the completion of the project)	N/A	N/A

Part D - Designated Disclosure to the Bondholders

15 **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 Securities Regulations 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?	No	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 December 31, 2023 (ILS 000's)	16,984	347,731
Linked par value as of December 31, 2023 (ILS 000's)	19,146	386,620
Accrued interest plus linkage differentials (ILS 000's) as of December 31, 2023	-	6,978
Value in the financial statements as of December 31, 2023 (ILS 000's), including interest payable	19,756	398,445
Value on TASE as of December 31, 2023 (ILS 000's)	19,204	387,615
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	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

	Bonds (Series B)	Bonds (Series C)
	failure to comply with the financial covenants as specified in Sections 2.8.4.12 and 2.8.4.13 of the shelf prospectus.[14,15]	to comply with the financial covenants as specified in Sections 2.8.4.12 and 2.8.4.13 of the shelf prospectus.
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	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

[14] 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**").

[15] 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).

	Bonds (Series B)	**Bonds (Series C)**
	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.	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

It should be noted that on August 6, 2023, the Company completed a 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).

Furthermore, presented below are details of bonds issued by the Company subsequent to the date of the report according to the Eighth Addendum to the Securities Regulations to the Report Regulations:

	Bonds (Series D)
Is it a material series (as this term is defined in Regulation 10(b)(13)(a) of the Report Regulations?	Yes
Issuance date	February 28, 2024
Series expansion dates	-
Par value on the issuance date (ILS 000's)	360,000
Par value on the series expansion date (ILS 000's)	-
Par value as of December 31, 2023 (ILS 000's)	-

	Bonds (Series D)
Linked par value as of December 31, 2023 (ILS 000's)	-
Accrued interest plus linkage differentials (ILS 000's) as of December 31, 2023	-
Value on TASE as of the execution date of the report (ILS 000’s)	373,464
Type and rate of interest	5.05% (annual linked at a fixed rate), subject to adjustments in the event of changes in the rating of the Bonds (Series D) and/or failure to comply with the financial covenants.
Principal Payment Dates	Payable in 3 unequal annual installments on February 1st of each one of the years 2027 through 2029 (inclusive) such that each one of the first two installments will constitute 33% of the total principal par value of the Bonds (Series D), and the third payment will constitute 34% of the total principal par value of the Bonds (Series D); the first principal payment will be made on February 1, 2027.
Interest Payment Dates	Payable on 1 February and 1 August of 2024-2029 (inclusive) commencing as of August 1, 2024. The final interest payment is due on February 1, 2029.
Linkage base (principal and interest)	Linked (principal and interest) to the Consumer Price Index published on February 15, 2024 for January 2024.
Are they convertible?	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 D) in whole or in part as it may choose by the last payment date of the Bonds (Series D) as decided by the Company's board of directors.
Has a guarantee been given for the payment of the Company's obligations according to the trust deed?	No

16 **Trustee details**

Bonds (Series B), Bonds (Series C) and Bonds (Series D)

(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

17 **Rating**

On July 20, 2023, S&P Maalot announced that it had issued a rating of ‘ilBBB+/Watch Neg’ for the issuance of bonds of up to ILS 240 million par value, for more information see the immediate report dated July 20, 2023 (Ref. No: 2023-01-068704).

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-’ with a negative outlook was affirmed. For more information see the immediate report published on September 13, 2023 (Ref. No: 2023-01-086686).

On February 26, 2024, S&P Maalot announced that it had issued a rating of ‘ilBBB+’ for the issuance of bonds of up to ILS 360 million par value, for more information see the immediate report dated February 25, 2024 (Ref. No: 2024-01-016651) hereby included by way of reference.

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

Bond Series	**B**	
Name of the rating company	**Maalot**	
	Bond rating	**Issuer's rating**
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 being taken off a negative CreditWatch)	ilBBB+	ilBBB-, negative outlook
January 2024	ilBBB+	ilBBB-, negative outlook
February 2024	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

Bond Series	**C**	
Name of the rating company	**Maalot**	
	Bond rating	**Issuer's rating**
July 2023	ilBBB+	ilBBB-, negative outlook
September 2023 (Company’s ratings being taken off a negative CreditWatch)	ilBBB+	ilBBB-, negative outlook
January 2024	ilBBB+	ilBBB-, negative outlook
February 2024	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	**D**	
Name of the rating company	**Maalot**	
	Bond rating	**Issuer's rating**
The rating of the bonds and the issuer on the initial issuance date (February 2024)	ilBBB+	ilBBB-, negative outlook
The rating of the issuer and the bonds as of the date of the report	ilBBB+	ilBBB-, negative outlook

18 Meeting the conditions and obligations under the trust deeds

Bonds (Series B and C):

To the best of the Company’s knowledge, as of the date of the report and during the reported period, the Company was and is in compliance will all the conditions and undertakings pursuant to the trust deeds,[16] in this respect, as of the end of the reported period and as of the publication date of the report, the Company is in compliance with all the financial covenants established in the trust deeds (for Series B and C); and that, subsequent to the date of the report, the Company has publicly issued a new series of Bonds (Series D). To the best of the Company’s knowledge, from the issuance date of Bonds (Series D) and as of the approval date of the report, the Company was and is in compliance with all the financial covenants established in the trust deed[17] (for Series D) (hereinafter respectively: the “**trustee**” and “**trust deeds**”) including the financial covenants specified below:

[16] In the trust deeds between the Company and Reznik, Paz, Nevo Trusts Ltd., as trustee for the bondholders (Series B) of the Company of 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.

[17] Of February 26, 2024, between the Company and Reznik, Paz, Nevo Trusts Ltd., as trustee for the bondholders (Series D) of the Company.

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%[18]:

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

December 31, 2023, is EUR 562.4 million.

The net financial debt, according to the Company's standalone reports as of that date is EUR 144.7 million.

Therefore, the ratio between the Company's equity and the net financial debt according to the standalone reports as of the date of the report, namely, as of December 31, 2023, is approximately 388.77%.

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

	With respect to Bondholders (Series B)	With respect to Bondholders (Series C)	With respect to Bondholders (Series D)
"Base ratio"	**Ratio of the value of the pledged shares to net debt of 175%.**	**Ratio of the value of the pledged shares to net debt of 175%.**	**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 ratio of the principal of Bonds (Series C) (plus accrued linkage differentials and interest accrued but not yet paid).**	**The ratio of the principal of Bonds (Series D) (plus accrued linkage differentials and interest accrued but not yet paid).**
The number of BGP shares pledged as of December 31, 2023 and as of the execution date of the report	115,300 shares	794,157 shares	445,000 shares (as of February 28, 2024 (the issuance date) and as of the execution date of the report).
The total issued share capital of BGP as of December 31, 2023, and as of the execution date of the report	1,1978,261 shares		
% of the pledged shares out of BGP's total issued share capital as of December 31, 2023 and as of the execution date of the report	5.8%	40.1%	22.5%

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

	With respect to Bondholders (Series B)	With respect to Bondholders (Series C)	With respect to Bondholders (Series D)
BGP's equity attributed to the shareholders according to the Company's financial statements as of December 31, 2023 and as of the execution date of the report	EUR 729,336 thousands		
The representative EUR/ILS exchange rate, as published by the Bank of Israel for December 31, 2023 and as of the execution date of the report	4.0116 ILS/EUR and 3.9648, respectively		
Value of the pledged shares as of December 31, 2023 and as of the execution date of the report	ILS 170,526 thousands and ILS 168,537 thousands, respectively	ILS 1,174,541 thousands and ILS 1,160,838 thousands, respectively	ILS 650,467 thousands (as of the execution date of the report)
Net debt as of December 31, 2023 and as of the execution date of the report	ILS 19,146 thousands	ILS 393,598 thousands	ILS 361,515 thousands (as of the execution date of the report)
Ratio between the value of the pledged shares to net debt as of December 31, 2023 and as of the execution date of the report	Approximately 891% and 880%, respectively	Approximately 298% and 295%, respectively	Approximately 179.9% (as of the execution date of the report)

C. **The Company also undertook to comply with the following financial covenants in the trust deeds:**

		With respect to Bondholders (Series B)	With respect to Bondholders (Series C)	With respect to Bondholders (Series D)	As of December 31, 2023	As of the execution date of the report
Minimum equity		EUR 150 million	EUR 190 million	EUR 325 million	Approximately EUR 562.4 million	Approximately EUR 562.4 million
Restrictions on dividend distributions *	Minimum equity	EUR 160 million	EUR 200 million	EUR 475 million	Approximately EUR 562.4 million	Approximately EUR 562.4 million
	Maximum cap ratio**	70%	70%	65%	45.60%	45.60%
	Minimum ratio between the value of the pledged shares and the net debt	-	-	150%	See Table B above.	See Table B above.
Maximum cap ratio**		75%	75%	72.5%	45.60%	45.60%

* The Company has undertaken to not distribute dividends to its shareholders and/or to not distribute capital to its shareholders and/or to buyback its shares or convertible bonds if they will result in the Company failing to comply with the financial covenants specified above.

** Maximum cap ratio with respect to Bonds (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	177,508
Financial liabilities of the subsidiaries	349,809
Minus cash, cash equivalent and deposits	(42,527)
The net financial debt, consolidated	**484,790**
The cap[19]	

[19]“**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

Financial liabilities according to the solo reports	177,508
Equity including minority interests	578,241
The net financial debt, consolidated	484,790
The cap	**1,063,031**

Therefore **this ratio amounts to 45.60%** while according to the trust deeds this ratio should be lower than 75% for Series B and C and less than 72.5% for Series D.

The maximum cap ratio for Bonds (Series D) is calculated in the following manner: (data presented in EUR 000's):

Financial liabilities according to the solo reports	177,508
Financial liabilities of the subsidiaries	349,809
Minus cash, cash equivalent and deposits	(42,527)
The net financial debt, consolidated	**481,790**
The cap	
Equity including minority interests	578,241
The net financial debt, consolidated	481,790
The cap	**1,060,031**

Therefore **this ratio amounts to 45.45%** while according to the trust deeds this ratio should be lower than 72.5% for Series D.

19 Description of the pledged assets securing the Company's obligations according to the promissory notes

To secure the Company's undertakings under the terms of the Bonds (Series B, C and D), the Company has created a first ranked pledge under Dutch law over the shares of Brack German Properties B.V., a wholly owned subsidiary of the Company, whose value in the Company's financial statements as of December 31, 2023 totals EUR 729.3 million.

During the reported period, following the exchange tender offer completed by the Company on August 6, 2023 (for more information see Section 9.7 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

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.

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).

In December 2023 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 a confirmation that the pledges had been deleted on January 2, 2024, and accordingly, in January 2024, it released 250,000 shares from the pledges recorded to secure its obligations in connection with Bonds (Series B).

Upon the completion of the issuance of the Company’s Bonds (Series D), in March 2024 the Company pledged 445,000 additional BGP shares to secure its liabilities with respect to Bonds (Series D).

Therefore, as of the date of the report 115,300 and 794,157 BGP shares have been pledged to secure the Company’s liabilities with respect to Bonds (Series B and C, respectively), and as of the publication date of the report 445,000 additional BGP shares have been pledged to secure the Company’s liabilities with respect to the Company’s Bonds (Series D).

Release of excess collateral

(a) **Bonds (Series B)**: The Company may issue a release instruction to the trustee instructing the trustee to release the pledges recorded over the pledged shares and/or cash amounts and/or guarantees provided as collateral in favor of the trustee. For more information about release instructions see Sections 5.5(b) and 5.5(c) of the trust deed.
(b) **Bonds (Series C)**: The Company may issue a release instruction to the trustee instructing the trustee to release the pledges recorded over the pledged shares and/or cash amounts and/or guarantees provided as collateral in favor of the trustee. For more information about release instructions see Sections 5.5(b) and 5.5(c) of the trust deed.
(c) **Bonds (Series D)**: The Company may issue release instructions to the trustee for the release of pledged shares and/or the release of financial collateral (if provided as collateral). For more information about release instructions see Section 5.4(c) of the trust deed.

Replacing pledged assets and/or removing the pledge over the pledged shares

(a) **Bonds (Series B)**: The Company may, at any time, release and remove the pledge over the pledged shares (in whole or in part), or replace the pledged shares, in whole or in part, either against a guarantee or against making a cash deposit in the trust account. For more information see Section 5.5(e) of the trust deed.
(b) **Bonds (Series C)**: The Company may, at any time, release and remove the pledge over the pledged shares (in whole or in part), or replace the pledged shares, in whole or in

part, either against a guarantee or against making a cash deposit in the trust account. For more information see Section 5.5(e) of the trust deed.

(c) **Bonds (Series D)**: The Company may, at any time, release and remove the pledge over the pledged shares (in whole or in part) and replace the pledged shares, in whole or in part, only with one or all of the financial collateral, and it may replace one or more of the financial collateral with BGP shares and a financial collateral with another. For more information regarding replacing the pledged assets and/or removing the pledge over the pledged shares see Section 5.4(e) of the trust deed.

20 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 as well as the assets and the bonds issued by the Company and a loan from the controlling shareholder together with 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, the bonds issued by it and the loan received from the controlling shareholder), and the Company is therefore not attaching separate reports of the pledged investee.

Presented below are data as of December 31, 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:

The Company declares that the data presented below have been taken from the financial statements audited by the Company's auditors.

For more details about the condensed financial statements of BGP, see Appendix A below.

Data as of December 31, 2023 (EUR 000's)	**The Company on a consolidated basis**	**Assets/ liabilities of the pledged investee**	**Asset/ liabilities of non-pledged corporations**
Total assets	1,228,023	1,195,054	32,969
Current assets	92,843	59,874	32,969 *
Non-current assets	1,135,180	1,135,180	-
Total liabilities	649,782	449,871	199,911
Current liabilities	150,585	43,971	106,614 **

Data as of December 31, 2023 (EUR 000's)	**The Company on a consolidated basis**	**Assets/ liabilities of the pledged investee**	**Asset/ liabilities of non-pledged corporations**
Non-current liabilities	499,197	405,900	93,297 ***
Minority interests	15,847	15,847	-
Total equity attributable to Company's shareholders	562,394	729,336	(166,942)
Percentage of assets of the total assets on the balance sheet	100%	97%	3%
Percentage of liabilities of the total liabilities on the balance sheet	100%	69%	31%
Percentage of equity of the total equity on the balance sheet	100%	130%	(30%)

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

** Primarily for a loan from the controlling shareholder (totaling approximately EUR 75 million). The balance is also comprised of current maturities of the principal of the Bonds (Series B and C) issued by the Company and interest payable for the bonds.

*** Primarily the balance of the principal of the Bonds (Series B and C) issued by the Company.

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

March 28, 2024

Appendix A - Condensed Financial Statements of BGP B.V.

Consolidated Statements of Financial Position

	As of 31 December	
	2023	2022
	EUR 000's	
Current assets		
Cash and cash equivalents	22,386	175,483
Restricted deposits, financial assets and other debit balances	47,612	32,144
Accounts and other receivables for sale of apartments	251	264
Tenants and trade receivables, net	2,331	2,167
Assets of disposal groups held for sale	-	143,823
Total current assets	72,580	353,881
Non-current assets		
Investments in financial assets measured at fair value through profit or loss	4,508	5,287
Land inventory	156,100	200,457
Investment property - rights in land	30,200	35,300
Investment property - income-generating properties	928,810	925,123
Deposits restricted for investment in properties	8,038	4,997
Accounts receivable, debit balances and other financial assets	7,524	175
Deferred taxes	-	236
Total non-current assets	1,135,180	1,171,575
Total assets	1,207,760	1,525,456

Consolidated Statements of Financial Position

	As of 31 December	
	2023	2022
	EUR 000's	
Current liabilities		
Current maturities of loans from banking corporations	20,631	99,794
Accounts payable, credit balances and other liabilities	23,213	24,741
Current tax liabilities	127	410
Liabilities of disposal groups held for sale	-	66,780
Total current liabilities	43,971	191,725
Non-current liabilities		
Loans from banking corporations	329,178	212,460
Other financial liabilities	5,707	2,515
Deferred taxes	71,015	84,542
Total non-current liabilities	405,900	299,517
Total liabilities	449,871	491,242
Equity attributable to Company's shareholders		
Share capital	20	20
Premium on shares	142,712	282,554
Statutory capital reserve	256,729	350,956
Retained earnings	342,582	372,176
Total equity attributable to Company's shareholders	742,043	1,005,706
Minority interests	15,846	28,508
Total equity	757,889	1,034,214
Total liabilities and equity	1,207,760	1,525,456

Consolidated Statements of Profit or Loss and Other Comprehensive Profit

	For the year ended 31 December		
	2023	2022	2021
		EUR 000's	
Revenues from property rentals	49,776	59,887	59,243
Revenues from property management	24,530	24,837	23,706
Property management expenses	(24,207)	(24,830)	(23,644)
Cost of maintenance of rental properties	(8,142)	(10,102)	(10,228)
Net rental and management revenues	41,957	49,792	49,077
Revenues from selling apartments	-	-	8,301
Cost of selling apartments	(46,726)	(13,556)	(7,304)
Profit (loss) from selling apartments	(46,726)	(13,556)	997
Group's share in the profits (losses) of companies handled under the equity method	-	859	(2,083)
General and administrative expenses	(12,293)	(10,156)	(9,113)
General and administrative expenses for inventory of buildings under construction and inventory of land	(1,404)	(1,669)	(1,502)
Net profit (loss) before revaluing investment properties	(18,466)	25,270	37,376
Net increase (decrease) in value of investment properties	(111,687)	(158,872)	111,603
Profit (loss) before financing expenses	(130,153)	(133,602)	148,979
Financing expenses	(10,079)	(8,428)	(7,800)
Other revenues (expenses), net	(674)	(21,135)	-
Profit (loss) before taxes on income	(140,906)	(163,165)	141,179
Tax abatement (taxes on income)	14,421	21,220	(24,362)
Total net and comprehensive profit (loss) for the period	(126,485)	(141,945)	116,817
Net and comprehensive profit (loss) attributable to:			
Shareholders of the Company	(123,823)	(135,309)	116,917
Minority interests	(2,662)	(6,636)	(100)
	(126,485)	(141,945)	116,817
Net profit (loss) per share attributable to Company's shareholders (in EUR) - Basic and diluted	(6.26)	(6.84)	5.91

Consolidated Statements of Cash-Flow

	For the year ended 31 December		
	2023	2022	2021
	EUR 000's		
Cash-flows from operating activities			
Profit (loss) for the period	(126,485)	(141,945)	116,817
Adjustments required to present cash-flows from operating activities:			
Adjustments to the profit or loss line items:			
Financing expenses, net	9,300	(7,174)	(21,126)
Decrease (increase) in fair value of financial instruments	779	15,603	28,926
Net decrease (increase) in value of investment properties	111,687	158,872	(111,603)
Tax expenses, net	(14,421)	(20,813)	12,142
Company's share in losses of companies treated under the equity method	-	(859)	2,083
	107,345	145,629	(89,578)
Cash-flows from operating activities before changes in operating asset and liability line-items	(19,140)	3,684	27,239
Changes in operating asset and liability line-items:			
Decrease (increase) in tenants and trade receivables, financial assets and other debit balances	246	(3,572)	(5,087)
Increase (decrease) in creditors and debit balances	(45)	11,834	2,018
	201	8,262	(3,069)
Net cash deriving from (utilized for) operating activities before activity with land assets and liabilities	(18,939)	11,946	24,170
Taxes on income paid	(2,139)	(15,052)	2,819
Decrease (increase) in inventory of buildings under construction and inventory of land	39,178	14,408	(4,478)
Net cash deriving from (utilized for) operating activities	18,100	11,302	22,511

Consolidated Statements of Cash-Flows

	For the year ended 31 December		
	2023	2022	2021
		EUR 000's	
Cash-flows for investment activities			
Investment in investment properties - income-generating properties	(7,675)	(14,218)	(17,180)
Investment in investment properties - rights in land and investment properties under construction	(79)	(12,724)	(29,901)
Return of investment (investment) in companies handled under the equity method	-	2,928	(6,559)
Proceeds from the sale of investment properties net transaction costs	12,810	18,741	27,728
Net proceeds from the sale of consolidated companies	750	126,101	9,261
Cash and cash equivalents of a subsidiary first consolidated	-	-	1,114
Net withdrawal (deposit) of restricted deposits	(8,256)	1,238	(2,505)
Interest earned on deposits	1,495	408	-
Net cash deriving from (utilized for) investment activities	(955)	122,474	(18,042)
Cash-flows for financing activities			
Interest paid	(10,897)	(13,668)	(7,080)
Distribution and payment to minority shareholders	(10,000)	-	-
Loan to third-parties	-	-	(11,429)
Acquisition of minority interests	-	-	(6,571)
Receipt of long-term bank loans	4,868	40,375	60,059
Repayment of long-term bank loans	(16,779)	(203,278)	(33,214)
Net cash received/ (paid) to the parent company	(139,842)	196,524	(16,275)
Net cash deriving from (utilized for) financing activities	(172,650)	19,953	(14,510)
Change in cash and cash equivalents	(155,505)	153,729	(10,041)
Balance of cash and cash equivalents at beginning of period	175,843	23,801	33,842
Cash of disposal group held for sale	2,048	(2,048)	-
Balance of cash and cash equivalents at end of period	22,386	175,482	23,801

BRACK CAPITAL PROPERTIES N.V.

Consolidated Financial Statements

As of December 31, 2023

BRACK CAPITAL PROPERTIES N.V.

Consolidated Financial Statements

As of December 31, 2023

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<u>Auditor's report to the shareholders of Brack Capital Properties N.V. on the internal control components of the financial reporting pursuant to Regulation 9B(c) of the Securities Regulations (Periodic and Immediate Reports), 1970</u>

We have audited the internal control components of the financial reporting of Brack Capital Properties N.V. and its subsidiaries (hereinafter jointly: the "**Company**") as of December 31, 2023. The control components were established as described below. The Company's board of directors and management are responsible to maintain effective internal control over the financial reporting, and their evaluation of the effectiveness of the internal control components over the financial report is attached to the periodic report prepared for such date. It is our responsibility to give an opinion over the control components of the Company's financial reporting based on our audit.

The Company's internal control components as of December 31, 2022 and for the two annual periods ended on the same date were audited by other auditors whose audit opinion on such statements dated March 31, 2023, included an unqualified opinion.

The audited internal control components on the financial reporting were established in accordance with audit standard (Israel) 911 of the Institute of Certified Public Accountants in Israel "Audit of the internal control components of the financial reporting" (hereinafter: "Audit Standard 911 (Israel)"). These components include: (1) Audits at the organizational level, including audits over the drafting and finalizing process of the financial reports and general audits of the information systems; (2) Audits over the investment property process; (3) Audits over the debt process; (4) Audits over the income processes (all components shall jointly be referred to as: the "audited control components").

We have carried out our audit in accordance with Audit Standard 911 (Israel). Pursuant to this standard, we are required to plan the audit and to execute it with the intention of identifying the audited control components and to attain a reasonable level of assurance that such control components have been effectively fulfilled with respect to all material matters. Our audit included the achievement of an understanding over the internal control of the financial reporting, identifying the audited control components, assessing the risk of there being a material weakness in the audited control components, as well as a review and assessment of the effectiveness of the planning and execution of such control components based on the assessed risk. Our audit, with respect to such control components, also included the execution of other procedures that we thought necessary under the circumstances. Our audit only relates to the audited control components, rather than an internal audit over all of the material processes related to the financial reporting, therefore our opinion relates solely to the audited control components. Similarly, our audit does not relate to the interrelated impact of the audited control components over unaudited ones, therefore, our opinion does not account for such possible effects. We believe that our audit and other audit reports provide a reasonable basis for our opinion in connection with that described above.

Due to structural limitations, internal audits over financial reporting in general, and the components included therein in particular, may not have prevented or discovered the presentation of a misleading representation. Similarly, arriving at conclusions about the future based on any current evaluation is exposed to the risk that the audits may become unsuitable due to changes in circumstances or the extent that the existence of policies or procedures may adversely change.

In our view, based on our audit, the Company has effectively achieved, with respect to all material aspects, the audited control components as of December 31, 2023.

We have also audited, in accordance with the generally accepted auditing standards in Israel, the Company's consolidated financial statements as of December 31, 2023 and our report, dated March 28, 2024, includes an unqualified opinion on these financial statements and an emphasis of a matter note regarding the uncertainty associated with the implementation of the management's plan to repay the Company's liabilities.

Tel Aviv, March 28, 2024

Ziv Haft
Auditors

<u>Auditor's Report to the Shareholders of Brack Capital Properties N.V.</u>

We have audited the accompanying consolidated statement of financial position of Brack Capital Properties N.V. (hereinafter: the "Company") as of December 31, 2023, and the related consolidated statements of profit or loss and other comprehensive profit, changes in equity, and cash-flows for the year ended December 31, 2023. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audit.

The Company's financial statements as of December 31, 2022 and for the two annual periods ended on the same date were audited by previous auditors whose audit opinion dated March 31, 2023, included an unqualified opinion and an emphasis of a matter regarding uncertainty about the actualization of the management plan to repay the Company's liabilities.

We have conducted our audit in accordance with generally accepted auditing standards in Israel, including the standards set forth in the Audit Regulations (Auditor's Operating Methods), 1973. Those standards require that we plan and perform the audit in order to obtain a reasonable measure of assurance that the financial statements are free of material misrepresentation. An audit includes examining samples of evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles applied and significant estimates made by the Company's board of directors and management, as well as assessing the overall presentation of the financial statements. We believe that our audit and other audit reports provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, with respect to all material aspects, the financial position of the Company and its consolidated companies as of December 31, 2023, and their operating results, changes in their equity, and cash-flows for the year ended that same date, in accordance with International Financial Reporting Standards ("IFRS") and the Israeli Securities Regulations (Annual Financial Statements), 2010.

Without qualifying the above opinion, we draw attention to that stated in Note 1 of the financial statements regarding the uncertainty surrounding the implementation of the management's plan for repaying 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.

Key Issues Regarding the Audit

The key issues pertaining to the audit which are described below are matters which have been or which are required to be addressed by the Company's board of directors, and which, in our professional judgment, were extremely significant in the audit of the consolidated financial statements for the current period. Among other things, these matters include, any matter which: (1) refers, or which may refer, to material line-items or disclosures in the financial statements and (2) for which it was particularly challenging, subjective or complex for us to make a judgment. These matters are addressed in our audit and in the general formulation of our opinion on the consolidated financial statements. The manner that these items are addressed below does not generally change our opinion on the consolidated financial statements and through the below we are not giving a separate opinion on these matters or on the line-items or disclosures which they refer to.

Fair value of investment properties

Why the matter was established as a key issue in the audit

The Company has presented its investment properties at fair value as described in the consolidated financial statements as of December 31, 2023. As of December 31, 2023, the fair value of the investment properties totaled EUR 959,010 thousands. Similarly, in 2023 the Company recognized a loss from a decline in the fair value of the investment properties totaling EUR 111,687 thousands as described in Notes 2B, 2C6, 7 to the consolidated financial statements, investment properties are first valued at cost and in subsequent periods the investment properties are measured at fair value, while changes in the fair value are imputed in the statement of profit and loss. The Company engages external appraisers to assess the fair value of the properties. The fair value of the rental properties is assessed by applying a discounted revenue technique while the fair value of the vacant land is set through applying a comparison technique.

The fair value of rental properties classified as investment properties is measured by discounting revenues based on the annual net cash-flow forecast, discounted at a rate which reflects the specific risks included therein and as customary with comparable properties. The Company uses observable market data, to the extent possible, when setting the fair value of the investment properties. However, the setting of the fair value is based on significant estimates entailing uncertainty and on subjective assessments unobservable in the market (level 3), such as: Discount rates and the market value of rental payments, based on professional publications in the relevant markets, if any, and through making comparisons to similar transactions with the required adjustments, additionally, when actual rental agreements exist whose set rates are different to the current market rent, adjustments are made to reflect the actual rental payments for the contractual period. The assessed values take into account the type of tenants actually occupying the rented property or the persons responsible for satisfying the rental commitments or those that may be relevant to a rented property after a vacant property has been occupied and the expected economic lifespan of the property, where these parameters are relevant. The fair value of land is measured through making a comparison with similar property values while applying relevant adjustments.

Changes to these assessments and assumptions are likely to significantly impact the value of the investment properties presented in the Company’s financial statements. We have identified the assessments and assumptions made by the management to measure the fair value of the investment properties as a key issue in the audit because the audit of the fair value of the investment properties required us to make a judgment in order to examine how the management established the appropriateness of the assumptions and assessments used in measuring the fair value of the investment properties.

Response given to the key audit issue

Presented below are the primary procedures we implemented in connection with this key issue as part of our audit:

We examined the appraisal process for calculating the fair value of the investment properties and the design, implementation and operating effectiveness of particular internal audits related to establishing the fair value of the investment properties.

We performed procedures which, based on samples, examine the assessments and assumptions applied when measuring the fair value of the investment properties. To perform these procedures we were assisted by an expert appraiser working on our behalf. Among other things, these procedures included:

- We received appraisals and we examined whether their results were appropriately reflected in the Company's financial statements, including the disclosure given in the investment properties line-item in the financial statements.

- Examining the completeness and accuracy of the information and data used in the model to establish the fair value.

- Reviewing the methodology chosen to set the fair value and to check that it is consistent with the characteristics of the property.

- Examining the reasonableness of the assessments chosen by the management based on market practice and data, considering ongoing transactions in the market and industry surveys.

- Comparing the results of the appraisals for the current year against the appraisals made in previous periods while examining the parameters which had changed and the reasons for the changes.

- Examining the proper implementation of the assumptions with calculating the fair value and examining the calculation.

- Assessing the expertise and independence of the appraisers engaged by the Company to prepare the appraisals.

- We were supported by an appraiser working on our behalf to examine the reasonableness of the appraisals and the appropriateness of the methodologies and assessments used by the Company, with an emphasis on the relevant discount rates applied to the property based on its characteristics.

- Examining the propriety of the disclosures made in the financial statements.

Assessing the propriety of making a going concern assumption

Why the matter was established as a key issue in the audit

Further to that described in Note 1 of the consolidated financial statements regarding the Company's rating being downgraded, the Company having a deficit in working capital totaling EUR 31 million and the management's plans in this context, regarding the deficit in working capital and regarding the board of directors and management's assessment regarding the Company's ability to satisfy its obligations in the foreseeable future, we identified assessing the propriety of making a going concern assumption with respect to the Company as a key audit issue. We made a judgment to assess the propriety of applying a going concern assumption and the associated disclosure included in the consolidated financial statements.

Response given to the key audit issue

Presented below are the primary procedures we implemented in connection with this key issue as part of our audit:

- Making enquiries with the management regarding the significance of the warning signs and their impact on the Company

and regarding the management's plans intended to improve the Company's level of liquidity.

- Examining the cash-flow forecast prepared by the Company's management and approved by the board of directors.

- Examining the material assumptions applied by the Company's management when preparing the cash-flow forecast, including the assumptions regarding the proceeds to be received from the sale of certain properties.

- Examining the Company's compliance with the financial covenants included in the loan agreements with bank corporations and in the trust deeds for the bonds.

- Surveying events subsequent to the date of the statement of financial position which may impact the propriety of applying a going concern assumption.

- Reading minutes regarding events and transactions subsequent to the date of the report.

We have further audited, in accordance with audit standard 911 (Israel) of the Institute of Certified Public Accountants in Israel "Audit over the internal control components of the financial reporting", the internal control components of the Company's financial reporting as of December 31, 2023 and our report dated March 28, 2024 includes an unqualified opinion of the effective existence of such components.

Tel Aviv, March 28, 2023

Ziv Haft
Auditors

BRACK CAPITAL PROPERTIES N.V.

Consolidated Statements of Financial Position

	Note	As of 31 December 2023	As of 31 December 2022
		EUR 000's	
Current assets			
Cash and cash equivalents	3	42,527	210,477
Restricted deposits, financial assets and other debit balances	4	47,734	32,354
Accounts and other receivables for sale of apartments		251	264
Tenants and trade receivables, net	5	2,331	2,167
Assets of disposal groups held for sale	7H	-	143,823
Total current assets		92,843	389,085
Non-current assets			
Investments in financial assets measured at fair value through profit or loss	12	4,508	5,287
Land inventory	6	156,100	206,351
Investment property - rights in land	7	30,200	35,300
Investment property - income-generating properties	7	928,810	925,123
Deposits restricted for investment in properties		8,038	4,997
Accounts receivable, debit balances and other financial assets	8	7,524	175
Deferred taxes	15	-	236
Total non-current assets		1,135,180	1,177,469
Total assets		1,228,023	1,566,554

March 28, 2024			
Financial statements approval date	Thomas Zinnocker Chairman	Thierry Beaudemoulin CEO	Eran Edelman CFO

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

BRACK CAPITAL PROPERTIES N.V.

Consolidated Statements of Financial Position

	Note	As of 31 December 2023	2022
		EUR 000's	
Current liabilities			
Current maturities of loans from banking corporations	10	20,631	99,794
Current maturities of bonds	10	24,753	62,944
Other financial liabilities	12	4,948	7,795
Loan from a controlling shareholder	11	75,000	151,330
Accounts payable, credit balances and other liabilities	9	25,126	25,993
Current tax liabilities		127	410
Liabilities of disposal groups held for sale	7H	-	66,780
Total current liabilities		150,585	415,046
Non-current liabilities			
Loans from banking corporations	10	329,178	212,460
Bonds	10	77,755	104,774
Other financial liabilities	12	21,249	15,491
Deferred taxes	15	71,015	84,542
Total non-current liabilities		499,197	417,267
Total liabilities		649,782	832,313
Equity attributable to Company's shareholders	17		
Share capital		77	77
Premium on shares		144,237	144,237
Treasury shares		(746)	(746)
Other capital reserves		(531)	(531)
Statutory capital reserve		256,729	350,956
Retained earnings		162,628	211,739
Total equity attributable to shareholders of the Company		562,394	705,732
Minority interests		15,847	28,509
Total equity		578,241	734,241
Total liabilities and equity		1,228,023	1,566,554

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

BRACK CAPITAL PROPERTIES N.V.

Consolidated Statements of Profit or Loss and Other Comprehensive Profit

	Note	For the year ended 31 December 2023	2022	2021
		EUR 000's		
Revenues from property rentals		49,776	59,887	59,243
Revenues from property management		24,530	24,837	23,706
Property management expenses		(24,207)	(24,830)	(23,644)
Cost of maintenance of rental properties	18A	(8,142)	(10,102)	(10,228)
Net rental and management revenues		41,957	49,792	49,077
Revenues from selling apartments		-	-	8,301
Cost of selling apartments		(61,377)	(13,556)	(7,304)
Profit (loss) from selling apartments		(61,377)	(13,556)	997
Group's share in the profits (losses) of companies handled under the equity method		-	859	(2,083)
General and administrative expenses	18B	(13,072)	(13,119)	(11,547)
General and administrative expenses for inventory of buildings under construction and inventory of land		(1,404)	(1,669)	(1,502)
Net profit (loss) before revaluing investment properties		(33,896)	22,307	34,942
Net increase (decrease) in value of investment properties	7	(111,687)	(158,872)	111,603
Profit (loss) before financing expenses		(145,583)	(136,565)	146,545
Financing expenses excluding the impact of exchange rate and index changes and hedging transactions	18C	(10,062)	(10,880)	(10,635)
Impact of exchange rate and index changes and hedging and other transactions	18D	(876)	(20,301)	(10,023)
Change in fair value of financial instruments, credit and other losses	18E	(3,226)	(9,533)	(28,949)
Other revenues (expenses), net		(674)	(21,135)	-
Profit (loss) before taxes on income		(160,421)	(198,414)	96,938
Tax abatement (taxes on income)	15	14,421	21,220	(24,362)
Total net and comprehensive profit (loss) for the period		(146,000)	(177,194)	72,576
Net and comprehensive profit (loss) attributable to:				
Shareholders of the Company		(143,338)	(170,558)	72,676
Minority interests		(2,662)	(6,636)	(100)
		(146,000)	(177,194)	72,576
Net profit (loss) per share attributable to Company's shareholders (in EUR) - Basic and diluted	19	(18.54)	(22.06)	9.40

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

BRACK CAPITAL PROPERTIES N.V.

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 Share capital
	EUR 000's								
Balance as of January 1, 2023	77	144,237	(746)	(531)	350,956	211,739	705,732	28,509	734,241
Total net and comprehensive loss for the period	-	-	-	-	-	(143,338)	(143,338)	(2,662)	(146,000)
Classification per Dutch law	-	-	-	-	(94,227)	94,227	-	-	-
Distribution and payment to minority shareholders	-	-	-	-	-	-	-	(10,000)	(10,000)
Balance as of December 31, 2023	77	144,237	(746)	(531)	256,729	162,628	562,394	15,847	578,241

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

BRACK CAPITAL PROPERTIES N.V.

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 Share capital
	EUR 000's								
Balance as of January 1, 2022	77	144,237	(746)	(531)	530,385	202,868	876,290	35,145	911,435
Total net and comprehensive annual loss	-	-	-	-	-	(170,558)	(170,558)	(6,636)	(177,194)
Classification per Dutch law	-	-	-	-	(179,429)	179,429	-	-	-
Balance as of December 31, 2022	77	144,237	(746)	(531)	350,956	211,739	705,732	28,509	734,241
Balance as of January 1, 2021	77	144,237	(746)	584	438,591	221,986	804,729	40,701	845,430
Total annual net and comprehensive profit	-	-	-	-	-	72,676	72,676	(100)	72,576
Classification per Dutch law	-	-	-	-	91,794	(91,794)	-	-	-
Acquisition of minority interests	-	-	-	(1,115)	-	-	(1,115)	(5,456)	(6,571)
Balance as of December 31, 2021	77	144,237	(746)	(531)	530,385	202,868	876,290	35,145	911,435

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

BRACK CAPITAL PROPERTIES N.V.

Consolidated Statements of Cash-Flow

	For the year ended 31 December		
	2023	2022	2021
	EUR 000's		
Cash-flows from operating activities			
Profit (loss) for the period	(146,000)	(177,194)	72,576
Adjustments required to present cash-flows from operating activities:			
Adjustments to the profit or loss line items:			
Financing expenses, net	7,105	31,812	22,305
Decrease (increase) in fair value of financial instruments	779	7,808	28,926
Net decrease (increase) in value of investment properties	111,687	158,872	(111,603)
Tax expenses, net	(14,421)	(20,813)	12,142
Company's share in losses of companies treated under the equity method	-	(859)	2,083
	105,150	176,820	(46,147)
Cash-flows from operating activities before changes in operating asset and liability line-items	(40,850)	(374)	26,429
Changes in operating asset and liability line-items:			
Decrease (increase) in tenants and trade receivables, financial assets and other debit balances	334	(3,586)	(4,620)
Increase (decrease) in creditors and debit balances	(180)	11,844	7,610
	154	8,258	2,990
Net cash deriving from (utilized for) operating activities before activity with land assets and liabilities	(40,696)	7,884	29,419
Taxes on income paid	(2,139)	(15,052)	(5,526)
Decrease (increase) in inventory of buildings under construction and inventory of land	59,411	6,599	(3,861)
Net cash deriving from (utilized for) operating activities	16,576	(569)	20,032

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

BRACK CAPITAL PROPERTIES N.V.

Consolidated Statements of Cash-Flows

	For the year ended 31 December		
	2023	2022	2021
		EUR 000's	
Cash-flows for investment activities			
Investment in investment properties - income-generating properties	(7,675)	(14,218)	(17,180)
Investment in investment property - rights in land and investment properties under construction	(79)	(12,724)	(29,901)
Return of investment (investment) in companies handled under the equity method	-	2,928	(6,559)
Proceeds from the sale of investment properties net transaction costs	12,810	18,741	27,728
Net proceeds from the sale of consolidated companies (a)	750	126,101	9,261
Cash and cash equivalents of a subsidiary first consolidated (b)	-	-	1,114
Net withdrawal (deposit) of restricted deposits	(8,256)	1,238	(2,505)
Interest earned on deposits	1,495	408	-
Net cash deriving from (utilized for) investment activities	(955)	122,474	(18,042)
Cash-flows for financing activities			
Interest paid	(16,164)	(21,196)	(9,488)
Distribution and payment to minority shareholders	(10,000)	-	-
Loan to third-parties	-	-	(11,429)
Payments of financial liability for exchange rate hedging	(11,335)	-	-
Acquisition of minority interests	-	-	(6,571)
Receipt of long-term bank loans	4,868	40,375	60,059
Receipt of a loan from the controlling shareholder	-	150,000	-
Repayment of loan from the controlling shareholder	(75,000)	-	-
Net issuance of bonds	-	162,518	-
Repayment of bonds	(61,209)	(62,660)	(11,298)
Repayment of long-term bank loans	(16,779)	(203,278)	(33,216)
Net cash deriving from (utilized for) financing activities	(185,619)	65,759	(11,943)
Change in cash and cash equivalents	(169,998)	187,664	(9,953)
Balance of cash and cash equivalents at beginning of period	210,477	24,861	34,814
Cash of disposal group held for sale	2,048	(2,048)	-
Balance of cash and cash equivalents at end of period	42,527	210,477	24,861

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

BRACK CAPITAL PROPERTIES N.V.

Consolidated Statements of Cash-Flows

	For the year ended 31 December		
	2023	2022	2021
		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	24,000	240,000	12,369
Lease liabilities	-	-	(3,126)
Cash and cash equivalents	403	2,451	-
Net working capital	(95)	(2,513)	14
Other liabilities	(1,000)	(22,875)	
Loans from banking corporations, net	(7,712)	(63,968)	-
Deferred taxes, net	(1,954)	(26,994)	4
	13,642	126,101	9,261
Plus Company's profit for the sale of a consolidated company	700	-	-
Less balance receivable for the sale of a consolidated company (*)	(13,494)	-	-
Less a loan given to the buyer for the sale of a consolidated company	(98)	-	-
	750 (*)	126,101	9,261

(*) The balance was received in January 2024. An advance of approximately EUR 750 thousands was received in December 2023. For more information see Note 7F(2) below.

	2023	2022	2021
(b) Cash and cash equivalents of a subsidiary first consolidated			
Assets and liabilities of the consolidated company as of the acquisition date (upon being consolidated):			
Land inventory	-	-	(164,638)
Restricted cash	-	-	(3,317)
Deferred tax asset	-	-	(2,037)
Loans from banking corporations, net	-	-	145,185
Interest payable	-	-	595
Assets, net	-	-	(24,212)
Less the total investment in a company handled under the equity method	-	-	25,326
	-	-	1,114

	2023	2022	2021
(c) Non-cash material activity			
Classification of inventory of land as investment property	-	13,863	-

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

Notes to the 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 20 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

As of December 31, 2023, the Company has negative working capital of approximately EUR 57,742 thousands.

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 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%.

- 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. For more information see Note 10C(4) below.

- During the reported period, 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. See Note 11 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.

- The sale of residential properties in the city of HAMM was completed on December 15, 2023, based on an asset value of approximately EUR 24.0 million. On that day, the Company received an advance from the purchaser totaling approximately EUR 0.8 million. The sale was made through a "share transaction", and the Company received the balance of the consideration for the transaction, totaling approximately EUR 13.6 million, in January, 2023. For more information see Note 7F(2) below.

- Subsequent to the date of the report, the Company completed the issuance of a new listed series of Bonds (Series D) with a total scope of approximately ILS 360 million. The bonds are linked to the CPI and bear fixed interest (which is also linked to the CPI) of 5.05%. For more information see Note 22(2) 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 Israeli, 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: - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

A. Definitions

In these financial statements –

(1) The Company - Hereinafter Brack Capital Properties N.V.

(2) The Group - The Company and its consolidated companies.

(3) Consolidated companies/subsidiaries - companies, including partnerships, whose reports are fully consolidated, directly or indirectly, with the Company's reports.

(4) Investees - Consolidated companies and companies, including a partnership or joint venture, in which the Company's investment is included, directly or indirectly, in the financial statements as equity.

(5) Joint arrangements - Arrangements in which the Group has joint control achieved by a contractual agreement that requires unanimous agreement regarding the activities that significantly affect the returns of the arrangement.

(6) Related party - As defined in International Accounting Standard (2009) 24 regarding related parties.

(7) Interested parties - As defined in paragraph (1) of the definition of "interested party" in a corporation in Section 1 of the Securities Law, 1968.

B. 1. Basis of measurement

The Company's financial statements have been prepared on a cost basis, except for:

- Investment property which is measured at fair value;
- Financial instruments and derivatives and others which are measured at fair value through profit or loss;
- Non-current assets and disposal groups held for sale;
- Deferred tax assets and liabilities;
- Provisions/allowances
- Investments in investee companies and joint ventures.

The Company has elected to present its statement of comprehensive profit or loss according to the operating characteristics method.

2. Declaration on compliance with International Financial Reporting Standards

The consolidated financial statements have been compiled by the Group in accordance with International Financial Reporting Standards ("IFRS").

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

The consolidated financial statements were approved for publication by the Company's board of directors on March 28, 2024.

3. <u>Consistent accounting policies</u>

The accounting policies applied in the financial statements are consistent for all presented periods unless indicated otherwise (also see section Y).

C. Significant usage of estimates and judgments in the preparation of the financial statements

The preparation of the financial statements according to IFRS requires the Company's management to make judgments, estimates and assumptions that impact the application of the accounting policies and on the reported amounts of assets, liabilities, revenues and expenses. It should be clarified that actual results may differ from these estimates.

When formulating the accounting estimates used to prepare the Group's financial statements, Company's management is required to make assumptions regarding circumstances and events that involve significant uncertainty. In its judgment to determine the estimates, Company's management relies on past experience, various facts, external factors and reasonable assumptions according to the circumstances relevant to each estimate. The estimates and underlying assumptions are reviewed regularly. Changes in accounting estimates are recognized in the period in which the estimates are revised and in any future affected period. Information regarding assumptions made by the Group concerning the future and other primary causes for uncertainty with the estimates where a significant risk exists that their result will be a material adjustment to the book values of assets and liabilities during the next fiscal year is included in the following notes:

1. Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. The cost of the acquisition is measured at the fair value of the consideration transferred on the acquisition date with the plus minority interests in the acquiree. In each business combination, the Company chooses whether to measure the minority interests in the acquiree based on their fair value on the acquisition date or based on their pro-rated share in the fair value of the acquiree's net identifiable assets.

Direct acquisition costs are directly imputed in the statement of profit or loss as incurred.

2. The timing of fulfilling performance obligations

The Company examines the date of transfer of control over the asset or service in order to identify the timing of the recognition of revenues from contracts with customers at a point in time or over time (particularly from revenues from the sale of apartments). Among other things, the Company examines whether the customer gains control over an asset at a specific point in time or enjoys the economic benefits concurrently with the Company's performance. In addition, the Company also takes into account the relevant provisions of the law and regulation in order to determine the timing of revenue recognition. For further details see section T below.

3. Functional/operating currency and presentation currency

The presentation currency of the financial statements is Euro.

The Group determines the operating currency for each Group member, including companies presented under the equity method. The operating currency for all group members is the Euro.

4. Transactions, assets and liabilities in foreign currency

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

5. <u>CPI-linked money items</u>

The Group has issued bonds which are linked to the CPI. Monetary assets and liabilities which according to their terms and conditions are linked to changes in the Israeli Consumer Price Index (hereinafter: "CPI") are adjusted based on the relevant index on each reporting date according to the terms of the agreement.

6. <u>Investment properties</u>

Investment properties that can be reliably measured are presented at fair value at the end of the reporting period. Changes in fair value are recognized in profit or loss. Fair value is generally determined by independent appraisers who specialize in property valuations and who have the required know-how and experience, as well as by the Group’s management which has much professional know-how, using economic valuations that involve valuation techniques and assumptions of estimated projected future cash-flows from the properties and assess the suitable discount rate for these cash-flows. To the extent possible, the fair value is determined based on recent property transactions with similar characteristics and location of the valued asset.

The fair value measurement of investment property requires the appraisers and the Company's management to use certain assumptions regarding the rates of return relevant to the Group's properties, future rental amounts, occupancy rates, contract renewal terms, the probability of leasing vacant areas, property operating expenses, the tenants' financial stability and the implications of any investments made for future development purposes in order to assess the future expected cash-flows from the properties. Any change in the assumptions used to measure the investment property is liable to affect fair value. See also Note 7C.

7. <u>Inventory of land</u>

The net realizable value is assessed based on the Company’s evaluation including forecasts and estimates of the proceeds expected to be generated from the sale of the project inventory and the construction costs necessary to bring the inventory to a saleable condition. Additional information is provided in section J.

8. <u>Deferred tax assets</u>

Deferred tax assets are recognized for unutilized carryforward tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be generated in the future against which the losses can be utilized. Managerial judgments are required to determine the amount of deferred tax assets that can be recognized, based upon the timing and level of future taxable profits, its source and the tax planning strategy. Additional information is provided in section R.

9. <u>Fair value measurement</u>

Fair value is the price that would be received to sell an asset or that would be paid to transfer a liability in a typical transaction between market participants on the measurement date. Fair value measurement is based on the assumption that the transaction will take place in the asset's or the liability's principal market, or in the absence of a principal market, in the most advantageous market. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interests. Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, while maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities measured at fair value or for which fair value is disclosed are categorized into levels within the fair value hierarchy based on the lowest level input that is significant to the entire fair value measurement:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

Level 3: Inputs that are not based on observable market data. (Valuation techniques which use inputs that are not based on observable market data)

Significant Accounting Policies

D. Consolidated financial statements

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

The financial statements of the Company and of the subsidiaries are prepared for the same dates and periods. The Company's consolidated financial statements are prepared using accounting policies uniform and consistent with those in the subsidiaries' financial statements. Significant intragroup balances and transactions and gains or losses resulting from intragroup transactions are eliminated in full in the consolidated financial statements.

Minority interests, which are instruments that confer a right of ownership in the present and grant their holder a share in net assets upon liquidation (for example: ordinary shares) are measured on the date of the business combination at fair value or according to their relative share in the identified assets and liabilities of the investee, separately on the basis of each transaction.

Selection of this accounting policy is not permitted for other instruments that meet the definition of minority interests (for example: Options for ordinary shares). These instruments are measured at fair value or according to other relevant IFRS standards.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as a change in equity by adjusting the carrying amount of the minority interests with a corresponding adjustment of the equity attributable to equity holders of the Company less / plus the consideration paid or received.

Upon the loss of control, the Group derecognizes the subsidiary's assets and liabilities, any minority rights and other equity components attributed to the subsidiary. If the Group is left with any investment in the former subsidiary, then the remaining investment is measured according to its fair value at the time of loss of control. The difference between the consideration and the fair value of the investment balance and the derecognized balances is recognized in profit and loss in the other income or expenses line-item. Starting from that date, the remaining investment is treated at equity method or as a financial asset in accordance with the provisions of IFRS 9, according to the degree of attributable influence of the Group to the company. The amounts recognized in equity through other comprehensive income with respect to that subsidiary are reclassified to profit or loss or retained earnings, in the same manner as would have been required if the subsidiary had personally disposed the relevant assets or liabilities.

E. Investment in joint arrangements

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

F. Investments accounted for using the equity method

The Group's investments in companies under joint control and consolidated companies are accounted for using the equity method.
Under the equity method, the investment in the consolidated company or in the joint venture is presented at cost with the addition of post-acquisition changes in the Group's share of net assets, including other comprehensive income or loss of the consolidated company or the joint venture.

G. Investments accounted for using the equity method

Gains and losses arising from transactions between the Group and the consolidated company or the joint venture are eliminated in accordance with the holding rate. Losses recognized under the equity method beyond the Group's investment in ordinary shares are attributed to the rest of the Group's rights in investees in reverse order to their seniority. Once the rights have been reduced to zero the Group does not recognize additional losses of the investee company unless the Group has a commitment to support the investee company or has paid amounts for it. If, subsequently, the investee company reports profits, the Group begins to recognize its share in those profits only after its share in the profits equals the share in unrecognized losses. The Group ceases to apply the equity method from when it loses the material effect on the consolidated company or the joint control of the joint venture and accounts for the remaining investment as a financial asset or subsidiary, as the case may be.

The financial statements of the Company and of the consolidated company or joint venture are prepared as of the same dates and periods. The Group’s consolidated financial statements are prepared using accounting policies uniform and consistent with those in the financial statements of the consolidated company and the joint venture.

H. Cash equivalents

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

I. Short-term deposits

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

J. Inventory of land

Cost of inventories of land include direct identifiable costs for the land, such as taxes, fees and duties and construction costs.
Inventories of land are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less estimated completion costs and costs necessary to make the sale.

K. Financial instruments

1. Financial assets

Financial assets are measured upon initial recognition at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets, except for financial assets measured at fair value through profit or loss in respect of which transaction costs are recorded in profit or loss. The Company classifies and measures financial assets in its financial statements on the basis of the following criteria:

(a) The Company's business model for managing financial assets; and
(b) The contractual cash-flow terms of the financial asset.

1A. The Company measures debt instruments at amortized cost when:

The Company's business model is to hold the financial assets in order to collect their contractual cash-flows, and the contractual terms of the financial assets give rise on specified dates to cash-flows that are solely payments of principal and interest on the outstanding principal amount.
After initial recognition, the instruments in this category will be presented according to their terms at amortized cost using the effective interest rate method, less any provision for impairment.
In addition, on the date of initial recognition, a company may designate a debt instrument as measured at fair value through profit or loss, without option to change this designation, if such designation eliminates or significantly reduces inconsistencies in measurement or recognition, for example if the related financial liabilities are also measured at fair value through profit or loss.

1B. The Company measures debt instruments at fair value through profit or loss when:

A financial asset that is a debt instrument does not meet the criteria for measuring it at amortized cost or at fair value through other comprehensive income. After initial recognition, the financial asset is measured at fair value when gains or losses from fair value adjustments are recognized in profit or loss.

1C. Equity instruments and other financial assets held for trade

Investments in equity instruments do not meet the above criteria and are therefore measured at fair value through profit or loss.
Other financial assets held for trade such as derivatives will be measured at fair value through profit or loss unless they are designated as instruments for effective hedging.
Dividend income from investments in equity instruments is recognized on the date of record for the entitlement to a dividend in the statement of profit or loss.

2. Impairment of financial assets

The Company evaluates at the end of each reporting period the loss allowance for financial debt instruments which are not measured at fair value through profit or loss.

The Company distinguishes between two types of loss allowances:

a) Debt instruments whose credit risk has not increased significantly since initial recognition, or whose credit risk is low - the loss allowance recognized in respect of this debt instrument is measured at an amount equal to the expected credit losses within 12 months from the reporting date (12-month ECLs); or

b) Debt instruments whose credit risk has increased significantly since initial recognition, and whose credit risk is not low - the loss allowance recognized is measured at an amount equal to the expected credit losses over the instrument's remaining term (lifetime ECLs).

The Company has short-term financial assets such as trade receivables in respect of which the Company applies a simplified approach and measures the loss allowance in an amount equal to the lifetime expected credit losses.

The impairment of debt instruments measured at reduced cost will be carried in profit or loss against the provision.

Measurement of expected credit losses

Expected credit losses throughout the lifetime of the instrument are expected credit losses resulting from all possible failure events throughout the lifetime of the financial instrument. Expected credit losses in a 12-month period are the part of the expected credit losses resulting from possible failure events during a 12-month period from the reporting date. The maximum period that is taken into account in the assessment of expected credit losses is the maximum contractual period over which the group is exposed to credit risk.

The expected credit losses are capitalized according to the effective interest rate of the financial asset.

3. Derecognizing financial assets

Financial assets are derecognized when the Group's contractual rights to the cash-flows from the financial asset expire, or when the Group transfers the rights to receive the cash-flows from the financial asset in a transaction in which all the risks and benefits from ownership of the financial asset have been substantially transferred.

If the Group retains substantially all the risks and benefits arising from the ownership of the financial asset, the Group continues to recognize the financial asset.

4. Financial liabilities

4A. Financial liabilities measured at amortized cost

At initial recognition, the Company measures financial liabilities at fair value net of transaction costs directly attributable to the issue of the financial liability. After initial recognition, the Company measures all the financial liabilities at amortized cost using the effective interest rate method, except for financial liabilities at fair value through profit or loss such as derivatives.

4B. Financial liabilities measured at fair value through profit or loss

At initial recognition, the Company measures financial liabilities (derivatives) that are not measured at amortized cost at fair value, when transaction costs are recognized in profit or loss. After initial recognition, changes in fair value are carried to profit or loss.

5. Derecognition of financial liabilities and changes in the terms of the liabilities

The Company derecognizes a financial liability only when it is discharged - that is, when the liability defined in the contract is repaid or canceled or expires.

A financial liability is extinguished when the debtor discharges the liability by paying in cash, with other financial assets, goods or services; or is legally released from the liability.

When there is a modification in the terms of an existing financial liability, the Company evaluates whether the modification is substantial, taking into account qualitative and quantitative information.

The terms are materially different if the discounted present value of the cash-flows under the new terms, including any fees paid, less any fees received and discounted using the original effective interest rate, differs by at least ten percent from the discounted present value of the remaining cash-flows of the original financial liability.

In addition to the aforementioned quantitative test, the Group examines, among other things, whether there have also been changes in various economic parameters inherent in the exchanged debt instruments. Therefore, as a general rule, exchanges of index-linked debt instruments for non-index-linked instruments are considered exchanges with substantially different conditions even if they do not meet the quantitative test performed above.

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

If the modification in the terms of an existing liability is not substantial or if a liability is exchanged with another liability whose terms are not substantially different between the Company and the same lender, the Company recalculates the carrying amount of the liability by discounting the revised cash-flows at the original effective interest rate and any resulting difference is recognized in profit or loss.

6. Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position if there is a legally enforceable right to set off the recognized amounts and there is an intention either to settle on a net basis or to concurrently realize the asset and settle the liability. The right to set-off must be legally enforceable not only in the ordinary course of business of the parties to the agreement but also in case of bankruptcy or insolvency of one of the parties. In order for the right to exist, it should not be dependent on a future event or that in certain periods of time it will not apply or that there will be events that will cause it to expire.

L. Derivative financial instruments

The Group sometimes enters into contracts for derivative financial instruments such as forward currency contracts (a forward contract) in respect of foreign currency and interest rate swaps (a swap) and also ‘cap’ transactions to hedge risks associated with foreign exchange rates and interest rate fluctuations (these transactions are therefore not recognized as accounting hedge transactions).

Any gains or losses arising from changes in the fair values of the devices are immediately imputed in the net exchange rate, index and currency hedging transaction differentials in the profit or loss report.

M. Investment properties

An investment property is real estate (land or a building or both) held by the Group (including right of use assets – see section N above) to earn rental income or for capital appreciation or both rather than for use in the production or supply of goods or services, or for administrative purposes or to be sold in the ordinary course of business.

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

The transfer of a property from investment property to inventory is made at the inception of development with the intention of selling the property. The cost considered for accounting treatment on the transition date is the fair value at the time of change on realization.
Investment property is derecognized on disposal or when the investment property ceases to be used and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset in the financial assets is recognized in profit or loss in the period of the disposal.

Investment property in development designated for future use as investment property is also measured at fair value provided that fair value can be measured reliably. The cost base of investment property in development includes the cost of land plus borrowing costs used to finance construction, direct planning and development costs and brokerage fees for rental agreements.

N. Borrowing costs for qualifying assets

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

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

The capitalization of borrowing costs commences when expenditures for the asset are being incurred, borrowing costs are being incurred and the activities to prepare the asset are in progress and ceases when substantially all the activities to prepare the qualifying asset for its intended use or sale are complete. Borrowing costs are capitalized to assets for which transfer of control to the customer is carried out over time until the date the asset is suitable to be sold. The amount of borrowing costs capitalized in the reporting period includes direct borrowing costs and general borrowing costs based on a weighted capitalization rate.

O. Non-current assets or groups of assets and liabilities held for sale

Non-current assets or groups of assets and liabilities are classified as held for sale if it is highly probable that their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the assets must be available for immediate sale in their present condition, the Company must be committed to sell, there must be a program to locate a buyer and it is highly probable that a sale will be completed within one year from the date of classification. The Group's policy on investment property is to classify these assets as held for sale only when there is a contract to sell these assets with a buyer. From the date of such initial classification, assets held for sale are no longer depreciated and are

presented separately as current assets at the lower of their carrying amount in the financial statements and their fair value less sale costs, other than investment property which is presented at fair value. When the Company no longer plans to sell an asset in a sale transaction, it ceases to classify the asset as held for sale and measures it at the lower of its carrying amount had it not been classified as held for sale or the recoverable amount of the asset on the date of the decision not to sell the asset.
In addition, the Company tests the impairment of assets and liabilities held for sale similar to all of the Company's assets and according to the relevant standards.

P. Taxes on income

Current or deferred taxes are recognized in profit or loss, except to the extent that they relate to items which are recognized in other comprehensive income or equity.

1. Current taxes
   The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date as well as adjustments required in connection with the tax liability in respect of previous years. The Group offsets current tax assets and liabilities if there is an enforceable legal right to offset current tax assets and liabilities and there is an intention to eliminate current tax assets and liabilities on a net basis or for the current tax assets and liabilities to be settled at the same time.

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

   The Group does not create deferred taxes for temporary differences resulting from initial recognition of an asset or liability as part of a transaction that is not a business combination when on the transaction date initial recognition of an asset or liability does not affect accounting profit and taxable income (loss for tax purposes).

   Taxes that would apply in the event of the disposal of investments in investees have not been taken into account in computing deferred taxes, as long as the disposal of the investments in investees is not probable in the foreseeable future. Also, deferred taxes that would apply in the event of distribution of earnings by investees as dividends have not been taken into account in computing deferred taxes, since the distribution of dividends does not involve an additional tax liability or since it is the Company's policy not to initiate distribution of dividends that would trigger an additional tax liability.
   Deferred taxes are measured at the tax rate expected to apply when the asset is realized or the liability is settled, based on tax laws that have been enacted or substantively enacted by the reporting date.

   Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is not probable that they will be utilized. Deductible carry-forward losses and temporary differences for which deferred tax assets have not been recognized are reassessed and deferred tax assets are recognized to the extent that their recoverability has become probable.

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

Q. Revenue recognition

Revenues from customer contracts are recognized when the control over the goods or services is transferred to the customer. The transaction price is the amount of the consideration that is expected to be received based on the contract terms, excluding amounts collected on behalf of third parties (such as taxes).
The Group recognizes revenues when the customer obtains control over the promised goods or services. The revenues are measured based on the total consideration the Group expects to be entitled to in consideration for transferring the goods or services promised to the customer, apart from amounts collected in favor of third-parties.
Based on the Group’s operating segments, it bears risks deriving from revenues from property management, and therefore the Company recognizes its revenues on a gross basis.

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

Revenues from sale of residential apartments
The Company recognizes the residential apartment as a performance obligation. The Company estimates that as part of the contracts with its customers no asset with alternative use is created for the Company, and it also has a right to payment which is enforceable for the performance completed until that date. Therefore, in accordance with the new standard, the Company recognizes revenue from these contracts over time, according to the pace of the performance of the contract.
In addition, among others, the Company applies the following issues with respect to revenues from the sale of residential apartments:

1. Measurement unit – The Company determined that the measurement unit will be the residential apartment the object of the sale contract with the customer.
2. Determining the transaction price - The Company is required to establish the transaction price separately for each customer contract. Upon exercising such judgment, the Company assesses the impact of any variable consideration in the contract, taking into account discounts, fines, changes, claims, and the contract having a significant financing component as well as non-cash consideration.
3. Measurement of performance progress - For the purpose of measuring progress, the Company applies the input method irrespective of the costs that do not reflect the progress of performance, such as land surcharges and borrowing costs. Delivery of a specific residential apartment cannot typically be performed before the construction of the entire building is completed. Therefore, the Company will determine the performance progress rate under which revenue for each specific sale contract is recognized according to the rate of progress of the entire building. In order to apply the input method, the Company is required to assess the costs necessary to complete the building in order to determine the amount of revenue to be recognized. These estimates include the direct and indirect costs attributed directly to performing the contract and are allocated on the basis of a reasonable loading key.
4. The existence of a significant finance component in the contract - To examine the existence of a significant finance component in the contract, the Company chose a practical relief in the new standard where the consideration amount for the financing component cannot be adjusted when on the contract date it is expected that the period between the date of receipt of the consideration and the date of revenue recognition will not exceed one year. Where long term advances (exceeding one year) are received, the Company accrues interest on the advances over the expected period of the contract when the contract has a significant financing component as defined in the new standard. With the utilization of the advances, the Company recognizes accrued interest as income from the sale of residential apartments.

5. Warranty – As part of the Company's contracts with its customers it provides its customers with warranty services, in accordance with applicable law and common industry practice. Warranty services are provided to ensure the quality of the work performed and not as an additional service provided to the customer. The Company accordingly recognizes in its financial statements a provision for warranty in accordance with the provisions of IAS 37.

R. Reporting revenues using gross basis or net basis

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

S. Financing revenues and expenses

Financing revenues comprise interest income on amounts invested. Changes in the fair value of financial assets measured through profit or loss also include revenues from dividends and interest.

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

Gains and losses on exchange rate differences, indexing and currency hedging transactions are reported separately on a net basis.

T. Profit (loss) per share - Basis and dilution

Earnings per share are calculated by dividing the net profit (loss) attributable to the Company’s shareholders by the weighted number of ordinary shares outstanding during the period.
Basic earnings per share only include shares that were actually outstanding during the period. Excluding treasury shares.

U. Provisions/allowances

A provision in accordance with IAS 37 is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Presented below are the types of provisions included in the financial statements:

1. Onerous contracts

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

2. Legal claims

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

V. Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly relating to the issuance of ordinary shares and warrants for shares less the tax implications, are presented as a deduction from equity.
Incremental costs directly relating to the expected issuance of an instrument to be classified as an equity instrument are recognized as a deferred expenses in the statement of financial position. The costs are deducted from equity upon the initial recognition of the equity instruments or are amortized as financing expenses in profit or loss when the issuance is no longer expected to take place.

W. Treasury shares

When share capital recognized in equity is repurchased by the Group, the consideration amount paid, including direct costs net the tax effect, is presented as a deduction from equity. The repurchased shares are classified as treasury shares. When treasury shares are sold or reissued, the consideration amount is recognized as an increase in equity and the surplus from the transaction is included in the balance of the premium and a shortage from the transaction is reduced from the balance of retained earnings.

X. Impairment of non-financial assets

The Company evaluates the need to record an impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable.

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

An impairment loss of an asset is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Reversal of an impairment loss, as above, shall not be increased above the lower of the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the asset in prior years and its recoverable amount. The reversal of impairment loss of an asset presented at cost is recognized in profit or loss.

Investments in a consolidated company or joint venture, after application of the equity method, the Company determines whether it is necessary to recognize any additional impairment loss with respect to the investment in consolidated companies or joint ventures. The Company determines at each reporting date whether there is objective evidence that the carrying amount of the investment in the consolidated company or the joint venture is impaired. Impairment is examined with respect to the entire investment, including the goodwill attributed to the consolidated company or the joint venture.

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

Amendment to IAS 8 accounting policies, changes in accounting estimates and errors.

In February 2021, the IASB published an amendment to International Accounting Standard 8: Accounting Policies, Changes in Accounting Estimates and Errors (hereinafter - the amendment). The objective of the amendment is to present a new definition for the term “accounting estimates”.

Under the amendment, companies are required to disclose their material accounting policies in lieu of the requirement to present their significant accounting policies. Under the amendment, information about the accounting policy is material if, when it is taken into account together with other information provided in the financial statements, it can reasonably be expected that it will influence decisions that the users of the financial statements make based on those reports. The amendment to IAS 1 even clarifies that information about the accounting policy may be material if, without it, the users of the financial statements would be prevented from understanding other material information in the financial statements. In addition, the amendment clarifies that there is no need to disclose information about accounting policies that are not material. The amendment is to be applied prospectively for annual reporting periods beginning on January 1, 2024 and is applicable to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Early application is permitted.

Z. Initial adoption of new financial reporting standards and amendments to existing accounting standards

Amendments to IFRS 9, IFRS 7, IFRS 16, IFRS 4 and IAS 39 regarding the reform of IBOR interest rates

In August 2020, the IASB issued amendments to International Financial Reporting Standard 9 Financial Instruments, International Financial Reporting Standard 7 Financial Instruments: Disclosures, International Accounting Standard 39 Financial Instruments: Recognition and Measurement, International Financial Reporting Standard 4 Insurance Contracts and International Financial Reporting Standard 16 Leases (the "Amendments").

The Amendments offer practical expedients to address the impact on the accounting treatment in the financial statements where the benchmark interest rates (IBORs - Interbank Offered Rates) have changed and have been replaced with alternative risk free interest rates (RFRs).

According to one of the practical expedients, the Company will treat contractual amendments or changes to the cash-flow directly required as a result of implementing the reform similar to the accounting treatment of changes to variable interest rates. Meaning, the Company is required to recognize the change in interest rates through adjusting the effective interest rate without changing the carrying value of the financial instrument. The use of this practical relief depends on the transition from IBOR to RFR taking place on the basis of equal economic conditions. As part of the Amendments, disclosure requirements were added regarding the anticipated impact of the reform on the Company’s financial statements, including reference to how the Company manages the implementation of the interest reform, the risks it is exposed to as a result of the anticipated reform and quantitative disclosures regarding financial instruments with the IBOR interest rates which are anticipated to change.

The above amendments had no material effect on the Group's financial statements.

Amendment to IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Costs for maintaining a contract

According to the amendment, in examining whether a contract is onerous, the costs for maintaining a contract that must be taken into account are costs that relate directly to the contract, which include the following costs:

Incremental costs; and the allocation of other costs directly related to the performance of a contract (such as depreciation expenses of fixed assets used to fulfill this and other contracts).

The amendment will be applied retrospectively as of January 1, 2022, for contracts for which the entity has not yet completed its obligations. When implementing the amendment, the Company adjusted the opening balance of the surplus at the time of first application, at the level of the cumulative effect of the amendment and did not re-present the comparative figures.

NOTE 3 - CASH AND CASH EQUIVALENTS

	As of 31 December	
	0232	2022
	EUR 000’s	
Cash	42,227	210,155
Short-term deposits	300	322
	42,527	210,477

NOTE 4 - RESTRICTED DEPOSITS, FINANCIAL ASSETS AND OTHER DEBIT BALANCES

	As of 31 December	
	2023	2022
	EUR 000’s	
Restricted deposits and bank accounts	18,965	18,909
Prepaid expenses	198	93
Institutions	1,310	-
Receivable for selling investment properties (1)	13,494	-
Receivables for interest on a loan given (2)	1,628	1,628
Loan given to third-parties (3)	11,628	11,490
Other receivables and credit balances	511	234
	47,734	32,354

(1) For more information see Note 7F(2).
(2) Receivables for a loan given to the buyer of the Gerresheim project.
(3) Loan given to purchase the minority interests in Gräfenthal. For more information see Note 16C(4).

NOTE 5 - TENANTS AND TRADE RECEIVABLES, NET

	As of 31 December	
	2023	2022
	EUR 000's	
Open debts and revenues receivable	7,185	8,430
Less - provision for credit losses	(4,854)	(6,263)
	2,331	2,167

Presented below is the movement in the provision for credit losses:

	As of 31 December	
	2023	2022
	EUR 000's	
Balance as of January 1	6,263	6,932
Changes during the year		
Movement in the provision throughout the year	1,222	884
Recognition of bad debt written off	(2,631)	(1,553)
Balance as of December 31	4,854	6,263

NOTE 6 - LAND INVENTORY

As of December 31, 2023, the land inventory is comprised of two of the Company's projects: (1) The Gerresheim project in Dusseldorf, Germany; and (2) Phase K of the Gräfenthal project also located in Dusseldorf, Germany.

Composition of the land inventory - Non-current assets

	As of 31 December	
	2023	2022
	EUR 000's	
Cost of the land	175,917	175,917
Development costs, taxes and levies	15,986	13,615
Financing expenses capitalized onto the land	39,134	30,376
Impairment of value of inventory (*)	(74,937)	(13,557)
	156,100	206,351

(*) During the reported period the Company recognized an impairment in land inventory totaling approximately EUR 74.9 million. The impairment in value is primarily due to an increase in the anticipated construction costs for both projects classified as "land inventory". 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 projects 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 PROPERTY - RIGHTS IN LAND AND INCOME-GENERATING PROPERTIES

A. Composition and movement

	As of 31 December	
	2023	2022
	EUR 000's	
Balance as of January 1	960,423	1,416,330
Changes during the year (also see section F below)		
Acquisitions and additions during the year	7,754	26,942
Disposal of investment properties	-	(2,690)
Classification of inventory of land as investment property	-	13,863
Disposal of investment properties due to a sold subsidiary being excluded from the consolidation	(23,000)	(240,000)
Classification of investment property as properties held for sale	-	(125,927)
Classification of properties held for sale as investment property	125,869	-
Fair value adjustment	(112,036)	(128,095)
Balance as of December 31	959,010	960,423

	As of 31 December	
	2023	2022
	EUR 000's	
Investment property - rights in land	30,200	35,300
Investment property - income-generating properties	928,810	925,123
Balance as of December 31	959,010	960,423

B. Investment property is presented at fair value which has been determined based on an appraisal 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. When it is not possible to refer to recent transactions then the appraisals are performed based on the residual value method (liquidation method) as determined by the appraiser with respect to similar properties and location to the property owned by the Company. The value is set on the basis of the estimated expected future income from the completed project, through using yield returns adjusted based on relevant risks to the construction process, including building and rental risks which are higher than the current yields with respect to similar investment property whose construction has been completed.

C. Material assumptions used in the appraisals presented below (presented on the basis of weighted averages):

	As of 31 December	
	2023	2022
Income-generating (residential)		
Discount rate (%)(*)	5.24	4.79
Cap rate (%)(*)	3.74	3.30
Long-term vacancy rate (%)	2.17	2.05
Monthly rental fee per sqm (EUR)	8.18	7.74
Income-generating property (commercial)		
Discount rate (%)(*)	8.63	7.42
Cap rate (%)(*)	7.78	6.71

* 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.

D. Fair value adjustment classified as level 3 in the fair value hierarchy:

Investment property - Rights in land and income-generating properties which are classified as level 3 in the fair value hierarchy, excluding specific properties which are the subject of a binding sale agreement which are classified as level 2 in the fair value hierarchy. For more information regarding these specific properties see Note 13.

Sensitivity analysis

Based on NOI of approximately EUR 43.2 million (standardized NOI) any 25 point change in the cap rate correlates to an approximately EUR 53.4 million fair value adjustment.

E. See Note 16A regarding pledges.

F. Sale of investment properties during the year

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. The sale of residential properties in the city of Hamm was completed on December 15, 2023, based on an asset value of approximately EUR 24.0 million. On that day, the Company received an advance from the purchaser totaling approximately EUR 0.8 million. The sale was performed through a “share transaction”, and in January 2024 the Company received the outstanding consideration for the transaction, totaling approximately EUR 13.6 million. It should be noted that the Company recognized a profit of approximately EUR 0.7 million in its financial statements due to the completion of this transaction.

3. As of the date of the report, the Company is also examining the sale of additional properties from its income-generating portfolio 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.

4. It should be noted that properties totaling approximately EUR 125.9 million, which were previously classified as held for sale as of December 31, 2022, were reclassified to the "Investment properties - income-generating properties" line-item in 2023 due to them failing to satisfy the conditions in IFRS5 for the properties to be classified as being held for sale.

G. Annual rental revenues from investment properties

The Company owns a residential income-generating property for which the majority of its rental contracts are for an unlimited term. As of December 31, 2023, the Company has residential rental agreements which generated annual rental revenues of approximately EUR 47.7 million.
Additionally, the Company owns an income-generating retail property comprised of properties rented to third-parties which generated rental revenues of approximately EUR 1.4 million during the year.

H. Assets and liabilities of disposal groups held for sale

Further to that stated in Note 1 and in Note 7F above, and according to a decision by the Company's management, the assets were classified according to disposal groups held for sale. The balances of assets and liabilities classified as disposal groups held for sale, include:

Assets of disposal groups held for sale:	As of December 31, 2023	As of December 31, 2022
Investment properties - income-generating properties	-	138,657
Investment property - rights in land	-	-
Accounts receivable (customers) and other debit balances	-	3,118
Cash and cash equivalents	-	2,048
	-	**143,823**
Liabilities of disposal groups held for sale:		
Loans from banking corporations	-	60,184
Deferred taxes	-	5,206
Accounts payable and other credit balances	-	1,390
	-	**66,780**

NOTE 8 - ACCOUNTS RECEIVABLE, DEBIT BALANCES AND OTHER FINANCIAL ASSETS

	As of 31 December	
	2023	2022
	EUR 000's	
Long-term deposit	7,360	-
Other	164	175
	7,524	175

NOTE 9 - ACCOUNTS PAYABLE, CREDIT BALANCES AND OTHER LIABILITIES

	As of 31 December	
	2023	2022
	EUR 000's	
Provision for the payment of purchase tax (RETT) for the LEG transaction (a)	12,077	17,634
Trade payables (liabilities to vendors, suppliers and service providers)	99	220
Tenant deposits	9,242	8,139
Interest payable	3,089	-
Other	619	-
	25,126	25,993

a) Following the completion of the sale of the Company's shares by LEG on January 6, 2022, and despite the fact that the Company is in no way party to the transaction, a liability has been created for the Company to pay purchase tax (RETT (real estate transfer tax)). The Company therefore recognized a provision in its financial statements totaling approximately EUR 20.4 million. Over 2022-2023 the Company paid approximately EUR 6.2 million following demands received from the tax authorities. As a result of these payments as well as due to amending the provision in the Company's books, as of the date of the report, the provision in the Company's books totals approximately EUR 12.1 million.

NOTE 10: LOANS FROM BANKING CORPORATIONS AND BONDS

A. Composition:

	Rate Interest as of December 31, 2023	As of 31 December 2023	As of 31 December 2022
	%	EUR 000's	
Variable interest loan from a banking corporation		9,000	-
Fixed interest loans from banking corporations	(*)	340,809 (****)	312,254
ILS denominated CPI-linked bonds (sections D-F) - Reduced cost	(**)	102,508 (*****)	167,718
Loan from the controlling shareholder	(***)	75,000	150,000
		527,317	629,972

(*) Interest rate of fixed interest loans: (1.00% - 5.51%).
(**) Denominated interest rate for Bonds (Series B + Series C): (4.04%-4.05%). Principal and interest are linked to the Israeli CPI. The bonds are listed on the Tel Aviv Stock Exchange. For information about the issuance of Bonds (Series D) subsequent to the date of the report, see Note 22(2).
(***) For more information about a loan received from the controlling shareholder, see Note 11 below.
(****) Approximately EUR 20.6 million of this amount is presented as a current maturity.
(*****) Approximately EUR 24.8 million of this amount is presented as a current maturity.

B. Movement:

	As of 31 December 2023	As of 31 December 2022
	EUR 000's	
Balance as of January 1	629,972	673,003
Net receipt of loans (see section C below)	4,868	40,376
Expansion of Bonds (Series B)	-	162,518
Repayment of bonds	(60,218)	(62,660)
Repayment of loans	(16,172)	(203,278)
Exclusion from the consolidation (*)	(7,712)	(63,968)
Classification of loans from liabilities (into liabilities) of disposal groups held for sale	60,184	(60,184)
Costs in obtaining loan, reductions and others	2,722	4,781
Receipt of a loan from the controlling shareholder	-	150,000
Repayment of loan from the controlling shareholder (**)	(75,000)	-
Currency differentials	(11,327)	(10,616)
Balance as of December 31	527,317	629,972

(*) For information about the loan financing the residential properties in Hamm which were sold being excluded from the consolidation, see Appendix A to the above cash-flow.

(**) For information about a loan received from the controlling shareholder, see Note 11 below.

C. Obtaining and extending loans during the year

1. 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.
2. 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), subject to the Company continuing to satisfy the eligibility conditions.
3. 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.
4. 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).

D. On May 21, 2013, the Company issued a new series of Bonds (Series B) to the Israeli public, with a total par value of ILS 175 million, through a uniform offering under a shelf offering report dated May 19, 2013. The bonds bore annual interest of 3.29% (paid in semi-annual instalments in June and December as of December 2013), and they are linked to the CPI for April 2013. It should be noted that due to the Company's downgrade in 2022 (see Note 18E below) the annual interest applicable to Series B was increased to 4.04%. The principal for Bonds (Series B) is repayable in twelve 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 final five installments constitutes 14.4% of the total principal par value of the Bonds (Series B). Furthermore, on January 27, 2014, the Company's board of directors approved a private placement of 72,000,000 Bonds (Series B) listed for trade with a par value of ILS 1 each, to 10 institutional investors (hereinafter jointly: the "offerees") by increasing the existing listed Bonds (Series B) (hereinafter: the "offered securities" and the "private placement").

In March 2022 the Company completed a private placement of ILS 528,440,367 par value of Bonds (Series B) by expanding the listed series. The additional bonds were issued to the offerees in the private placement through a series expansion at a uniform price of 109 agurot per ILS 1 par value of Bonds (Series B), reflecting an effective interest rate for the additional bonds of approximately 1%. The gross proceeds for the private placement totaling approximately ILS 576 million (approximately EUR 163.5 million) was received during the reported period.

In August 2023, the Company completed an exchange tender offer for Bonds (Series B), as part of which it 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. For more information see Note 10C(4) above.

As of December 31, 2023, the outstanding par value of Bonds (Series B) is ILS 16,984 thousands. The Company has made the following undertakings for as long as Bonds (Series B) are in circulation:

(1) The equity attributable to the Company's shareholders shall not fall below EUR 150 million.

(2) To not distribute dividends, capital or buyback its shares if such will result in the equity attributed to the Company's shareholders falling below EUR 160 million and/or if they result in the debt to cap ratio exceeding 70%.

(3) The ratio between the Company's total net financial liabilities, including:

   a) The Company's obligations to repay recourse loans.
   b) The Company's obligations to repay Bonds (Series A and Series B) and additional bonds (if any).
   c) The Company's obligations to repay other loans which have fallen due during the term of Bonds (Series B).
   d) Any debt of the Company's subsidiaries to a third-party secured with a pledge, but not for more than the value of the pledged asset.

   Less the cash, cash equivalents and short-term investments, and between the Company's total equity (including minority interests), plus:

   a) The Company's net financial liabilities (as defined above).
   b) Any loan received by the Company from any person, which according to its terms is subordinated to the Bonds (Series B), and which cannot be repaid (principal and/or interest) during the term of Bonds (Series B).
   c) Write downs recorded in the consolidated financial statements (if any) on the assets pledged to secure loans in the amount exceeding the right of recourse against the borrower, shall not exceed 75%.

(4) The ratio between the value of the shares of the subsidiary BGP, as defined in the deed of trust, pledged to secure repayment of Bonds (Series B), calculated according to the subsidiary's equity (attributable to the company's shareholders) and between the Company's debts to the Bondholders (Series B) defined as the outstanding principal of Bonds (Series B) plus accrued but unpaid interest and linkage shall not be less than 175%.

The Company is in compliance with the financial covenants as of December 31, 2023

E. In July 2014 the Company completed an issuance to the Israeli public of ILS 102,165,000 par value through a new series of Bonds (Series C), pursuant to a shelf offering report published on July 20, 2014. The annual interest rate set in the auction held on July 21, 2014, was 3.3%. It should be noted that due to the Company's downgrade in 2022, the annual interest applicable to Series C was increased to 4.05%. The interest for Bonds (Series C) is paid in two semi-annual installments on January 20th and July 20th of each one of the years 2015 through 2026 (inclusive) commencing as of January 20, 2015. Additionally, on April 4, 2016, the Company completed an issuance to the Israeli public of 60,058,000 Bonds (Series C) each having a par value of ILS 1, listed for trade, through expanding the existing series of Bonds (Series C). Furthermore, in August 2023, the Company completed an exchange tender offer for Bonds (Series B), as part of which it 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. For more information see Note 10C(4) above.

The Bonds (Series C) are linked to the CPI and are repayable (principal) in 12 unequal installments on July 20th of each one of the years 2015 through 2026 (inclusive) such that each one of the first 9 installments constitutes 2% of the original par value of the principal of Bonds (Series C), the tenth installment constitutes 17% of the original par value of the principal of Bonds (Series C), and each one of the final 2 installments constitutes 32.5% of the original par value of the principal of Bonds (Series C). As of December 31, 2023, the outstanding par value of Bonds (Series C) is ILS 347,731 thousands. The Company has made the following undertakings for as long as Bonds (Series C) are in circulation:

(1) The equity attributable to the Company's shareholders shall not fall below EUR 190 million.

(2) To not distribute dividends, capital or buyback its shares if such will result in the equity attributed to the Company's shareholders falling below EUR 200 million.

(3) The ratio between the Company's total net financial liabilities, including:

   (a) The Company's obligations to repay recourse loans.

   (b) The Company's obligations to repay Bonds (Series A, B and C) and additional bonds (if any).

   (c) The Company's obligations to repay other loans which have fallen due during the term of Bonds (Series C).

   (d) Any debt of the Company's subsidiaries to a third-party secured with a pledge, but not for more than the value of the pledged asset.

   Less the cash, cash equivalents and deposits and debt for inventory of apartments under construction, and between the Company's total equity (including minority interests), plus:

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

   (b) Any loan received by the Company from any person, which according to its terms is subordinated to the Bonds (Series C), and which cannot be repaid (principal and/or interest) during the term of Bonds (Series C).

   (c) Write downs recorded in the consolidated financial statements (if any) on the assets pledged to secure loans in the amount exceeding the right of recourse against the borrower, shall not exceed 75%.

(4) The ratio between the value of the shares of the subsidiary BGP, as defined in the deed of trust, pledged to secure repayment of Bonds (Series C), calculated according to the subsidiary's equity (attributable to the company's shareholders) and between the Company's debts to the Bondholders

(Series C) defined as the outstanding principal of Bonds (Series C) plus accrued but unpaid interest and linkage shall not be less than 175%.

The Company is in compliance with the financial covenants as of December 31, 2023

F. Financial covenants

Consolidated companies have undertaken in credit facility agreements with banking corporations to comply with various financial covenants, including a LTV ratio between 60%-80% and a DSCR (debt service coverage ratio) exceeding 125%-270%. All the loans are non-recourse and failure to comply with the terms and conditions of one of the facility agreements does not constitute breach of the other facility agreements.

Please refer to sections E and F above regarding the financial covenants for Bonds (Series B and Series C).

As of December 31, 2023, the Group is complying with all the stipulated financial covenants.

NOTE 11 - LOAN FROM CONTROLLING SHAREHOLDER

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 2022. 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").

NOTE 12 - OTHER FINANCIAL ASSETS AND LIABILITIES

	As of 31 December	
	2023	2022
	EUR 000's	
Unlisted financial assets measured at fair value through profit and loss (1)	4,508	4,508
Financial liabilities for hedging the EUR/ILS exchange rate (2)	(20,490)	(20,770)
Financial liability for a benefit received (3)	(5,707)	(2,515)
	(21,689)	(17,998)
	(21,689)	(17,998)

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(1) On March 22, 2019, the Company entered into an agreement with a third-party which is unrelated to the Company or its controlling shareholder, which, to the best of the Company's knowledge, is a leading global investment fund, to sell 89.9% of its holdings in three companies (indirectly held by the Company through particular subsidiaries of the Company) which own commercial properties in the cities of Rostock, Celle and Castrop. The transaction proceeds represent a gross asset value of approximately EUR 175 million, with particular adjustments defined in the sale agreement. The Company completed the sale transaction on May 31, 2019. As a result of the above-mentioned engagement, in 2019 the Company recognized a loss of approximately EUR 2.3 million due to the difference between the sale proceeds, less transaction costs (the transaction costs came to approximately EUR 6.4 million), against the net value of their assets and liabilities presented in the Company's financial statements; the loss was recognized in the Company's 2019 financial statements as part of changes in fair value of investment properties, net. The Company also recognized a loss totaling approximately EUR 7.2 million as part of financing expenses, due to early repayment costs incurred with respect to bank loans repaid upon completion of the transaction. The Company's remaining investment in these companies totaling approximately EUR 4.5 million (10.1% of the companies' capital), is presented as part of investment in financial assets measured at fair value through profit or loss.

(2) In May 2022 the Company entered into various hedging transactions to hedge its forecasted ILS cash-flow for its future bond repayments. In the reported period, the Company recognized financing expenses totaling approximately EUR 11.8 million following the revaluation of the liabilities for these hedging transactions. It should be noted that these hedging transactions are not treated as accounting hedging.

(3) The Company received a benefit from NRW Bank for two affordable housing rental projects it built (the Aachen project + phase I of the Gräfenthal project in Dusseldorf), whose construction was completed in 2022. After their construction was completed the Company met the conditions entitling it to receive a subsidized loan from the Dusseldorf municipality for constructing affordable rental housing projects. The Company is therefore entitled to a 25% subsidy of the amount of the loans taken to build the projects. The Company did not recognize this benefit as income, but as a liability, amortized over the entitlement period because this subsidy requires the Company to comply with affordable housing rental conditions for the next 20 years.

NOTE 13 - MEASUREMENT OF FAIR VALUE

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

Quantitative disclosures about the fair value hierarchy of the assets and liabilities as of December 31, 2023:

	Fair value measurement			
	Level 1	Level 2	Level 3	Total
	EUR 000's			
Assets measured at fair value:				
Investment properties (Note 7):				
Income-generating property (commercial)	-	-	19,150	19,150
Income-generating (residential)	-	-	909,660	909,660
Land for betterment and a land right	-	-	30,200	30,200
Other financial assets:				
Financial assets measured at fair value through profit or loss:	-	-	4,508	4,508

	Fair value measurement			
	Level 1	Level 2	Level 3	Total
	EUR 000's			
Liabilities measured at fair value:				
Financial liabilities for hedging the EUR/ILS exchange rate	-	(20,490)	-	(20,490)

NOTE 14 - FINANCIAL INSTRUMENTS

A. Classification of financial assets and liabilities

	As of 31 December	
	2023	2022
	EUR 000's	
Cash and receivables at amortized cost		
Cash and cash equivalents	42,527	210,477
Restricted deposits, financial assets and other debit balances (1)	54,896	32,261
Tenants and trade receivables, net	2,331	2,167
Non-current other receivables and restricted deposits	43	55
	99,797	244,960
Financial instruments (fair value)		
Investments in financial assets measured at fair value through profit or loss	4,508	5,287
Financial liabilities to hedge cash-flows	(20,490)	(20,770)
	(15,982)	(15,483)
Financial liabilities at amortized cost		
Bonds	(102,508)	(167,718)
Credit from banking corporations	(349,808)	(312,254)
Accounts payable and debit balances (2)	(14,944)	(18,010)
Loan from the controlling shareholder	(75,000)	(151,330)
	(542,260)	(649,312)

(1) Excluding prepaid expenses.
(2) Excluding tenant deposits and prepaid revenues.

B. Market risk

1. Foreign currency risk

The Company has bonds which are denominated in ILS and which are entirely linked to changes to the Israeli CPI totaling approximately EUR 102.5 million. To avoid exposure to changes in the EUR/ILS exchange rate, in May 2022 the Company entered into various hedging transactions with a financial entity to hedge its forecasted ILS cash-flow for its future bond repayments.

2. CPI risk

As stated above, the Company has bonds which are entirely linked to changes to the Israeli CPI, subject to a floor index. For more information also see Note 10 above. See section E below regarding the sensitivity tests.

3. Interest rate risk

The Group is exposed to a risk for changes in cash-flows with respect to loans which are subject to variable interest rates due to changes in the interest rates.

C. Credit risk

Credit risk may be created from cash and cash equivalents, derivatives and deposits with banking corporations and financial institutes, as well as from accounts receivable and credit balances including credit balances from tenants.

The management has a credit policy and the exposure to credit risk is examined on an ongoing basis. The Company does not generally issue credit to the tenants. The Company performs a credit assessment for specific tenants who request credit. The Group holds all or part of the refundable tenant deposits until the tenants settle their payments or in other instances involving breach of contract.

The Company examines the need to make a provision for credit losses pursuant to a management assessment of the nature of the balance according to management's accrued experience in managing the property.

Credit risk may also arise due to executing multiple financial instruments with a single entity. The Company holds cash and cash equivalents, short-term investments and financial instruments with various financial institutes with a high credit rating. The Company's policy is to diversify its investments between the various institutions.

The Company assesses that when contractual payments from tenants are more than 30 days late there is a significant increase in credit risk and the Company recognizes an impairment, as follows:

- For payments which are more than 30 days but less than 90 days late, the provision made for impairment is 20% of the outstanding amount.
- For payments which are more than 90 days but less than 180 days late, the provision made for impairment is 50% of the outstanding amount.
- For payments which are more than 180 days late, the Company makes a provision for impairment for the total outstanding amount.

As of the date of the report there were no significant concentrations of credit risk. The management assesses that the balance in the financial statements for each one of the financial assets represents the maximum exposure for credit risk.

D. Liquidity risk

Liquidity risk is the risk that the Group will find it challenging to meet its financial obligations associated with financial liabilities. The financial obligations to banking corporations with respect to the interest payments are secured through rent payments deposited on an ongoing basis in designated/collection accounts.

The Group's objective is to maintain a balance between receiving financing and flexibility with utilizing bank loans and bonds. As of December 31, 2023, 27.59% of the Group's debt is repayable within less than a year (in 2022 - 52.68%) (also see Note 10). It should be noted that the Company is in advanced negotiations with the lending banks to refinance all the loans which are forecasted to be repaid in the upcoming year. For more information see Note 1 regarding extending the loans.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments (including interest payments):

As of December 31, 2023

	Less than 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	More than 5 years	Total
				EUR 000's			
Accounts payable and debit balances	23,569	-	-	-	-	-	23,569
Loans from banking corporations (1)	**31,388**	**77,210**	**118,652**	**6,741**	**100,021**	**46,732**	**380,744**
Bonds (1)	**28,849**	**41,292**	39,745	-	-	-	109,886
Loan from the controlling shareholder	**80,182**	**-**	-	-	-	-	80,182
	163,988	118,502	158,397	6,741	100,021	46,732	594,381

As of December 31, 2022

	Less than 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	More than 5 years	Total
				EUR 000's			
Accounts payable and debit balances	25,768	-	-	-	-	-	25,768
Loans from banking corporations (1)	**147,732**	**21,454**	**36,203**	**27,866**	**6,190**	**156,711**	**396,156**
Bonds (1)	**69,111**	**73,631**	16,429	15,960	-	-	175,131
Loan from the controlling shareholder	**152,000**	**-**	-	-	-	-	152,000
	394,611	95,085	52,632	43,826	6,190	156,711	749,055

(1) Balance of loans from banking corporations and bonds including interest payments.

E. Fair value

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

As of December 31, 2023	Balance in the statement of financial position	Fair value
	EUR 000's	
Financial liabilities		
Bonds and bond interest payable	104,248	101,411
Fixed interest bank loans	341,211	309,365

As of December 31, 2022	Balance in the statement of financial position	Fair value
	EUR 000's	
Financial liabilities		
Bonds and bond interest payable	168,410	155,934
Fixed interest bank loans	312,397	277,074

The management has assessed that the balance of cash, short-term and long-term deposits, trade receivables, suppliers, overdrafts and other current liabilities 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).

F. Sensitivity tests for a change in market factors

	As of 31 December	
	2023	2022
	EUR 000's	
Sensitivity test for changes in interest rates	Revenue (expense)	
Impact on the statements of profit or loss and other comprehensive profit		
For loans		
Interest rate increase of 200 basis points	(180)	-
Interest rate decrease of 200 basis points	180	-
For bonds		
3% increase in CPI	(3,087)	(4,902)
3% decrease in CPI	3,087	4,902

Sensitivity tests and key working assumptions

The fluctuations that were chosen under the relevant risk variables were determined according to a valuation by the Company's management of the possible reasonable changes in these risk variables.

The Company carried out sensitivity tests for principal market risk factors, which can affect the reported operating results or financial position. The sensitivity tests present the profit or loss and/or comprehensive profit or loss, with respect to each financial instrument for changes in the relevant selected risk factor for that instrument as of each reporting date. The risk factors were examined based on the materiality of the exposure on the operating results or the financial position for any risk factor with respect to the functional currency and under the assumption that all of the other variables are constant.

G. Changes in liabilities arising from financing activities (excluding liabilities presented as part of disposal groups held for sale)

	Bank loans	Controlling shareholder loans	Bonds	Lease liabilities	Total liabilities from financing activities
Balance as of December 31, 2020	(427,024)	-	(72,980)	(2,990)	(502,994)
Cash-flow	(26,843)	-	11,298	2,990	(12,555)
Impact of changes in the exchange rate and CPI linkage	-	-	(10,667)	-	(10,667)
Inclusion in the consolidation	(145,185)	-	-	-	(145,185)
Other changes	(1,601)	-	-	-	(1,601)
Balance as of December 31, 2021	(600,653)	-	(72,349)	-	(673,002)
Cash-flow	162,903	(150,000)	(99,857)	-	(86,954)
Impact of changes in the exchange rate and CPI linkage	-	-	4,488	-	4,488
Exclusion from (inclusion in) the consolidation	63,968	-	-	-	63,968
Classification into liabilities from disposal groups held for sale	60,184	-	-	-	60,184
Other changes	1,344	(1,330)	-	-	14
Balance as of December 31, 2022	(312,254)	(151,330)	(167,718)	-	(631,302)
Cash-flow	11,911	75,000	60,128	-	147,039
Impact of changes in the exchange rate and CPI linkage	-	-	5,082	-	5,082
Exclusion from (inclusion in) the consolidation	7,712	-	-	-	7,712
Classification from liabilities of disposal groups held for sale	(51,904)	-	-	-	(51,904)
Other changes	(5,274)	1,330	-	-	(3,944)
Balance as of December 31, 2023	(349,809)	(75,000)	(102,508)	-	(527,317)

NOTE 15 - TAXES ON INCOME

A. Tax laws applicable to the Group members

1. The Company has revenues from real estate investments in Germany. Pursuant to the tax treaty between Germany and the Netherlands, real estate revenues are taxed based on where the property is located.

2. Presented below are the tax rates applicable to the Company and its primary consolidated companies:

Country	%
The Netherlands (*)	19.0 – 25.8
Germany (**)	15.825-31.225

(*) The tax rate in the Netherlands on taxable income up to EUR 200 thousands is 19.0%, while the tax rate on taxable income exceeding EUR 200 thousands is 25.8%.
(**) Profits from selling apartments are subject to local business tax in Germany. The weighted corporate tax and local business tax rates come to 31.225%.

3. Profits deriving from the sale of shares in a Dutch or German company by a Dutch company are not taxable in the Netherlands subject to satisfying the participation exemption conditions established under Dutch law. Profits deriving from the sale of shares in a German company whose real estate assets comprise more than 50% of the company's total assets, by a German company, will be subject to a 5% tax in Germany. As of 2019, due to changes in German law, profits generated after January 1, 2019, deriving from the sale of shares in a limited liability company which holds assets in Germany will be subject to 5% corporate tax on the taxable profits in Germany.

B. Tax assessments

Final tax assessments

The Company has been issued final tax assessments in the Netherlands until and including the 2021 tax year. Some of the consolidated companies which are taxed in the Netherlands have been issued final tax assessments until and including the 2022 tax year, while some have never been issued final tax assessments.
Most of the consolidated companies which are taxed in Germany have been issued tax assessments until and including the 2022 tax year. The tax assessments issued to the Company until and including the 2018 tax year are deemed final due to being subject to the applicable prescription period.

C. Losses carried forward for tax purposes and other temporary provisions

The Group has commercial losses and capital losses for tax purposes which are carried forward to subsequent years and total approximately EUR 25,069 thousands as of December 31, 2023. Deferred tax assets totaling approximately EUR 3,967 thousands have been recognized in the financial statements for these losses.

D. Deferred taxes

	As of 31 December	
	2023	2022
	EUR 000's	
Deferred tax liabilities		
Inventory of land, investment property and other	(74,982)	(100,024)
Deferred tax assets		
Losses carried forward for tax purposes (*)	3,967	15,718
Deferred tax liabilities, net	(71,015)	(84,306)
Deferred taxes are presented in the statement of financial position, as follows:		
Non-current assets	-	236
Non-current liabilities	(71,015)	(84,542)
	(71,015)	(84,306)

(*) The decline in the level of deferred tax assets created by accumulated losses carried forward for tax purposes is primarily attributable to the derecognition of a deferred tax asset (totaling approximately EUR 9.5 million), due to its anticipated utilization being reconsidered following the decline in the value of the Company's land inventory in 2023.

The change in deferred taxes in the reported periods is composed, as follows:

	For the year ended 31 December	
	2023	2022
	EUR 000's	
Deferred tax liabilities		
Inventory of land, investment property and other	(28,348)	(32,456)
Deferred tax assets		
Losses carried forward for tax purposes	11,751	(38)
Deferred tax expenses (revenues), net	(16,597)	(32,494)

The deferred taxes for investment real estate are calculated according to a tax rate of 15.825%, based on the tax rates that are expected to apply upon being sold, deferred taxes for land inventory are calculated according to a tax rate of 31.225%. Deferred taxes for carried losses in the Netherlands are calculated according to the tax rate based on the losses the Company anticipates will be utilized.

Income taxes included in the statements of profit or loss

	For the year ended 31 December		
	2023	2022	2021
		EUR 000's	
Deferred taxes (also see section D above)	(16,597)	(32,494)	20,079
Current taxes and taxes for previous years	2,176	11,274	4,283
Tax expenses (revenues)	(14,421)	(21,220)	24,362

E. Theoretical tax

The following is an adjustment between the tax amount that would have been applied if all the revenues and expenses, profits and losses in the statement of profit or loss were taxed according to the statutory tax rate in the Netherlands and the amount of taxes on income included in the statement of profit or loss.

	For the year ended 31 December		
	2023	2022	2021
		EUR 000's	
Profit (loss) before taxes on income	(160,421)	(198,414)	96,938
Statutory tax rate in the Netherlands	25.8%	25%	25%
Tax (tax abatement) computed at the statutory tax rate	(41,388)	(49,603)	24,235
Deferred taxes created at a different tax rate and others, net	24,853	17,161	(1,822)
Taxes for previous years	2,114	11,222	1,949
Taxes on income (tax abatement)	(14,421)	(21,220)	24,362

NOTE 16 - CONTINGENT LIABILITIES, ENGAGEMENTS, CHARGES AND GUARANTEES

A. Contingent liabilities, charges and guarantees

1. To secure non-recourse loans from banking corporations pledges have been recorded on investment properties and on the bank accounts receiving rental payments, rights for insurance policies, a pledge over the property company's shares and the like (see Note 10). Each property is owned by a special purpose vehicle (SPV). There is a cross guarantee to secure credit facilities taken to finance property purchases for some of the properties.

   Some of the loan agreements include a "negative pledge" clause prohibiting the borrowers to create additional pledges on the properties and the pledged revenues unless explicit approval has been given by the lender.

2. As part of the conditions to receive building approvals for phases J+K (which have not yet been received) for the Gräfenthal project (Gräfenthal OST land), in 2022 the Company paid EUR 7.8 million to the City of Dusseldorf. This amount is being held by the city as a security to guarantee the Company's ability to build public areas as part of the project. The guarantee bears annual interest of 2.0% and is only calculated with respect to the actual amount provided as a guarantee.

3. See Note 10D-F regarding a pledge provided for the bonds.

4. The balance of secured liabilities come to approximately EUR 475.9 million (in 2022 it was approximately EUR 481.2 million).

B. Claims

1. 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.

2. The Group's management has assessed, based, *inter alia*, on the expert opinion of its legal advisors, that the provisions included in the financial statements are sufficient to cover the possible exposure to it as a result of possible claims.

C. Engagements

1. Engagements for regulatory purposes - on December 16, 2020, the Company's board of directors approved the sale of 0.1% of property companies held by the Company as part of the Company's preparations for various regulatory changes which may be introduced in Germany in the coming years. On December 18, 2020, and as a precaution, said transaction was classified by the Company's audit committee as a non-exceptional transaction in which the Company's controlling shareholder has a personal interest due to the fact that the buyer had performed similar transactions with various property companies held by ADLER, the controlling shareholder of the Company, including it holding a negligible rate of said companies, and because the ultimate controlling shareholder of the buyer previously indirectly held shares in ADLER Group SA. It should be clarified that as of the approval date of the transaction, and to the best of the Company's knowledge, the ultimate controlling shareholder no longer holds shares in ADLER Group SA (and, in any event, did not hold more than 5% of the shares in Adler Group SA). The transaction was performed in the ordinary course of business for the Company, at arm length terms and in consideration for an amount immaterial to the Company.

2. On August 12, 2020, the Company announced that further to the recommendation and approval of the Company's remuneration committee, the Company's board of directors had resolved to approve the Company's new remuneration policy, and established that despite the opposition of the general meeting convened on July 29, 2020, approval of the new remuneration policy is in the Company's best interests, in accordance with Section 267A(c) of the Israel Companies Law, 1999. Among other things, the approved remuneration policy regulates the compensation that can be awarded to the Company's directors and officers, including establishing fixed and variable components of the officer's compensation, expense reimbursement, termination benefits and issues related to indemnification and insurance. The approved remuneration policy also regulates instances where the officers provide services to both the Company and to its parent company and will be effective for a 3-year period commencing from July 29, 2020. On May 8, 2022, the Company's general meeting approved the Company's amended remuneration policy, and on November 8, 2022, the Company's general meeting approved an additional amendment to the Company's remuneration policy.

3. On February 12 and April 14, 2021, the Company's audit committee and board of directors respectively approved for the Company to execute a non-competition agreement with its controlling shareholder and some of the Company's officers who also serve as officers of ADLER (the "non-compete arrangement"), which, *inter alia,* grants the Company a right of first refusal with respect to commercial opportunities relevant to the Company in its operating segments and regions.

4. On June 30, 2021, the Company and another company which for regulatory purposes holds a negligible rate of the property companies held by the Company's controlling shareholder (hereinafter: the "additional buyer") signed an agreement to purchase investor rights in a subsidiary which owns various phases of the Gräfenthal project, in consideration for approximately EUR 18 million, while the Company purchased 5.8% of the rights in consideration for approximately EUR 6.6 million, and the additional buyer, which received a loan totaling approximately EUR 11.4 million (at annual interest of 0.35%), purchased the remaining 10.1% for approximately EUR 11.4 million, which is presented in the statement of financial position as of December 31, 2023, as part of the restricted deposits, financial assets and other debit balances line-item as part of the current assets. The entire consideration was paid to investors on July 1, 2021, and was imputed as a transaction with minority interest holders in the statement of changes in equity.

NOTE 17 - EQUITY

A. Composition of share capital (number of shares)

	31 December 2022 and 2023	
	Authorized	Issued and outstanding
Ordinary shares of the Company, EUR 0.01 par value each	**22,500,000**	**7,730,875 (*)**

(*) Excluding treasury shares - See Note 17C below.

B. Management of the Company's capital

The Company is acting to maintain a capital structure which will allow the Company to support its channels and to maximize value for its shareholders.
The Company manages its capital structure and makes changes according to changes in the environment the Company operates in.

C. Treasury shares - Company's shares held by the Company

The Company's holdings of Company shares total 31,688 shares which constitute 0.4% of the Company's issued share capital.

D. Classifications pursuant to Dutch law - Statutory capital reserve

According to Dutch law applicable to the Company, unrealized profits from fair value adjustments cannot be distributed as a dividend.
Additionally, profits of investees cannot be distributed as a dividend unless personally distributed by the subsidiaries.
However, under Dutch law, these profits are only distributable after they have been converted in the share capital and the capital has been decreased as a result of the distribution.
In the reported year the Company classified distributable profits from the statutory capital fund. Accordingly, the balance of distributable profits, according to Dutch law, as of December 31, 2023, is approximately EUR 162.6 million.

E. Company's rating

On February 15, 2022, S&P Maalot announced that the Company's ratings were being placed on a negative CreditWatch following a weakening of the ADLER group's credit quality and it being placed on a negative CreditWatch.

On May 16, 2022, S&P Maalot announced that the Company's ratings had been downgraded to 'ilA-' due to the weakening of the credit quality of ADLER (the controlling shareholder) and it being kept on a negative CreditWatch. As a result of the foregoing and pursuant to the terms and conditions of the deeds of trust for the Company's bonds, there was a 0.25% increase in the interest rate for the Company's bonds (Series B and C).

On September 8, 2022, S&P Maalot announced a downgrade of the Company's rating to 'ilBBB-' and a downgrade of the Company's bonds to 'ilBBB+' due to its assessment that the Company has limited access to sources of financing and weak liquidity. The ratings also remained on a negative watchlist. As a result of the foregoing and pursuant to the terms and conditions of the deeds of trust for the Company's bonds, there was an additional 0.5% increase in the interest rate for the Company's bonds (Series B and C). It should be noted that this increase was in addition to the interest increase in May 2022.

On July 20, 2023, S&P Maalot announced that it had issued a rating of 'ilBBB+/Watch Neg' for the issuance of bonds (expansion of Series C) of up to ILS 240 million par value.

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-' with a negative outlook was affirmed.

Subsequent to the date of the report, on January 25, 2024, S&P Maalot announced that it had issued a rating of 'ilBBB+' for the issuance of Bonds (Series D) of up to ILS 200 million par value. Furthermore, on February 25, 2024, S&P Maalot announced that it confirms the rating for the issuance of Bonds (Series D) and increased its scope to up to ILS 360 million par value.

F. The Company's shares being placed on the maintenance list

Refer to Note 22(1) regarding the Company's shares being placed on the maintenance list in January 2024.

NOTE 18 - ADDITIONAL DETAILS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE PROFIT OR LOSS ITEMS

		For the year ended 31 December	
	2023	2022	2021
		EUR 000's	
A. Cost of maintenance of rental properties			
Salaries, electricity, water and gas	1,522	2,529	1,675
Maintenance and repairs	3,594	4,834	6,382
Land taxes	137	192	592
Insurance	289	169	27
Bad and doubtful debts	1,222	884	686
Marketing	317	399	437
Other	1,061	1,095	429
	8,142	10,102	10,228
B. General and administrative expenses			
Property management, salary and other expenses	5,582	5,670	5,223
Expenses for unrealized property sale transactions	893	232	426
Legal and other professional services	3,830	4,449	3,424
Travel, rent, director fees, office maintenance and other expenses	2,767	2,768	2,474
	13,072	13,119	11,547

	For the year ended 31 December		
	2023	2022	2021
		EUR 000's	
C. Financing expenses excluding the impact of exchange rate differentials and currency hedging transactions			
interest, bank charges and others			
Interest and linkage expenses for loans and bonds	(8,228)	(18,756)	(11,190)
Interest expenses for a loan from the controlling shareholder	(1,500)	(1,499)	-
Banking, guarantee and other charges	(334)	(441)	(1,157)
Leasing financing expenses	-	-	(36)
	(10,062)	(20,696)	(12,383)
D. Impact of currency differentials and currency hedging transactions, net			
Profit (loss) from currency differentials for bonds and cash, net	10,967	10,616	(8,275)
Loss from currency exchange hedging derivative transactions	(11,843)	(21,101)	-
	(876)	(20,301)	(10,023)
E. Change in fair value of financial instruments and others			
Profit (loss) from revaluing interest swap transactions, net	-	249	325
Profit (loss) from revaluing a financial asset measured at fair value through profit and loss	(779)	(6,040)	(29,274)
Reduction of premium, financing costs for loans and bonds and others	(2,447)	(2,016)	-
Credit losses	-	(1,726)	-
	(3,226)	(9,533)	(28,949)

NOTE 19 - NET PROFIT PER SHARE

Details of the number of shares and profit used in calculating the net profit per share

	For the year ended 31 December					
	2023		2022		2021	
	Weighted number of shares	Net loss attributable to Company's shareholders	Weighted number of shares	Net loss attributable to Company's shareholders	Weighted number of shares	Net profit attributable to Company shareholders
	000's	EUR 000's	000's	EUR 000's	000's	EUR 000's
For the computation of basic and diluted net profit (loss) per share	7,731	(143,338)	7,731	(170,558)	7,731	72,676

NOTE 20 - OPERATING SEGMENTS

General

The operating segments are identified on the basis of information reviewed by the chief operating decision maker ("CODM") for the purpose of decision making with respect to the allocation of resources and performance evaluation (the Company's board of directors). Accordingly, for management purposes, the Group is organized according to the operating segments of its commercial units and it has four operating segments, as follows:

Income-generating property (commercial)	-	**Renting properties for commercial purposes.**
Income-generating (residential)	-	**Renting residential properties.**
Land for betterment	-	**Land undergoing betterment.**
Residential development	-	**Inventory of apartments under construction and inventory of land.**

The segment results reported to the CODM include items that are directly attributable to the segment. Items that were not allocated primarily include general and administrative expenses, financing expenses, financing revenues, fair value adjustments for financial instruments and taxes on income are managed on a group basis.

Assets allocated directly to the segment represent the balance of investment property and inventory of land and apartments for sale under construction and financial derivatives directly related to the property company, while liabilities allocated directly to the segment are loans and derivatives directly related to the property companies and also long-term liabilities that can be specifically attributed. The balance of assets and liabilities is not allocated directly to segments.

Reporting by operating segment

	Real estate Income-generating (commercial)	Income-generating (residential)	Land for betterment	Residential development	Total
	EUR 000's				
For the year ended December 31, 2023					
Revenues from property rentals	1,682	48,090	4	-	49,776
Property management and other revenues	490	24,034	6	-	24,530
Property management expenses	(419)	(23,707)	(81)	-	(24,207)
Cost of maintenance of rental properties	(2,869)	(5,220)	(53)	-	(8,142)
Net rental and management revenues	(1,116)	43,197	(124)	-	41,957
Revenues from selling apartments	-	-	-	-	-
Cost of selling apartments	-	-	-	(61,377)	(61,377)
Profit from selling apartments	-	-	-	(61,377)	(61,377)
General and administrative expenses					(13,072)
Sales and marketing expenses and general and administrative expenses attributed to inventory of land					(1,404)
Net increase (decrease) in value of investment properties	(1,369)	(105,139)	(5,179)	-	(111,687)
Financing expenses, net					(14,164)
Other expenses, net					(674)
Loss before taxes on income					(160,421)

	Real estate Income-generating (commercial)	**Income-generating (residential)**	Land for betterment	Residential development	Total
	EUR 000's				
For the year ended December 31, 2022					
Revenues from property rentals	3,135	56,695	57	-	59,887
Property management and other revenues	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)
Profit from selling apartments	-	-	-	(13,556)	(13,556)
Group's share in earnings of companies treated under the equity method	859	-	-	-	859
General and administrative expenses					(13,119)
Sales and marketing expenses and general and administrative expenses attributed to inventory of buildings under construction and inventory of land					(1,669)
Net increase (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)

	Real estate Income-generating (commercial)	Income-generating (residential)	Land for betterment	Residential development	Total
	EUR 000's				
For the year ended December 31, 2021					
Revenues from property rentals	4,998	54,142	103	-	59,243
Property management and other revenues	1,570	22,083	53	-	23,706
Property management expenses	(1,217)	(22,171)	(256)	-	(23,644)
Cost of maintenance of rental properties	(3,387)	(6,555)	(286)	-	(10,228)
Net rental and management revenues	1,964	47,499	(386)	-	49,077
Revenues from selling apartments	-	-	-	8,301	8,301
Cost of selling apartments	-	-	-	(7,304)	(7,304)
Profit from selling apartments	-	-	-	997	997
Group's share in earnings of companies treated under the equity method	(2,083)	-	-	-	(2,083)
General and administrative expenses					(11,547)
Sales and marketing expenses and general and administrative expenses attributed to inventory of buildings under construction and inventory of land	-	-	-	(1,502)	(1,502)
Net increase (decrease) in value of investment properties	(6,879)	124,121	(5,639)	-	111,603
Financing expenses, net					(49,607)
Profit before taxes on income					96,938

NOTE 21 - TRANSACTIONS WITH INTERESTED AND RELATED PARTIES

A. Transactions with interested and related parties

	For the year ended 31 December		
	2023	2022	2021
	EUR 000's		
Interest expenses for a loan from the controlling shareholder (1)	1,500	1,499	-

(1) For information about a loan received from the controlling shareholder, see Note 11 above.

B. Benefits for key management personnel (including directors)

	For the year ended 31 December					
	2023		2022		2021	
	No. of people	Amount EUR 000's	No. of people	Amount EUR 000's	No. of people	Amount EUR 000's
Short-term employee benefits (excluding director fees)	2	925	2	885	2	245
Total benefits for directors	8	406	10	494	8	492

NOTE 22 - MATERIAL EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

1. Further to the Company's earlier reports, further to the decision by the Company's shareholders to not authorize the Company's board of directors to issue shares with the objective of preventing the Company's shares being placed on the maintenance list despite the repeated requests made by the Company's board of directors to its primary shareholders on this issue, pursuant to a decision of the Tel Aviv Stock Exchange Ltd. ("**TASE**"), the Company's shares were transferred to the TASE maintenance list on January 31, 2024, due to the Company failing to comply with the maintenance rules established in the TASE listing rules and guidances enacted thereto regarding the requirement for a minimal public holding of the Company's shares.

2. Subsequent to the date of the report, on February 28, 2024, the Company completed an issuance of a new series of Bonds (Series D) in a total scope of approximately ILS 360 million at Shekel-denominated interest (linked to CPI) of 5.05%.

Appendix of Holdings

List of consolidated companies and material partnerships

Name of entity	Country of incorporation	31 December 2023 % equity	31 December 2022 % equity
Brack German Properties B.V.	The Netherlands	100	100
Brack Capital (Remscheid) B.V.	The Netherlands	99.9	99.9
Brack Capital (Neubrandenburg) B.V.	The Netherlands	99.9	99.9
Brack Capital (Chemnitz) B.V.	The Netherlands	60	60
Brack Capital (Hamburg) B.V.	The Netherlands	100	100
Brack Capital (Dusseldorf-Rosssatrasse) B.V.	The Netherlands	99.9	99.9
Brack Capital (Dusseldorf -Schanzenstrasse) B.V.	The Netherlands	100	100
Brack Capital (Gelsenkirchen) B.V.	The Netherlands	99.9	99.9
Brack Capital (Ludiwgsfelde) B.V.	The Netherlands	99.9	99.9
Brack Capital (Bad Kreuznach) B.V.	The Netherlands	99.9	99.9
Brack Capital Germany (Netherlands) XIX B.V.	The Netherlands	99.9	99.9
Brack Capital (Beta) B.V.	The Netherlands	89.9	89.9
Brack Capital Germany (Netherlands) XXVI B.V.	The Netherlands	89.9	89.9
Grafental GmbH & Co. KG	Germany	89.9	89.9
Grafental Mitte B.V.	The Netherlands	89.9	89.9
Brack Capital Germany (Netherlands) XXX B.V.	The Netherlands	99.9	99.9
Brack Capital Germany (Netherlands) XXI B.V.	The Netherlands	99.9	99.9
Brack Capital Germany (Netherlands) XII B.V.	The Netherlands	100	100
Brack Capital Germany (Netherlands) XLIX B.V.	The Netherlands	99.9	99.9
Brack Capital Alfa B.V.	The Netherlands	89.9	89.9
Brack Capital Delta B.V.	The Netherlands	89.9	89.9
Brack Capital Epsilon B.V.	The Netherlands	100	100
Brack Capital Kaufland S.a.r.l.	Luxembourg	89.9	89.9
TPL Augsburg S.a.r.l.	Luxembourg	82.6	82.6
TPL Bad Aibling S.a.r.l.	Luxembourg	82.6	82.6
TPL Borken S.a.r.l.	Luxembourg	82.6	82.6
TPL Erlangen S.a.r.l.	Luxembourg	-	-
TPL Geislingen S.a.r.l.	Luxembourg	82.6	82.6
TPL Vilshofen S.a.r.l.	Luxembourg	82.6	82.6
TPL Biberach S.a.r.l.	Luxembourg	82.6	82.6
TPL Ludwigsburg S.a.r.l.	Luxembourg	82.6	82.6
TPL Neckarsulm S.a.r.l.	Luxembourg	82.6	82.6
BCP Leipzig B.V.	The Netherlands	89.8	89.8

Name of entity	Country of incorporation	31 December 2023	2022
		% equity	
Investpartner Gmbh	Germany	94.8	94.8
BRACK CAPITAL (WUPPERTAL) GMBH	Germany	100	100
BCRE Kassel I B.V (former BCRE UK B.V)	The Netherlands	100	100
Brack Capital Germany (Netherlands) XXII B.V.	The Netherlands	100	100
BCRE Dortmund Wohnen B.V.	The Netherlands	99.9	99.9
BCRE Duisburg Wohnen B.V.	The Netherlands	99.9	99.9
BCRE Essen Wohnen B.V.	The Netherlands	99.9	99.9
Brack Capital Germany (Netherlands) XXXVI B.V.	The Netherlands	-	99.9
Brack Capital Germany (Netherlands) XVII B.V.	The Netherlands	100	100
Brack Capital Germany (Netherlands) XVIII B.V.	The Netherlands	100	100
Brack Capital Germany (Netherlands) XXIII B.V.	The Netherlands	100	100
Brack Capital Germany (Netherlands) XXV B.V.	The Netherlands	100	100
Admiralty Holdings Ltd	Gibraltar	10.1	10.1
BCRE Eta B.V.	The Netherlands	100	100
Brack Capital Labda B.V.	The Netherlands	100	100
Hanse Holdings S.á r.l.	Luxembourg	10.1	10.1
Graniak Leipzig Real Estate GmbH & Co. KG	Germany	89.7	89.7
Brack Capital Germany (Netherlands) XXIV B.V	The Netherlands	10.1	10.1
Brack Capital Germany (Netherlands) XXXV BV	The Netherlands	99.9	99.9
Brack Capital Germany (Netherlands) XXXVII BV	The Netherlands	99.9	99.9
Brack Capital Germany (Netherlands) XXXVIII BV	The Netherlands	99.9	99.9
Brack Capital Germany (Netherlands) XL BV	The Netherlands	100	100
Parkblick GmbH & Co. KG	Germany	99.9	99.9
Capital Germany (Netherlands) XXXIX BV	The Netherlands	99.9	99.9
Brack Capital Germany (Netherlands) XLI BV	The Netherlands	99.9	99.9
Brack Capital Germany (Netherlands) XLII BV	The Netherlands	99.9	99.9
Brack Capital Germany (Netherlands) XLV BV	The Netherlands	100	100
Brack Capital Theta B.V.	The Netherlands	100	100
Brack Capital Germany (Netherlands) XLIII BV	The Netherlands	100	100
Brack Capital Germany (Netherlands) XLIV BV	The Netherlands	99.9	99.9
Brack Capital Germany (Netherlands) XXXI BV	The Netherlands	99.9	99.9
Brack Capital Germany (Netherlands) XLVI BV	The Netherlands	100	100

Name of entity	Country of incorporation	31 December 2023	2022
		% equity	
Brack Capital Germany (Netherlands) L B.V.	The Netherlands	100	100
Brack Capital Germany (Netherlands) LI B.V.	The Netherlands	99.9	99.9
Brack Capital Germany (Netherlands) LII B.V.	The Netherlands	100	100
Brack Capital Germany (Netherlands) LIII B.V.	The Netherlands	99.9	99.9
Brack Capital Germany (Netherlands) LIV B.V.	The Netherlands	100	100
Brack Capital Germany (Netherlands) LV B.V.	The Netherlands	100	100
Brack Capital Germany (Netherlands) XLVII B.V.	The Netherlands	99.9	99.9
Brack Capital Germany (Netherlands) XLVIII B.V.	The Netherlands	100	100
S.Y.B. Future Capital Services Ltd.	Israel	100	100
RT Facility Management GmbH & Co. KG	Germany	100	100
Brack Capital Patros GmbH	Germany	100	100
Brack Capital Halle I GmbH	Germany	94.8	94.8
Brack Capital Halle II GmbH	Germany	94.8	94.8
Brack Capital Halle III GmbH	Germany	94.8	94.8
Brack Capital Halle IV GmbH	Germany	94.8	94.8
Brack Capital Halle V GmbH	Germany	94.8	94.8
Brack Capital Leipzig I GmbH	Germany	94.8	94.8
Brack Capital Leipzig II GmbH	Germany	94.8	94.8
Brack Capital Leipzig III GmbH	Germany	94.8	94.8
Brack Capital Leipzig IV GmbH	Germany	94.8	94.8
Brack Capital Leipzig V GmbH	Germany	94.8	94.8
Brack Capital Leipzig VI GmbH	Germany	94.8	94.8
Brack Capital Magdeburg I GmbH	Germany	94.8	94.8
Brack Capital Magdeburg II GmbH	Germany	94.8	94.8
Brack Capital Magdeburg III GmbH	Germany	94.8	94.8
Brack Capital Magdeburg IV GmbH	Germany	94.8	94.8
Brack Capital Magdeburg V GmbH	Germany	94.8	94.8
Brack Capital Magdeburg VI GmbH	Germany	94.8	94.8
Glasmacherviertel GmbH & Co. KG	Germany	100	100
BCP Invest Rostock B.V.	The Netherlands	100	100
BCP Invest Celle B.V	The Netherlands	100	100
BCP Invest Castrop B.V	The Netherlands	100	100

BRACK CAPITAL PROPERTIES N.V.

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

As of December 31, 2023

Special Report Pursuant to Regulation 9C

Financial Data and Information from the Consolidated Financial Statements

Attributed to the Company

Presented below is the standalone financial data and information attributed to the Company from the Group's consolidated financial statements as of December 31, 2023 which are published as part of the periodic reports (hereinafter - the Consolidated Statements), presented in accordance with Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970, as relevant.

The primary accounting principles applied in presenting this financial data have been described in Note 2 of the Consolidated Statements.

Special Auditor's Report to the Shareholders of Brack Capital Properties N.V. on the Standalone Financial Data in Accordance with Section 9C of the Securities Regulations (Periodic and Immediate Reports), 1970

We have audited the standalone financial data of Brack Capital Properties N.V. (hereinafter - the "Company"), as of December 31, 2023, presented in accordance with Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970. The standalone financial data is the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on the standalone financial data based on our audit.

The Company's financial statements as of December 31, 2022 and for the two annual periods ended on the same date were audited by other auditors whose audit opinion on such statements dated March 31, 2023, included an unqualified opinion.

We conducted our audit in accordance with generally accepted accounting standards in Israel. These standards require us to plan and perform the audit in order to obtain a reasonable level of assurance that the standalone financial data is free of material misrepresentation. An audit includes examining samples of evidence supporting the amounts and disclosures in the standalone financial data. An audit also includes assessing the accounting principles applied when preparing the standalone financial data and the significant estimates made by the Company's board of directors and management, as well as evaluating the appropriateness of the presentation of the standalone financial data. We believe that our audit and other audit reports provide a reasonable basis for our opinion.

In our opinion, based on our audit and on the reports of other auditors, the standalone financial data has been prepared, with respect to all material aspects, in accordance with Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970.

Tel Aviv, March 28, 2024
Ziv Haft
Auditors

Amounts of Assets and Liabilities Included in the Consolidated Statements of Financial Position Attributed to the Company

	As of 31 December	
	2023	2022
	EUR 000's	
Current assets		
Cash and cash equivalents	20,141	34,994
Cash and cash equivalents in escrow	12,706	39,095
Restricted deposits, financial assets and other debit balances	122	211
Total current assets	32,969	74,300
Non-current assets		
Investment in an investee	729,336	970,975
Investment in a listed financial asset measured at fair value through profit and loss	-	779
Total non-current assets	729,336	971,754
Total assets	762,305	1,046,054
Current liabilities		
Current maturities of bonds	24,753	62,944
Accounts payable, credit balances and other financial liabilities	6,861	8,299
Loan from the controlling shareholder	75,000	151,330
Total current liabilities	106,614	222,573
Non-current liabilities		
Bonds	77,755	104,774
Financial liabilities	15,542	12,975
Total non-current liabilities	93,297	117,749
Total liabilities	199,911	340,322
Equity		
Share capital	77	77
Premium on shares	144,237	144,237
Treasury shares	(746)	(746)
Other capital reserves	(531)	(531)
Statutory capital reserve	256,729	350,956
Retained earnings	162,628	211,739
Total equity	562,394	705,732
Total liabilities and equity	762,305	1,046,054

March 28, 2024			
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.

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

	For the year ended 31 December		
	2023	2022	2021
		EUR 000's	
General and administrative expenses	(3,047)	(2,963)	(2,434)
Net financing income (expenses)	(12,105)	(40,157)	(41,744)
Company's share in profits (losses) of investees	(128,186)	(127,438)	116,854
Net and comprehensive profit (loss)	(143,338)	(170,558)	72,676

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

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

	For the year ended 31 December		
	2023	2022	2021
	EUR 000's		
Cash-flows for the Company's operating activities			
Net profit attributable to Company shareholders	(143,338)	(170,558)	72,676
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	13,313	31,254	41,164
Company's share in losses (profits) of investees	128,186	127,438	(116,854)
	141,499	158,692	(75,690)
Changes in the Company's asset and liability items:			
Decrease (increase) in receivables and credit balances and related parties	88	(14)	466
Increase (decrease) in accounts payable and credit and affiliated party balances	(135)	8	67
	(47)	(6)	533
Net cash used for Company's operating activities	(1,886)	(11,872)	(2,481)
Cash-flows from the Company's investment activities			
Net movement in investment in an investee and in cash and cash equivalents held in escrow	139,842	(196,524)	16,275
Net cash deriving from the Company's investment activities (utilized for investment activities)	139,842	(196,524)	16,275
Cash-flows for the Company's financing activities			
Interest paid	(5,265)	(7,528)	(2,408)
Net issuance of bonds	-	162,518	-
Payments of financial liability for exchange rate hedging	(11,335)	-	-
Receipt of a loan from the controlling shareholder	-	150,000	-
Repayment of loan from the controlling shareholder	(75,000)	-	-
Repayment of bonds	(61,209)	(62,660)	(11,298)
Net cash deriving from (utilized for) the Company's financing activities	(152,809)	242,330	(13,706)
Change in cash and cash equivalents	(14,853)	33,934	88
Balance of cash and cash equivalents at beginning of year	34,994	1,060	972
Balance of cash and cash equivalents at end of year	20,141	34,994	1,060

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

1. General

This standalone financial data has been prepared in a condensed format in accordance with Section 9C of the Securities Regulations (Periodic and Immediate Reports), 1970. This standalone financial data should be read in conjunction with the financial data in the Company's annual consolidated financial statements as of December 31, 2023 and for the year ended on the same date and also together with the accompanying notes.

General description of the Company and its operations

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.

2. Material events during the reported period

For details about material events during the reported period see the relevant sections of the Company's consolidated financial statements.

Brack Capital Properties N.V.

Chapter D - Additional information about the Corporation

Regulation 10A **Overview of the consolidated quarterly statements of profit and loss (EUR 000's):**

	2023				
	Q1	Q2	Q3	Q4	Total for all 4 quarters
Revenues from property rentals	**12,421**	**12,389**	**12,440**	**12,526**	**49,776**
Property management and other revenues	**6,072**	**6,690**	**5,369**	**6,399**	**24,530**
Property management expenses	**(5,797)**	**(6,386)**	**(5,392)**	**(6,632)**	**(24,207)**
Cost of maintenance of rental properties	**(2,417)**	**(2,247)**	**(1,944)**	**(1,534)**	**(8,142)**
Net rental and management revenues	**10,279**	**10,446**	**10,473**	**10,759**	**41,957**
Revenues from selling apartments	**-**	**-**	-	**-**	**-**
Cost of selling apartments	-	(32,150)	(2,193)	**(27,034)**	**(61,377)**
Profit (loss) from selling apartments	**-**	**(32,150)**	**(2,193)**	**(27,034)**	**(61,377)**
General and administrative expenses	(3,737)	(3,724)	(2,696)	**(2,915)**	**(13,072)**
General and administrative expenses relating to the inventory of buildings under construction and land inventory	(551)	(291)	(334)	**(228)**	(1,404)
Net profit (loss) before revaluing investment properties	**5,991**	**(25,719)**	**5,250**	**(19,418)**	**(33,896)**
Net increase (decrease) in value of investment properties	(2,019)	(80,370)	(2,990)	(26,308)	(111,687)
Profit (loss) before financing expenses	**3,972**	**(106,089)**	**2,260**	**(45,726)**	**(145,583)**
Financing expenses excluding the impact of exchange rate and index changes and hedging transactions	(2,718)	(1,725)	(2,925)	(2,694)	(10,062)
Impact of exchange rate and index changes and hedging and other transactions	2,402	(3,495)	(275)	492	(876)
Change in fair value of financial instruments, credit and other losses	-	-	(3,256)	30	(3,226)
Other revenues (expenses), net	(133)	(17)	(42)	(482)	(674)
Profit (loss) before taxes on income	**3,523**	**(111,326)**	**(4,238)**	**(48,380)**	**(160,421)**

	2023				
	Q1	Q2	Q3	Q4	Total for all 4 quarters
Tax abatement (taxes on income)	(582)	10,985	(340)	4,358	14,421
Net profit (loss)	**2,941**	**(100,341)**	**(4,578)**	**(44,022)**	**(146,000)**
Net profit (loss) attributed to:					
Shareholders of the Company	3,196	(99,098)	(4,519)	(42,917)	(143,338)
Minority interests	(255)	(1,243)	(59)	(1,105)	(2,662)

Regulation 10C **Use of proceeds from securities**

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 section 9.7 of the board of directors report attached as Chapter B to this report, as well as the immediate reports published by the Company on July 20, July 26, August 1, August 6, and August 9, 2023 (Ref. No: 2023-01-083271, 2023-01-085842, 2023-01-071986, 2023-01-073066 and 2023-01-074137, respectively).

Subsequent to the date of the report, on March 4, 2024, the Company completed the issuance of a new series of bonds, Bonds (Series D), as part of which the Company issued bonds totaling ILS 360,000,000 par value, with the objective of repaying the Company's existing liabilities and to finance the Company's operating activities. For more information regarding this issuance of securities, see section 9.10 of the board of directors report attached as Chapter B to this report, as well as the immediate reports published by the Company on February 26 and 28 and March 3 and 4 (Ref. No: 2024-01-017233, 2024-01-017629, 2024-01-017824, 2024-01-018757, 2024-01-018907, 2024-01-018907, respectively), which are hereby included by way of reference.

Regulation 11 **Investments in material subsidiaries and investees**

Company name	No. of shares in the authorized share capital	Issued and paid-up capital	Par value	Value in the standalone financial statements as of December 31, 2023 (EUR 000's)	% of capital	% of voting rights	% of authority to appoint directors	Balance of bonds and loans issued (received) in the financial statements as of December 31, 2023 (EUR 000's)
Brack German Properties BV	9,000,000	1,978,261	EUR 0.01	739,014	100%	100%	100%	-
Glasmacherviertel GmbH & Co. KG	500	500	EUR 1	140,700	100%	100%	100%	-

Regulation 13 **Revenues of material subsidiaries and investees**

Company name	As of December 31 2023			
	Dividends and management fees Received by the Company in EUR	Interest income received by the	Profit (loss) after tax	Profit (loss) before tax
Brack German Properties BV	124,007	-	(804)	(804)
Glasmacherviertel GmbH & Co. KG	-	-	(43,485)	(43,485)

Regulation 20 **Trading on TASE**

Further to that stated above in Regulation 10C, during and subsequent to the reported period, the Company had the following bonds listed:

- On August 9, 2023, an additional ILS 213,702,734 par value of Company's Bonds (Series C) were listed for trade.
- On March 5, 2024, ILS 360,000,000 par value of the Company's Bonds (Series D) were listed for trade.

It should be noted that subsequent to the reported period, the Company's shares were placed on the TASE maintenance list *in lieu* of its primary list. For additional information see section 9.6 of the board of directors report attached as Chapter B to this report.

Regulation 21 **Payments to interested parties and senior officers**

1. **Company's remuneration policy**

   In accordance with the provisions of Section 267A(b) of the Companies Law, on May 8, 2022, the Company's general meeting approved the Company's amended remuneration policy. For more information see the Company's immediate report dated May 8, 2022 (Ref. No: 2022-01-055303), included herein by way of reference.

2. On November 8, 2022, the Company's general meeting approved an additional amendment to the Company's remuneration policy. For more information see the immediate reports published by the Company on October 4 and November 8, 2022 (Ref. No: 2022-01-100740 and 2022-01-134668, respectively) included herein by way of reference (the "**remuneration policy**").

   Presented below is an overview of the payments made by the Company in 2023, as recognized in the Company's 2023 financial statements, to each of the five highest paid officers in the Group:

Payee details				Remuneration for services (EUR 000's)								Total (EUR 000's)
Name	**Position**	**Scope of position**	**% holdings of the Company's issued capital**	**Salary**	**Bonus**	**Share based payments**	**Management fees**	**Consulting fees**	**Commission**	**Other**	**Comments**	
Eran Edelman	CFO	Full-time	-	262	307	-	-	-	-	46[1]	-	615
Gary Wildbaum	Controller	Full-time	-	140	91	-	-	-	-	3	-	234
Board members[2]		-	-	406	-	-	-	-	-	-	-	406

[1] Vehicle, electronic equipment and expensive reimbursement as customary in the Company. For more information see section 3.1 below.

[2] Excluding Mr. Thierry Beaudmolin, who was only appointed as one of the Company's directors on December 20, 2023, and who also serves as the Company's CEO, and who is not entitled to remuneration from the Company either for his role as CEO or for him serving as a director. For more information about Mr. Beaudmolin being included in the Company's insurance arrangement, see Regulation 29A below.

3. Additional information about the terms of remuneration to the Group's senior officers

3.1. Mr. Eran Edelman

Mr. Edelman has been serving as the Company's CFO since June 1, 2021. On May 23, 2021, the Company entered into an employment agreement with Mr. Edelman for a period of four years (the "**employment agreement**").[3] It should be noted that subsequent to the date of the report it was decided to extend Mr. Eran Edelman's employment agreement with the Company (through one of its subsidiaries) for an additional five (5) year period.

As of the date of the report and as of its publication date, Mr. Edelman's terms of employment, are, as follows:

3.1.1. Fixed compensation: Annual salary at the maximum amount possible under the Company's remuneration policy, totaling EUR 25,000 per month. Mr. Edelman is also entitled to social contributions, vacation days, sick days, a vehicle, electronic equipment and expense reimbursement as customary in the Company.

3.1.2. Bonuses: Mr. Edelman may be entitled to the following bonuses under the Company's remuneration policy:

(a) Annual bonus: An annual bonus in an amount not exceeding twelve (12) monthly salaries comprising a **discretionary bonus** (up to 3 monthly salaries) and a **target-based bonus** (up to 9 monthly salaries). Following changes which generally impacted the market and the Company in particular, the remuneration committee and the board of directors established that the target-based bonus Mr. Edelman may be entitled to for 2023 will be related to an improvement in the Company's financial position and cash-flow, and therefore the bonus for 2023 is based on the following targets: (i) The refinancing or extension of the maturity dates of two of the Company's loans (25% (for each loan)); (ii) Raising debt financing or refinancing debt of a particular scope (25%); (iii) A "net proceeds" target of a particular scope from the sale of properties (25%). Mr. Edelman met[4] the targets and accordingly Mr. Edelman was paid an annual bonus of EUR 300 thousands including a discretionary bonus (totaling 3 monthly salaries) and a target-based bonus totaling 9 monthly salaries (according to Mr. Edelman's actual annual salary as described above in section 3.1.1). It should be noted that in 2024 the bonus will be based on an improvement in the Company's financial position and cash-flow.

(b) Annual retention bonus: Mr. Edelman was paid an amount totaling EUR 45

[3] Mr. Edelman's employment agreement was amended multiple times in 2022.

[4] For additional information in this regard see section 9 of the board of directors report for 2023, attached as Chapter B to this report.

thousands in April 2023, and subject to him continuing to hold office at the Company until May 2024 and to him not being entitled to a one-time bonus or change in control bonus by such date, he will be entitled to an annual retention bonus totaling six (6) salaries (EUR 150 thousands).

(c) One-time bonus: On September 30, 2022, the Company's remuneration committee and board of directors decided that upon the occurrence of one of the following events Mr. Edelman will be entitled to a one-time bonus totaling 24 monthly salaries: (i) For the sale of at least 60% of the Company's property portfolio;[5] **or** (ii) If the Company achieves significant financial improvement, such as: Financial stability for a period of at least two years. Mr. Edelman was not entitled to a one-time bonus in 2023.

(d) Change in control bonus: If the Company is subject to a change in control event (as defined in the Company's remuneration policy), Mr. Edelman shall be entitled to a change in control payment totaling 32 monthly salaries (EUR 800 thousands) (the "**change in control cap**") which shall be paid in two instalments - the first upon the agreement being notarized indicating a change in control event in the Company (as defined in the Company's remuneration policy) and the second payment 6 months after the first instalment.

3.1.3. Termination conditions: Prior notice period and readjustment grant in accordance with the Company's remuneration policy and the limits established therein.

3.2. Mr. Gary Wildbaum

3.2.1. Remuneration components: The cost of his employment only includes his salary.

3.2.2. Performance based compensation/for meeting targets/dependent on events: N/A.

3.2.3. One-time bonus: One-time bonus totaling approximately EUR 41 thousands.

3.2.4. Annual bonus: Annual bonus totaling approximately EUR 50 thousands.

3.3. Compensation to the Company's interested parties

N/A.

3.4. Director fees

The total amount paid to the Company's directors[6] for their service in 2023 was EUR

[5] In such an event the one-time bonus will be paid in two equal installments: One on the execution date of the agreement related to the sale (or a parallel event) and the second six months following the first payment for said sale.

[6] See section 2 in Regulation 21 above.

406 thousands, including EUR 166 thousands paid to the Company's external directors and EUR 240 thousands paid to non-external directors, pursuant to the remuneration policy, and in amounts not exceeding the maximum amount established in the Companies Regulations (Rules for Remuneration and Expenses for External Directors), 2000 (the "**Remuneration Regulations**"), according to the tier the Company falls in from time to time, with respect to annual compensation and meeting participation fees.

Regulation 21A **Corporation's controlling shareholder**

As of the date of this report, the Company's controlling shareholder is ADLER Real Estate GmbH ("**ADLER**").[7] It should be noted that according to ADLER's public reports, the Company's controlling shareholder is in the midst of a protracted process to sell its share of the Company (63.03%) (for more information about this matter see section 6 of Regulation 22 below).

Regulation 22 **Transactions with the controlling shareholders**

Presented below, to the best of the Company's knowledge, are details regarding any transaction with the Company's controlling shareholder or transactions in which the Company's controlling shareholders have a personal interest in approving, which the Company entered into in 2023 and subsequent to December 31, 2023, and by the submission date of this report, or which are still in effect as of the publication date of the report:

Transactions included within Section 270(4) of the Companies Law

1. Credit facility from the controlling shareholder - On May 19, 2022, further to the approval of the Company's audit committee and board of directors, the Company entered into an agreement with ADLER (the Company's controlling shareholder), whereby ADLER would provide the Company with a credit facility totaling EUR 200 million (the "**credit facility agreement**"). The credit facility agreement was approved by the Company's audit committee and board of directors pursuant to Regulation 1(5) of the Companies Regulations (Reliefs for Interested Party Transactions), 2000 (the "**Relief Regulations**"), as a transaction executed in the ordinary course of business for the Company, at arm-length

[7] ADLER (a) was incorporated in Germany as a stock corporation under the Stock Corporation Act of the Federal Republic of Germany (Aktiengesetz) and was incorporated as a company on July 5, 1895. With effect as of January 4, 2024, Adler was transformed into Adler Real Estate GmbH, a limited liability company (Gesellschaft mit beschränkter Haftung); (b) ADLER Group S.A (hereinafter: "**ADLER Group**") is a public company (société anonyme) incorporated under the laws of Luxembourg, with registered offices at: 55, Allée Scheffer, L-2520 Luxembourg, Luxembourg, and is registered in the commercial register (R.C.S Luxembourg) under B197554. Adler Group's shares are listed on the Frankfurt Stock Exchange in Germany (ISIN: LU1250154413); (c) To the best of the Company's knowledge, and as it has been informed by ADLER, as of December 31, 2023, the interested party has a single shareholder which holds (directly or indirectly) more than 5% of ADLER's shares: ADLER Group holds 100% of ADLER's capital and voting rights (13.20% is held directly and 86.80% is indirectly held through its subsidiary Adler Group Holding LuxCo 3 S.à.r.l.). With respect to Adler Group, it should be noted that to the best of the Company's knowledge and as it has been informed by Adler Group, as of December 31, 2023, Adler Group has two shareholders which (directly or indirectly) hold more than 5% of the capital and/or voting rights in Adler Group: Taconic Capital Advisors, LP holds 5.02% of Adler Group's capital and voting rights and Vonovia SE holds 15.88% of ADLER Group's capital rights and voting rights. It should be noted that these figures are based on the thresholds for mandatory voting rights notifications and the current share capital of ADLER Group.

terms and which is not adverse to the Company's best interests. For more information about the approval of the credit facility and the reasons of the audit committee and board of directors see the immediate report published by the Company on May 19, 2022 (Ref. No: 2022-01-061300) which is included herein by way of reference.

From the execution date of the credit facility agreement and until the date of the report and its publication date, the terms of the engagement were updated, as follows:

1.1. On August 13, 2022, further to the approval of the Company's audit committee and board of directors, 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. The aforementioned amendment was approved by the Company's audit committee and board of directors pursuant to Regulation 1(5) of the Relief Regulations, as a transaction executed in the ordinary course of business for the Company, at arm-length terms and which is not adverse to the Company's best interests. For more information, including the reasoning of the audit committee and board of directors, see the immediate report published by the Company on August 14, 2022 (Ref. No: 2022-01-102571), hereby included by way of reference.

1.2. 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 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 regarding the primary terms and conditions of the ADLER undertaking, see the Company's immediate report dated March 31, 2023 (Ref. No: 2023-01-036906), hereby included by way of reference.

1.3. On August 28, 2023, following the approval of the Company's audit committee and board of directors, the Company and ADLER came to an agreement whereby the credit facility agreement would be amended ("**amendment to the agreement**") with the following primary changes: The maturity date for EUR 75 million of the amount drawn by the Company shall be extended for an additional twelve (12) months 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 given by ADLER to the Company regarding the credit facility.

    The amendment to the agreement as well as executing 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.

As of the date of the report and as of its publication date, the balance of credit extended by ADLER to the Company totals EUR 75 million. For more information see Section 1.12.6.2 of Chapter A attached to this report.

2. Engagement to acquire minority interests in subsidiaries; transaction to sell property companies - On May 9, 2019, the Company's audit committee and board of directors approved for the Company and a subsidiary of ADLER, the Company's controlling shareholder, to enter into an agreement regarding the exercise of the Company's right of refusal/right of first offer, whereby ADLER's subsidiary would acquire 10.1% of the total rights of the relevant property companies pursuant to Regulation 1(4) of the Relief Regulations. For more information, see the Note 18(5) to the Company's 2021 financial statements and the Company's immediate report published on May 12, 2019 (Ref. No: 2019-01-04008), hereby included by way of reference.

Transactions not included within Section 270(4) of the Companies Law

3. Insurance broker services - The Company has entered into an agreement with ADLER Assekuranzmakler GmbH & Co. KG ("**ADLER GmbH**"), a subsidiary of the Company's controlling shareholder, under which ADLER GmbH will provide the Company with insurance brokerage services. On January 31, 2019, the Company's audit committee classified said engagement as a non-exceptional engagement, as defined under the Companies Law. The audit committee believes that in light of the nature of the Company's operations, this engagement was performed in the ordinary course of business for the Company, at arm-length terms and without a material impact on the Company's profits. On February 20, 2019, this engagement was approved and ratified by the Company's board of directors as a non-exceptional transaction and as being in the best interests of the Company.

4. Engagements for regulatory purposes - On December 16, 2020, the Company's board of directors approved the sale of 0.1% of property companies held by the Company as part of the Company's preparations for various changes which may be introduced in Germany in the coming years. On December 18, 2020, and **as a precaution**, said transaction was classified by the Company's audit committee as a non-exceptional transaction in which the Company's controlling shareholder has a personal interest due to the fact that the buyer had performed similar transactions with various property companies held by ADLER, the controlling shareholder of the Company, including it holding a negligible rate of said companies; and because the ultimate controlling shareholder of the buyer **previously** indirectly held shares in ADLER Group SA. It should be clarified that as of the approval date of the transaction, and to the best of the Company's knowledge, the ultimate controlling shareholder no longer holds shares in ADLER Group SA (and, in any event, did not hold more than 5% of the shares in Adler Group SA). The transaction was performed in the ordinary course of business for the Company, at market terms and for a

negligible amount of less than EUR 1 million, and it is not anticipated to materially impact the Company's profitability, property or its obligations.

5. Release, insurance and indemnity arrangements - For details about release, insurance and indemnity arrangements, see Regulation 29A below.

6. Advisor fees - At the request of the controlling shareholder, the Company engaged various legal advisors to produce the materials required for the controlling shareholder for processes being undertaken by the controlling shareholder to sell its share in the Company (as specified in Regulation 21A above), and which are also used by the Company for its business affairs and to implement its strategy. The advisor fees are in a negligible amount, will be paid by the Company, and will be reimbursed to it in full by the controlling shareholder within 30 days from the Company's request. The aforementioned engagement was classified as a non-exceptional transaction (as such term is defined in the Companies Law) by the Company's audit committee.

Regulation 24 Interested party and senior officer holdings

For details regarding holdings of interested parties and senior officers of the Company, see the Company's immediate report dated January 5, 2023 (Ref. No: 2023-01-003678), hereby included by way of reference; also refer to the Company's immediate reports dated February 28, 2024 (and as amended on March 3, 2024) regarding a change with interested party holdings and regarding a new interested party (Ref. No: 2024-01-018751 and 2024-01-018754, respectively), hereby included by way of reference.

Regulation 24A Authorized capital, outstanding capital and convertible securities

For details regarding the Company's shareholder register, see the immediate report published by the Company on March 3, 2024 (Ref. No: 2024-01-018742), hereby included by way of reference.

Regulation 24B Corporation's shareholder register

For details regarding the Company's shareholder register, see the immediate report published by the Company on March 3, 2024 (Ref. No: 2024-01-018742), hereby included by way of reference.

Regulation 25A Registered address

Company name: Registered address: Email: Tel: Fax:	Brack Capital Properties N.V. Herengracht 456, Amsterdam 1017CA, the Netherlands g.wildbaum@bcp-nv.com 0031-20-240-4330 0031-20-240-4339	**Israeli address for service of court documents** Herzog Fox Neeman & Co. - Advocates 6 Yitzhak Sadeh St., Herzog Tower, Tel Aviv Tel: 03-6922020 Fax: 03-6966464

Regulation 26 **The Company's directors as of the execution date of the report[8]**

Name	Thomas Zinnocker (Board Chairman)	Patrick Burke	Thierry Beaudemoulin	Thilo Schmid	Ron Hadassi	Liselot Dalenoord	Taco Tammo Johannes de Groot
Name in English as appears in passport	Thomas Werner Ferdinand Zinnöcker	Patrick Burke	Thierry Beaudemoulin	Thilo Ger Schmid	Ron Hadassi	Elisabeth (Antoinette) van der Kuijlen-Dalenoord	Taco Tammo Johannes de Groot
ID number	L3MX70YCW	556537023	AF92VD0N9	L4V4RKFLP	059258269	NV4K3J637	IW7BRCF88
Date of birth	28.05.1961	12.02.1974	07.05.1971	09.03.1965	24.03.1965	08.11.1974	20.02.1963
Address for service of legal process	Herzog Tower, 6 Yitzhak Sadeh St. Tel Aviv 6777506, Israel	17 Dover Park Drive, London SW155BT, UK	George-Stephenson-Str. 17 10557 Berlin, Germany	Herzog Tower, 6 Yitzhak Sadeh St. Tel Aviv 6777506, Israel	13 Igal Yadin st. Hod Hasharon Israel 45314	Herzog Tower, 6 Yitzhak Sadeh St. Tel Aviv 6777506, Israel	Herzog Tower, 6 Yitzhak Sadeh St. Tel Aviv 6777506, Israel
Citizenship	German	British	French	German	Israeli	Dutch	Dutch
Member of any of the board committees	No	Audit committee, remuneration committee, financial statements examination committee	No	No	Audit committee, remuneration committee, financial statements examination committee	Audit committee	Audit committee, remuneration committee, financial statements examination committee

[8] It should be noted that during the reported period, Thomas Echelmeyer also served on the Company's board of directors. For more information about Mr. Thomas Echelmeyer, see Regulation 26 of Chapter D of the Company's 2022 annual report, as published on March 31, 2023 (Ref. No: 2023-01-036915), hereby included by way of reference. For more information about changes to the structure of the Company's board of directors, see section 1.11.2 of Chapter A attached to this report.

Name	Thomas Zinnocker (Board Chairman)	Patrick Burke	Thierry Beaudemoulin	Thilo Schmid	Ron Hadassi	Liselot Dalenoord	Taco Tammo Johannes de Groot
Are they an independent or external director; do they have accounting and financial expertise or hold professional qualifications - as defined in the Companies Law?	Ordinary director with financial and accounting expertise	Independent director with financial and accounting expertise	No	Ordinary director with professional training	External director with financial and accounting expertise	Independent director	External director with financial and accounting expertise and professional training
Is the director an employee of the Corporation, any of its subsidiaries, affiliates or interested parties?	Yes - director of the controlling shareholder ADLER	No	Yes - CEO of the controlling shareholder ADLER	Yes - director of the controlling shareholder ADLER and affiliated company Consus	No	No	No

Name	Thomas Zinnocker (Board Chairman)	Patrick Burke	Thierry Beaudemoulin	Thilo Schmid	Ron Hadassi	Liselot Dalenoord	Taco Tammo Johannes de Groot
Date of commencement of service	01.12.2022[9]	02.07.2018	20.12.2023	01.12.2022	01.05.2021	08.05.2022	06.03.2023
Education	Diplom-Kaufman (MBA) – University of Colonge.	Bachelor in Economics Institut Le Rosey, Rolle, Switzerland Bachelor in Architecture, Planning and Construction and Environmental Sciences University College, London, UK; Master in Real Estate, Land appraisal and law Business	Master Urban planning – IEP Paris Master Economics – IEP Paris	General matriculation standard.	Tel Aviv University, B.A in Economics, Political Science. Tel Aviv University, L.L.B (1995). Tel Aviv University, M.B.A, Specialized in finance and marketing. BAR admission-	LL.M Master of Law, Civil Law - University of Amsterdam MRE, Master in Real Estate - Amsterdam School of Real Estate Bc, Bachelor Management, Economics and Law (Real Estate) - Hanzehogeschool van Groningen	Master degree in Dutch Law - University of Utrecht, Rijksuniversiteit Utrecht. Master degree in Real Estate (MRE) - Amsterdam School of Real Estate, Universiteit van Amsterdam.

[9] It should be noted that subsequent to the date of the report, Mr. Zinnocker gave notice that he will conclude his service as one of the Company's directors at the end of the Company's next general meeting. For more information see the immediate report published by the Company on March 24, 2024 (Ref. No: 2024-01-025264) which is included herein by way of reference.

Name	Thomas Zinnocker (Board Chairman)	Patrick Burke	Thierry Beaudemoulin	Thilo Schmid	Ron Hadassi	Liselot Dalenoord	Taco Tammo Johannes de Groot
		School, London, UK			1995.		
Employment in the last five years	2014-2020 – Chairman of the Board at Institute for Corporate Governance in the German Real Estate Industry. 2006-2021 – Member of the Board at ZIA German Property Federation (Immobilienverband ZIA). 2016-2021 – CEO at Ista International. Since 2013 - Member of the Board at trustees of Familienstiftung Becker & Kries Since 2020 – Independent non-executive director at Adler Group S.A.	Co-Founder, Managing Director, Compliance Officer of Consortium Capital Group since 2009	Co-CEO / CEO Adler Group CEO Germany COVIVIO	2013-2018 – Member of the Supervisory Board at Adler Real Estate AG, Berlin. 2021-2022 – Member of the Board at Whitebox Services AG, Wollerau (CH). Since 1999 – Investment Manager at Care4 AG, Switzerland. Since 2013 – Member of the Supervisory Board at Adler Real Estate AG, Berlin. Since 2015 – Member of the Board of Directors at DTH Sarl.	Chairman (2014) and CEO (2018) of Elbit Imaging ltd Chairman of Elbit Medical Technologies since 2014 and CEO of this company since April 2020. Executive director of Plaza Centers NV. Finance and banking lecturer at the Hebrew University and the College of Management Academic Studies.	Croon, Wolte & Dros – Commerce Department Manager. (2021-current) Royal Institute of Charted Surveyors – Director Benelux (2018-2021) Equity Estate – Deal & Assert Manager (2017-2018)	2021-2023 – Ad Interim CEO at Urban Interest B.V. 2011-2020 – CEO/Chairman of the Board of Vastned Retail NV

Name	Thomas Zinnocker (Board Chairman)	Patrick Burke	Thierry Beaudemoulin	Thilo Schmid	Ron Hadassi	Liselot Dalenoord	Taco Tammo Johannes de Groot
	2022-2023 Member of the supervisory Board of ADLER Real Estate Aktiengesellschaft Since 2022 - Chairman of the supervisory Board at Consus Real Estate AG.			(formerly STH S.A), Luxemburg. 2017 – 2023 Member of the Board at Yeditepe Marina Yatırım Turizm IAS, Istanbul. Since 2018 – Deputy Chairman at Adler Real-Estate AG Berlin. Since 2020 – Member of the Board at Adler Group Luxembourg. Since 2022 – Member of the Supervisory Board at Consus Real Estate AG, Berlin. Since 2022 – Member of the Advisory Board at Jedox GmbH	Brookland Upreal Limited- trustee since February 2019 -Starwood West Limited- trustee since July 2020		

Name	Thomas Zinnocker (Board Chairman)	Patrick Burke	Thierry Beaudemoulin	Thilo Schmid	Ron Hadassi	Liselot Dalenoord	Taco Tammo Johannes de Groot
				(formerly Jedox AG), Freiburg in Breisgau.			
Director of the following companies	Adler Group S.A., Consus Real Estate AG	Consortium Capital Ltd., Consortium Maritime Trading Ltd., HERO Club Ltd., HERO events Ltd., HERO Partners Ltd. CIBO London Ltd	Adler Group SA Consus Real Estate AG	Adler Group S.A, Consus Real Estate AG, Adler Real Estate AG, DTH sarl, Luxemburg, Yeditepe Marina, Istanbul.	-Shufersal LTD- Director since June 2022 - Inter Gamma Investment company Ltd- Director since August 2022 -Bareket- Director since June 2021 -Qualitau LTD- Director since June 2020 -Bazan Group- Director since June 2021 -Carmel group Ltd- Director since 2014 -Iskoor- -(private company)- Director since 2019	-	Tritax EuroBox Plc, London

Name	Thomas Zinnocker (Board Chairman)	Patrick Burke	Thierry Beaudemoulin	Thilo Schmid	Ron Hadassi	Liselot Dalenoord	Taco Tammo Johannes de Groot
					-Hertz Properties Group Limited-Director since October 2023 Liguy Hadassi Management and Investments Ltd. (Private family company) - managing partner since 2009		
Familial relationship to any of the Company's other interested parties	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Are they a director who the Company sees as having accounting and financial expertise in	Yes	Yes	No	No	Yes	No	Yes

Name	Thomas Zinnocker (Board Chairman)	Patrick Burke	Thierry Beaudemoulin	Thilo Schmid	Ron Hadassi	Liselot Dalenoord	Taco Tammo Johannes de Groot
order to satisfy the minimum number established by the board of directors under Section 92(a)(12)?							

<u>Regulation 26A</u> **Senior office holders as of the execution date of the report whose details were not presented above under Regulation 26**

Name	Eran Edelman	Gary Wildbaum	Hila Barr-Hoisman
Name in English as appears in passport	Eran Edelman	Gary Wildbaum	Hila Barr-Hoisman
ID number	021613633	015511181	025626151
Date of birth	16.06.1985	29.09.1983	26.12.1973
The position they hold in the Company, any of its subsidiaries, affiliated companies or in one of its interested parties	CFO	Controller	Internal Auditor
Date of commencement of service	01.06.2021	19.11.2019	06.03.2023

Name	Eran Edelman	Gary Wildbaum	Hila Barr-Hoisman
Education	CPA Accounting and economics graduate (Hebrew University of Jerusalem)	CPA, MBA major in accounting (IDC Herzliya); MBA major in financing from CEU	Accounting and marketing graduate (Hebrew University of Jerusalem) MBA graduate (Hebrew University of Jerusalem)
Employment in the last five years	Head of Finance - ADLER Group SA (2017-2021) CPA – Professional Division KPMG Tel-Aviv (2014-2017)	Auditor at KPMG Budapest - Specializing in auditing property companies (2011-2015) Assistant to the Company's CFO and controller from 2015.	Partner at the accounting firm Brightman Almagor Zohar & Co.
Are they one of the Company's interested parties or relative of one of the Company's other senior officers or of one of its interested parties	No	No	No

Regulation 26B **Company's independent authorized signatories**

As of the publication date of the report, the Company does not have independent authorized signatories, as such term is defined under Section 37(d) of the Securities Law.

Regulation 27 **Company's auditors**

In Israel
Name: Ziv Haft BDO
Address: 48 Begin Rd., Tel Aviv (Amot House)

In the Netherlands
Name: IUS Statutory Audits Cooperatie U.A
Address: Stroombaan 6-8
1181 VX Amstelveen

Regulation 29 **Board recommendations and resolutions**

Regulation 29(b) general meeting resolutions adopted against the recommendation of the board of directors

Fore more information about the general meeting resolution to not approve the resolution to authorize the Company's board of directors as the competent organ to instruct the issuance of Company shares, against the recommendation of the board of directors, see the Company's immediate reports dated December 21, 2023 and February 21, 2024 (Ref. No: 2023-01-115399 and 2024-01-015733), hereby included by way of reference.

Regulation 29(c) Extraordinary general meeting resolutions

1. For details about the Company's extraordinary general meeting resolution of March 6, 2023, see the immediate report dated January 25, 2023, regarding the convention of the meeting (Ref. No: 2023-01-011517) and the immediate report dated March 6, 2023, regarding the results of the meeting (Ref. No: 2023-01-020368), hereby included by way of reference.
2. For details about the annual and extraordinary general meeting resolutions dated December 20, 2023, see the immediate reports dated November 14, 2023, regarding the convention of the meeting (Ref. No: 2023-01-103576) and the immediate report dated December 20, 2023, regarding the results of the meeting (Ref. No: 2023-01-115090), hereby included by way of reference.

Regulation 29A Company resolutions

Release, insurance or commitments to indemnify officers as defined in the Companies Law, in effect on the date of the report

On August 22 and 23, 2023, the Company's remuneration committee and board of directors respectively resolved to approve for the Company to enter into a D&O liability insurance policy, and to include all of the Company's incumbent directors, including Mr. Thierry Beaudemoulin (who serves as the Company's CEO as well as one of the Company's directors as of the date of the report), under the insurance policy, pursuant to Regulation 1B1 of the Relief Regulations and the remuneration policy approved by the general meeting pursuant to Section 267A(b) of the Companies Law on May 8, 2022.

The Company's incumbent directors and officers[10] are also entitled to be included in the release and indemnification arrangements practiced by the Company. On July 4, 2012 the Company's general meeting (following the approval of the audit committee and board of directors in March 2012) approved for the Company to issue letters of indemnity to the Company's senior officers (including to all directors) which include the Company's undertaking to indemnify them due to any liability or expense as detailed in the letters of indemnity, which any of them may be subjected to due to one or more of the following: (a) By virtue of them being an officer and/or employee of the Company and/or subsidiaries of the Company; (b) By virtue of them being, at the Company's request, a senior officer, employee or agent of the Company in any other corporation. The total aggregate indemnification amount which shall be paid by the Company for all of its officers under the letters of indemnity issued to them by the Company, shall not exceed an amount that equals 25% of the Company's relevant shareholder equity.

It should further be noted that on December 20, 2023, the Company's general meeting approved for the directors (at that time) to be released from liability under Dutch law with respect to their actions in the 2022 financial year. For more information see the Company's immediate report regarding the convention of an annual and extraordinary general meeting dated November 14, 2023 (Ref. No: 2023-01-103576), included herein by way of reference.

Brack Capital Properties N.V.

March 28, 2024

Thierry Beaudemoulin Company CEO	Thomas Zinnocker Chairman of the Company's Board of Directors

[10] Other than Mr. Thierry Beaudmolin, CEO and director of the Company.