Chapter A – Description of the Company's Business

First Part – Description of the General Development of the Corporation

Second Part – Other Information

Third Part – Description of the Corporation's Business by Areas of Activity

Fourth Part – Matters Relating to the Corporation's Operations in its Entirety

First Part – Description of the General Development of the Corporation

Definitions

For the sake of convenience, the following are the main terms appearing in this Chapter:

The "Company", the "Corporation" or "BCP"	Brack Capital Properties N.V.
The "Subsidiary" or "BGP"	Brack German Properties B.V., a private Dutch subsidiary under the full ownership and control of the Company.
The "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 that employs the employees in accounting and finance, marketing, management and property operation segments of the Company in the field of income-generating residential real estate and is responsible for asset and property management.
"ADLER" or "the controlling shareholder in the Company"	
The Securities Law	The securities law -1968
The Companies' Law	The Companies law – 1999
"Report Period"	A period commencing on January 1, 2019 and until December 31, 2019.
The "**Report Date**" or the "**Date of the Report**"	December 31, 2019.
The "**Signing Date of the Report**"	March 17, 2020.

1.1 Operations of the Group and Description of its Business Development

1.1.1 Year of Incorporation and Form of Incorporation

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

1.1.2 Material changes that occurred in the method of managing the Corporation's business

On April 2, 2018, a transaction for the acquisition of control of the Company by ADLER was completed. For further details, see the Company's immediate reports dated February 18, 2018 and March 25 and 27, 2018 (Ref. 2018-01-016024, 2018-01-028618 and 2018-09-029968, respectively).

[1] NV is a legal entity under Dutch law, with registered capital divided into transferable shares. The shareholders are not personally liable for the actions performed by an NV, and are not responsible for its losses beyond the unpaid sums for the shares in their possession. Shares of NV can be traded on the stock exchange.

1.1.3 Purchase, sale or transfer of assets in a material scope

1.1.3.1 Further to that what is stated in the Company's previous reports[2], in connection with the Company's refocusing of its strategy, entry into agreements and completion of transactions for the sale of a certain portion of its business, the Company, as of the report date, also continues to examine options for refocusing its business strategy in the area of income generating real estate and residential development. Thus, the Company continues to carry out activities to sell additional assets of its commercial real estate portfolio and in 2019 carried out activities as specified below:

(a) Completion of the transaction for selling part of the Company's commercial real estate assets (Asset Sale Transaction A): On May 31, the Company completed Asset Sale Transaction A from the commercial income-generating real estate portfolio. For further details regarding said transaction and completion, see the Company's immediate reports of March 23, 2019 and June 2, 2019 (Reference No. 023952-01-2019 and 054682-01-2019, respectively), which are brought herein by way of reference. As a result of the aforementioned contract, the Company recognized a loss of EUR 2.3 million as a result of the difference between the proceeds of the sale, less the transaction costs, and the value of assets and liabilities presented in the Company's reports;(the transaction costs amounted to EUR 6.4 million). This loss was recognized in the Company's financial statements as part of changes in the fair value of investment property, net. In addition, the Company recognized a loss of approximately EUR 7.2 million as part of the changes in the fair value of loans, as a result of the cost of breaking bank loans repaid upon completion of the transaction. (For further details regarding such loans, see Section 4 of the Company's immediate report dated March 23, 2019 referred to in this section). The Company's investment balance in these assets amounting to EUR 6.5 million (10.1% of the Company's capital) is presented under investment in a non-marketable financial asset, measured at fair value.

(b) Entering into a transaction for selling an additional part of the Company's commercial real estate assets (Asset Sale Transaction B): On June 28, 2019, the Company entered into Asset Sale Transaction B from the Company's commercial income-generating real estate portfolio. For further details regarding this transaction, see the

[2]In the special tender specification published by ADLER, the controlling shareholder of the Company on February 19, 2018, as amended on March 20, 2018 (Reference No. 2018-09-016558 and 2018-09-026776, respectively); of the Company's periodic report for 2018 (Reference No. 2019-01-021453); of the Company's immediate reports of March 23, 2019, June 2, June 30, and September 23, 2019 (Reference No. 2019-01-023952, 2019-01-054682, and 2019-01-055230, respectively); and the Company's Board of Directors' Report for the third quarter for 2019 (Reference No. 2019-01-110464); all of which are hereby included by way of reference.

Company's immediate report of June 30, 2019 (Reference No. (2019-01-055230) and December 31, 2019 (Reference No. 2020-01-00471) , which are brought herein by way of reference. As a result of the aforementioned contract, the Company recognized a loss of EUR 9 million as result of the difference between the proceeds of the sale and the value of assets and liabilities presented in the Company's reports, and an additional loss of EUR 4 million due to costs that the Company is expected to bear, mainly due to estimated transaction costs and estimated costs of repairs agreed with the property buyer; this loss was recognized in the Company's financial statements as part of changes in the fair value of investment property, net, and as part of the tax benefit item (income taxes). On December 31, 2019, the transaction was completed finally with respect to assets in the cities of Kassel, Laatzen, Leverkusen, Düsseldorf, Cologne, Bad Segeberg, and Emden and a total of EUR 78.5 million was received by the subsidiaries of which approximately EUR 52 million were earmarked for repaying the loans that were taken in connection with these assets. For further details, see the Company's immediate report of January 1, 2020 (Reference No. 2020-01-000471), which is hereby included by way of reference. With respect to the assets Witten, Bad Aibling, Vilshofen, Dreieich the transaction has not yet been finalized. For further details, see the Company's immediate report of June 30, 2019 (Reference No. 2019-01-055230).

(c) Entering into transaction for selling a parcel of land in Gerresheim - On September 22, 2019, the Company entered into an agreement with a third party buyer unrelated to the Company and/or the controlling shareholder of the Company who invests in real estate projects and focuses in real estate projects in Germany for selling 75% of its holdings in a wholly owned subsidiary of the Company, which owns the Gerresheim development project, for a consideration reflecting a property value of € 375 million. For further details regarding the transaction, see the Company's immediate reports dated September 23, 2019, December 29, 2019 and March 16, 2020 (Reference 2019-01-098212, 2019-01-114996 and XXXX) which are hereby included by way of reference.

On December 26, 2019, an amended agreement was signed, whereby the consideration payment mechanism was adjusted as follows: at the signing date of the amended agreement, the sub-subsidiary was paid EUR 132 million, originating from a new bank loan the sub-subsidiary has taken, of which EUR 90 million was used to repay the existing bank loan taken in connection with the development of the project and the balance of the transaction, less transaction costs, was paid to the Company in cash and was held in a restricted account until the approval date of the German competition authorities.

Upon the approval of the German competition authorities for the transaction, this amount is expected to be released to the Company. The loan taken on the date of amending the agreement, bears annual interest of 4% above 3 month Euribor and is payable on June 27, 2020.

The consideration balance will be paid to the Company in accordance with the fulfillment of the transaction terms (the main of which is the publication of a zoning plan and obtaining building permits as detailed in the agreement). In view of the fact that payment of the consideration balance to the Company is contingent on events that are not under the Company's full control (such as obtaining building permits, etc.), the Company has not yet recognized profit from the sale transaction..

<u>Completion of the acquisition of assets from the JV Partners</u> - as specified in the Company's immediate report of January 29, 2019 (Reference No. 2019-01-010509) which is hereby included by way of reference ("ROFO Reporting"), on January 28, 2019, the Company's Board of Directors approved that the Company submit bids to JV Partners (as defined in ROFO Reporting) to acquire the JV Partners' share of the relevant JV Agreements (as defined in ROFO Reporting), in accordance with the Company's first offer. In order to execute the transaction as aforesaid, and to improve the structure of the transaction, the Company entered into agreement with ADLER, in a manner in which ADLER subsidiary will acquire 10.1% of the total rights in the relevant asset companies. Accordingly, on July 1, 2019, the Company completed the acquisition of said rights, for a total consideration of EUR 64.7 million. For further details, see the Company's immediate reports of May 11, 2019 and July 1, 2019 (Reference No. 2019-01-040008 and 2019-01-056562, respectively), which are incorporated herein by way of reference.

1.1.4 <u>Asset Portfolio of the Group in Germany</u>

As of the report date, the Company holds 45 income-generating assets in Germany (including 29 residential income-generating assets and 16 commercial income-generating assets[1]). Additionally, the Company holds two land complexes for betterment and real estate development in Dusseldorf, on one of which the Company began to develop a residential development project during the first half of 2011, as well as land for residential development in Aachen.

The following are details regarding the asset portfolio of the Group in Germany, as of the report date[2]:

No.	Asset Name and Location	General Details about the Asset	Asset Type (based on main use)	Purchase date	Company's Share in the Asset (final indirect holding)	Purchase Cost (in EUR thousands)	The Fair Value of the Asset as of December 31, 2019 (in EUR thousands)
1.	LEG Residential Duisburg	A complex of about 311 residential units with a total area for rent of about 17 thousand sq.m., in a residential neighborhood of Duisburg	Residential Income-Generating	May 2007	100%	[3]19,338	33,034
2.	LEG Residential Gelsenkirchen	A complex of about 302 residential units with a total rental area of about 18.3 thousand sq.m. in a residential neighborhood in Gelsenkirchen.	Residential Income-Generating	May 2007	100%		
3.	LEG Office Building, Rossstrasse, Dusseldorf	An office building near the Dusseldorf city center with an area for rent of about 5.4 thousand sq.m. which is mostly rented to government agencies.	Office Income-Generating	June 2007	100%	6,634	10,800

[1] Including an asset of an associated company with an area of about 7,000 square meters in Chemnitz. It is noted that for the simplicity of presenting the data, certain transactions were grouped into one transaction.

[2] In cases where the Company has an option to purchase the holdings of a partner holding between 5.1% - 8% of the shares of the Company holding the asset the holding rate was presented at 100%.

[3] It shall be noted that the two assets were purchased on the same date within the same transaction, were held from the purchase date and are currently held, as of the report date, by one asset company (Brack Capital (Gelsenkirchen) GmbH & Co. Immobilien KG).

No.	Asset Name and Location	General Details about the Asset	Asset Type (based on main use)	Purchase date	Company's Share in the Asset (final indirect holding)	Purchase Cost (in EUR thousands)	The Fair Value of the Asset as of December 31, 2019 (in EUR thousands)
4.	Remscheid	A commercial center in central Remscheid, located about 30 km east of Dusseldorf. The asset has an area for rent of about 5 thousand sq.m., which is mostly rented to a national supermarket chain for a long term.	Commercial Income-Generating	July 2007	100%	5,143	5,020
5.	Neubrandenburg	A commercial center with an area of about 2.6 thousand sq.m., including commercial spaces on the lower levels and offices on the higher levels. The asset is located in the main pedestrian shopping area of the city of Neubrandenburg. 2/3 of the rental fees of the asset are from a bank and retail tenants.	Commercial Income-Generating	August 2007	100%	6,597	4,500
6.	Chemnitz Office Buildings	Two office buildings, one located in central Chemnitz and the other about 700 meters from the center. Both buildings include about 7.1 thousand sq.m. for rent. One building is mostly rented. The second building is in the process of being rented.	Office Income-Generating	August 2007	60%	6,387	3,891
7.	Ludwigsfelde	A commercial center that mainly combines shopping and offices with an area for rent of about 8.5 thousand sq.m., located on the main street of Ludwigsfeld, about 30 km south of Berlin. About 60% of the rental fees are from agreements with a bank and retailers, most of which are national chains.	Commercial Income-Generating	November 2007	100%	13,711	15,700
8.	LEG Oberhausen Residential Complex	A residential complex with 477 residential units with a total area of about 39 thousand sq.m., located in a residential neighborhood west of central Oberhausen.	Residential Income-Generating	January 2008	100%	18,109	26,800

No.	Asset Name and Location	General Details about the Asset	Asset Type (based on main use)	Purchase date	Company's Share in the Asset (final indirect holding)	Purchase Cost (in EUR thousands)	The Fair Value of the Asset as of December 31, 2019 (in EUR thousands)
9.	Dusseldorf – Grafental [1]	Land for betterment of an area of 15 thousand square meters in a central location in the city of Dusseldorf, which is part of land I (see section 1.9 below), which is designated for the construction of apartments for rent on an area of 26,000 square meters net under rent control (subsidized housing and affordable housing) and kindergarten (Completed at the end of 2014).	Land for betterment[2]	June 2008	84.98%	4,168[3]	19,300
10.	Velbert Residential Complex	A residential complex with 718 residential units with area for rent of about 48 thousand sq.m. It extends over about 24 buildings with 3-8 floors each, in the city of Velbert, about 20 km northeast of Dusseldorf.	Residential Income-Generating	January 2010	100%	22,975	57,110
11.	Hannover Residential Complex	A residential complex with 34 buildings, including 566 residential units, with an area for rent of about 27.6 thousand sq.m., in Hanover, located in the northwest part of Germany.	Residential Income-Generating	September 2010	100%	20,213	54,330

[1] In addition, the Company has land adjacent for development (on a parcel a project under construction), on which parcel apartements have been constructed and handed over to the purchasers,. For details see section 1.7 below.
[2] The Company has reached an agreement with the Municipality regarding the rezoning to residential and is currently promoting a city building plan for the complex. For further details, see sections 1.7 and 1.8 below. The value of the land which is designated for construction for rental is presented as investment property while the rest of the land is presented as inventory.
[3] Calculated as part of the total cost of the original purchase

12.	Dreieich[1], a city located 10 km south of Frankfurt in the district of Offenbach.	A commercial center fully rented to a leading retail chain in Germany (DIY), with an area for rent of 11.7 thousand sq.m.		March 16, 2011	89.53%	20,730	19,642
13.	Dresden[2]	A commercial center fully rented to a leading retail chain in Germany (DIY), with an area for rent of 9 thousand sq.m.				4,612	4,100
14.	Erlangen (Bavaria)	A commercial center with a leasable area of 13.4 thousand sq.m	Commercial Income-Generating (mainly one of the largest commercial chains in Germany). The eight assets are commercial assets known as the Matrix portfolio or the Kaufland portfolio.	June 15, 2011	89.89% [3]	60,377[4]	4,110
15.	Augsburg (Bavaria)	A commercial center with a leasable area of 14.1 thousand sq.m					11,900
16.	Bad Aibling (Bavaria)	A commercial center with a leasable area of 7 thousand sq.m					21,200
17.	Vilshofen (Bavaria)	A commercial center with a leasable area of 11.4 thousand sq.m					9,905
18.	Ludwigsburg (Baden-Wurttemberg)	A commercial center with a leasable area of 14.2 thousand sq.m					12,131
19.	Biberach (Baden-Wurttemberg)	A commercial center with a leasable area of 12.8 thousand sq.m					16,800
20.	Geislingen (Baden-Wurttemberg)	A commercial center with a leasable area of 9.3 thousand sq.m. in 2017, the Company agreed with the anchor tenant on early eviction against compensation and acts to renovate and rent the asset					3,030
21.	Neckarsulm (Baden-Wurttemberg)	A commercial center with a leasable area of 11.7 thousand sq.m					19,700

[1] The Company has entered into a sale agreement that has not yet been completed for this asset, for more details see immediate report dated June 30, 2019 (Reference: 2019-01-055230).

[2] The Company has entered into a sale agreement that has been completed after the balance sheet date for this asset, for more details see Note 25 of the financail statements regarding subsequent events.

[3] The minority shares of the second-tier subsidiaries which hold said assets have not yet been actually allocated and as of this date, the investors hold the contractual rights regarding asset companies. It shall be noted that the Company is entitled to a certain rate of the investors' share in the profit and therefore the Company's share of the profit is higher than the rate of its effective holdings in the second-tier subsidiaries.

[4] Purchased within a corporate acquisition. The original purchase cost is presented as one number since the assets were acquired in the framework of one transaction with one agreement in which the total consideration was not divided among the assets.

No.	Asset Name and Location	General Details about the Asset	Asset Type (based on main use)	Purchase date	Company's Share in the Asset (final indirect holding)	Purchase Cost (in EUR thousands)	The Fair Value of the Asset as of December 31, 2019 (in EUR thousands)
22.	Leipzig Portfolio – located in Leipzig[1]	2,756 residential units with an average area per residential unit of 53 sq.m. The total area for rent amounts to about 146 thousand sq.m.	Income-Generating Residential[2]	July 29, 2011	89.8%[3]	82,417	230,860
23.	Wuppertal	A complex of about 334 residential units with a leasable area of about 24.5 thousand sq.m, in a residential neighborhood of Wuppertal.	Income-Generating Residential	June 2012	100%	14,200	27,660
24.	Leipzig am Zoo– located in Leipzig	A residential complex including 459 residential units with an average unit area of 34 sq.m. The total area for lease amounts to about 15.3 thousand sq.m.	Income-Generating Residential	May 13, 2013	89.9%[4]	13,555	37,250
25.	Falcon – Dortmund (North Rhine Westphalia)	The said assets are residential complexes known as the Falcon portfolio, including 900 residential units with an average area per residential unit of 52 sq.m. The total leasable area amounts to about 52 thousand sq.m.	Income-Generating Residential	July 31, 2013	100%	11,960	26,910
26.	Falcon – Duisburg (North Rhine Westphalia)		Income-Generating Residential	July 31, 2013	100%	12,820	20,480
27.	Falcon – Essen (North Rhine Westphalia)		Income-Generating Residential	July 31, 2013	100%	9,158	20,230

[1] It should be noted that the said portfolio also includes 182 units with total area for rent of 11thousand sq.m purchased in May 2014 by an investee of the Company which together with other two investees hold said portfolio.

[2] It should be noted that the said portfolio also includes commercial areas of an unsubstantial scope, leased for consideration which is not substantial to the Company.

[3] The minority shares of the second-tier subsidiaries that hold the aforesaid asset before it actual allocation, and as of this date, the investors hold contractual rights regarding the property companies. It is noted that the Company is entitled to a certain rate from the share of the aforesaid investors in the profit, and therefore the Company's share of the profit is higher than the effective rate of its holdings in the second-tier subsidiaries.

[4] The minority shares of the second-tier subsidiary which holds the said asset have not yet been actually allocated and up to this date, the investors hold the contractual rights regarding the property company. It shall be noted that the Company is entitled to a certain rate of the shares of the said investors in the profit of the property companies, and therefore the Company's share of the profit is higher than the rate of its effective holdings in the second-tier subsidiary holding the asset..

28.	Hamm (North Rhine Westphalia)	Two residential buildings which together include 306 residential units with an average area per residential unit of 74 sq.m. The total leasable area amounts to about 12.6 thousand sq.m.	Income-Generating Residential	October 31, 2013	100%	15,144	24,900
29.	Bremen and Bremerhaven	863 residential units (707 residential units in the city of Bremen and 156 in Bremerhaven) with an average area per residential unit of 59 sq.m. The total area for lease amounts to 51thousand sq.m.	Income-Generating Residential	May 1, 2014	100%	34,645	70,280
30.	Bremerhaven	181 residential units in Bremerhaven with an average area per residential unit of 73 sq.m. The total leasable area amounts to about 13 thousand sq.m.	Income-Generating Residential	May 1, 2014	100%	5,387	11,260
31.	Göttingen	238 residential units in Gottingen with an average area per residential unit of 41 sq.m. The total leasable area amounts to about 9 thousand sq.m.	Income-Generating Residential	May 1, 2014	100%	7,915	20,590
32.	Essen	91 residential units in Essen with an average area per residential unit of 54 sq.m. The total leasable area amounts to about 5thousand sq.m.	Income-Generating Residential	May 1, 2014	100%	3,361	6,930
33.	Parkblick – Düsseldorf (North Rhine Westphalia)	A land complex with 20 thousand sq.m that includes an office building that is two stories with a total area of about 2 thousand sq.m (unleased), a residential building that is five stories and includes 27 residential units with an average area of about 78 sq.m. (24 residential units are leased) and four private homes with an average area of about 100 sq.m.	Land for renovation[1]	August 29, 2014	100%	12,914	46,700

[1]The Company is in the advanced stages of approving an urban scheme for changing the zoning of the and to residential use. According to the Company's plan, if and when such rezoning is completed, construction of a residential project will be permitted, which will include 84 residential units on the land (instead of the existing buildings).

34.	Dortmund-Marten (North Rhine Westphalia)	351 residential units[2] with an average area per residential unit of 49 sq.m. The total leasable area amounts to about 17.2 thousand sq.m.	Income-Generating Residential	October 31, 2014	100%	13,671	41,040
35.	Dortmund-Waterloostr	173 residential units in the city of Dortmund with an average residential unit area of about 63 sq.m. The total leasable area amounts to about 11 thousand sq.m.	Income-generating residential	October 1, 2016	100%	7,996	
36.	Dortmund-Provinzialstr	32 residential units in Dortmund with an average residential unit area of about 72 sq.m. The total leasable area amounts to about 2 thousand sq.m	Income-generating residential	June 1, 2016	100%	2,669	
37	Hannover and Krefeld	266 residential units (72 residential units in Hannover and 194 residential units in Krefeld) with an average area per residential unit of 69 sq.m. The total leasable area amounts to about 18.30 thousand sq.m.	Income-Generating Residential	December 31, 2014	100%	14,892	24,050
38	Kiel (I)	429 residential units in Kiel with an average area per residential unit of 67 sq.m. The total leasable area amounts to about 29 thousand sq.m.	Income-Generating Residential	June 30, 2015	100%	24,920	69,800
39.	Kiel (II)	296 residential units in Kiel with an average area per residential unit of 69 sq.m. The total leasable area amounts to about 21 thousand sq.m.	Income-Generating Residential	March 1, 2016	100%	20,400	
40.	Kiel (III)	288 residential units in Kiel with an average residential unit area of about 75 sq.m. The total leasable area amounts to about 22 thousand sq.m	Income-generating residential	June 1, 2016	100%	35,370	46,300
41.	Lange-Laube	31 residential units and 14 commercial units in Hanover. The total leasable area amounts to about 4 thousand sq.m	Income-generating residential	July 1, 2016	100%	8,029	10,200

[2] In 2018, the Company purchased 43 residential units with a total area of 2,131 sq.m. at a cost of EUR 2,400.

42.	Witten[1]	A commercial center that is leased in full to DIY, a leading retail chain in Germany with a leasable area of about 11 thousand sq.m.	Income-generating commercial (commercial center)	July 1, 2016	100%	8,835	8,367
43.	Essen	320 residential units in Essen with an average area per residential unit of 66 sq.m. The total leasable area amounts to about 21 thousand sq.m.	Income-generating residential	June 1, 2017	100%	23,695	28,930
44.	Hanover	155 residential units in Hannover with an average area per residential unit of 65 sq.m. The total leasable area amounts to about 10.2 thousand sq.m.	Income-generating residential	June 1, 2017	100%	18,239	20,010
45.	Magdeburg	191 residential units in Magdeburg with an average area per residential unit of 70 sq.m. The total leasable area amounts to about 13.3 thousand sq.m.	Income-generating residential	December 1, 2017	100%	19,147	19,760
46.	609 residential units in the cities: Leipzig, Magdeburg and Halle	609 residential units (223 units in Leipzig, 246 units in Magdeburg and 140 units in Halle) with an average area per residential unit of 60 sq.m. The total leasable area amounts to about 36.1 thousand sq.m.	Income-generating residential	November 24, 2017	100%	49,624	48,580
47.	164 residential units in the cities: Leipzig, Bremen and Dusseldorf	164 residential units (110 units in Leipzig, 38 units in Bremen and 16 units in Dusseldorf) with an average area per residential unit of 57 sq.m. The total leasable area amounts to about 9.3 thousand sq.m.	Income-generating residential	In the second and third quarters of 2017	100%	15,231	18,460

[1]the Company entered into a sale agreement that was not yet completed for this asset. For additional details see immediate report dated June 30, 2019 (Ref. 2019-01-055230)

The following is an aggregate description of the various land divisions in which the Company is carrying out renovations and development work:

Name of complex	Area of activity	Area (in sq.m)	Classification in financial statements	Company's share in the asset (in final indirect holding)	value in the financial statements as of December 31, 2019 (consolidated) (EUR thousands)	Current designation	Future designation	No. planned residential units	Reference to section
Dusseldorf Grafental – (stages , F H-I)[1]	Residential development in Dusseldorf	31,268	Inventory of buildings under construction and real estate inventory	84.98%	53,022	Land for residential development:	N/A	297, 112 of which are in rent control	Section 1.8 below
Dusseldorf Grafental[2] (Land reserves A)	Residential development in Dusseldorf	20,096	Inventory of real estate	84.98%	45,292	Land for residential	Land for construction of residential units(main) in an area of 24,000 sq.m (net)	164 units	Section 1.8 below

[1]it should be noted that for 86 residential units for use in the free market, the Company recognized revenues at a weighted average rate of 83% due to the adoption of IFRS 15.
[2]Part of the land designated for the development of Condo apartments for free sale within the framework of the Grafental Mitte/Ost city building plans .

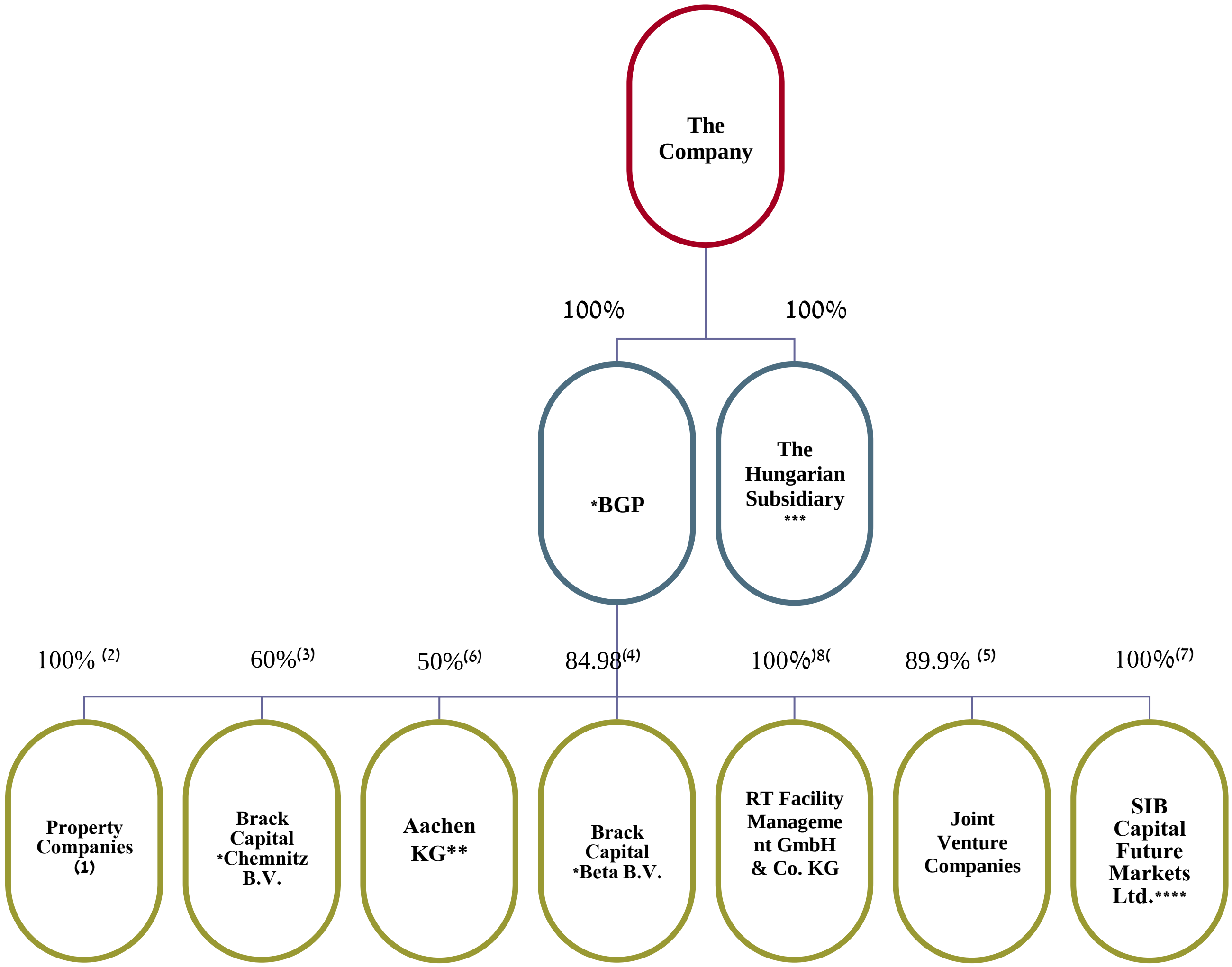
Name of complex	Area of activity	Area (in sq.m)	Classification in financial statements	Company's share in the asset (in final indirect holding)	value in the financial statements as of December 31, 2019 (consolidated) (EUR thousands)	Current designation	Future designation	No. planned residential units	Reference to section
Dusseldorf Grafental[1] (Land I)	Betterment of land in Dusseldorf	25,803 (excluding spaces of kindergartens)	Investment property – real estate rights	84.98%	19,300	Land for offices, undergoing rezoning.	Land for betterment which is designated for the construction of apartments for rental on a net area of 26,000 sqm (net) in rent control (subsidized housing and affordable housing) and kindergarten	359 units and kindergarten	Section 1.7below
Grafenberg (Land II)	Betterment of land in Dusseldorf	14,000	Investment property – real estate rights	100%	46,700	5 thousand sq.m for residential and 2 thousand sq.m for offices	14,000 sq.m net for residential use	84 units	Section 1.7.1.8 below
Aachen	Residential development	42,800	Investment in an associated company according to the equity method.	50%	7,615	About 50 thousand sq.m for industry	41,000 sq.m for residential use	280 residential units	Section 1.8 below
Gerresheim	Residential development	About 193,000 sq.m	Real estate inventory	100%	142,546	Industry	About 107 thousand square meters, net, for residential use, commerce, offices and kindergarten	About 1,500 residential units, and 30 thousand square meters for commercial office,	Section 1.1.3.1 c Below for details regarding the Company's sale

[1]Part of the land designated for the development of apartments under rent control (subsidized and affordable housing) within the framework of the Grafental Mitte/Ost city building plans and a kindergarten rented in a free rental and another kindergarten under construction.

								kindergartens and school	agreement of the asset

1.1.6 <u>Structure of Holdings in the Group</u>

The following illustration describes the structure of holdings in the Group[1], as of December 31, 2019 and the report date:



[1]Excluding a number of "shelf" companies which are inactive as of December 31, 2019. It shall be noted that in cases where (a) property companies are held by the Company (in final concatenation) at a rate between 92% and 95%; and (b) the Company has a purchase option to acquire the partner's shares, these investments were presented at a holding rate of 100%.

(1) 54 property companies. It shall be noted that most of the property companies (34 companies) are private Dutch companies, 19 are private German companies or limited partnerships, and one property company is a private company registered in Gibraltar;

(2) The remainder (40%) of the share capital of the property companies (which holds the full ownership rights to the Chemnitz assets) is held by Eurotrade Real Estate Properties Europe B.V. (hereinafter: "**Eurotrade**", BGP and Eurotrade will be hereinafter jointly referred to in this section only as: the "**Parties**"). In accordance with the shareholders agreement between BGP and Eurotrade of July 24, 2007, each of the Parties have 50% of the voting rights in the property company, as well as the right to appoint two directors to the Board of Directors of the property company (of 4).

(3) 16 property companies. It shall be noted that most of the property companies (9 companies) are private companies from Luxembourg, 5 companies are private companies from The Netherlands and 2 companies are German companies and German limited partnerships. The Company holds about 89.8% of the rights in corporations holding the properties Matrix and Titan and in corporations holding the properties in Leipzig, and Leipzig am Zoo. The remaining rights are held by Adler. In the Titan Portfolio, the minority shares of the subsidiaries are registered in ADLER's name; regarding the remaining investments, the transfer of said shares has not yet been actually performed, and ADLER holds joint ventures by virtue of contractual rights. It should be noted that the Company is entitled to a certain rate of ADLER's share in profit, and therefore the Company's share of profit is higher than its effective rate of joint ventures. For further details see section 1.1.4.2 above.

(4) A German limited partnership , the owner of the land compound in Aachen, Germany in the remaining 50% of the rights in the German corporation, the owner of rights in the property is held by the project development company, Neslller Bau GmbH, of the main contractor that carries out the construction works for the Company in various Stages of the Grafental project.

(5) SIB Capital Future Markets Ltd. (hereinafter: "**SIB Capital**" or "**SIB**") is a private Israeli company wholly owned by the Company (through its wholly owned foreign second-tier subsidiary with final indirect holdings). SIB Capital has three management employees. These employees are exclusively involved in the activity of the Group in Germany. The expenses of their employment by SIB (employer costs) are covered in full by the Company.

(6) Property operations company, see definitions

*- a private Dutch company
** - a German corporation
*** - a private Hungarian company.
**** - an Israeli company.

1.2 **The Group's Areas of Activity**

As of the report date, the Group is engaged in 3 areas of activity: the field of income-generating real estate, the field of land betterment in Dusseldorf and in the field of real-estate residential development. As of December 31, 2019, and as of the report date, the Group's activities are carried out in Germany only.

As of the report publication date, the Company is continuing to examine the possibilities for focusing its business strategy, as of the report publication date, the Company is continuing to examine the possibilities for focusing its business strategy, where, as of the report date, the Company entered into and completed several transactions for selling parts of the Company's income generating commercial and residential assets.

For further details see section 1.1.3.1 above.

1.2.1 The income generating real estate field

The income generating real estate field is divided into two sub-areas: (a) income generating commercial real estate and (b) residential income-generating real estate (as set forth in Section 1.6 below).

1.2.1.1 The field of commercial income-generating real-estate includes, inter alia, the purchase, development, renovation and lease of income-generating assets, mainly offices and retail. The Group owns, as of the report date, 16 commercial income-generating real estate assets with a total area for rent of about 181 thousand sq.m. [1]. The income-generating assets are mainly located in medium to large cities in western Germany. The occupancy rate of these income-generating assets, as of the signing of the report date, is about 95%.

1.2.1.2 The field of residential income-generating real-estate includes, inter alia, the purchase, development, renovation and lease of income-generating assets for residential purposes. The Group owns, as of the report date, 29 residential complexes in a total scope of about 11,956 apartments and with a total area for rent of about 704 thousand sq.m. (consolidated). All of the residential assets of the Group are fully managed thereby and concentrated in medium to large cities in the federal state of North Rhine Westphalia ("**NRW**"), located in western Germany, northern Germany (in the cities of Hanover, Bremen, Kiel and Gottingen) and Leipzig and adjacent cities. The occupancy rate of these income-generating assets, as of the signing of the report date, is about 95%.

[1] Excluding an asset in associate with an area of about 7,000 square meters in Chemnitz excluding an asset with an area of 9,391 square meters that was evacuated for the purpose material betterment process.

1.2.2 <u>The field of betterment of the land in Dusseldorf:</u>

As part of this area of activity, the Company is engaged in the acquisition, development and betterment of lands. The Company owns a plot of land in a central location in the city of Düsseldorf, close to/ near the location of the Company's "Grafental residential project"

1.2.3 <u>Area of residential real estate development:</u>

As part of this area of activity, the Company is engaged in the development of apartments for sale and rental, as part of the construction of a residential neighborhood in the scope of 500[1] residential units for the middle-upper class (above and below: the "**Grafental Residential Project**"). The development of the neighborhood will take place in a number of stages, while maintaining a high ratio of advance sales. In addition, the Company owns a land of 193 thousand square meters in Gerresheim neighborhood in Dusseldorf Germany. For details regarding the transaction for selling part of its holdings in the Gerresheim project see section 1.1.3.1 above. In addition, the Company, together with a third party partner that is not affiliated with the Company and/or its controlling shareholders (hereinafter: the "**Partner**") are the owners of a land complex with an area of about 53,000 sq.m in Aachen Germany.

For additional details regarding the Company's areas of activity, see Sections 1.6 and 1.8 below.

[1] In addition, the Company works to develop 366 residential units for rental under rent control classified as investment property as part of land betterment in Dusseldorf.

1.3 Investments in the Corporation's Equity and Transactions with its Shares in the last Two Years

From January 1, 2018 until the date of this report, no investments were performed in the Company's equity and/or other material transactions by an interested party in the Company with shares of the Company, excluding as set forth below:

1.3.1 Purchase of control of the Company by ADLER

1.3.1.1 On February 17, 2018, Redzone and ADLER Real Estate AG ("Adler") issued notices to the Company pursuant to Section 37 of the Securities Law under which on February 16, 2018, Redzone entered into an agreement for the purchase of shares with ADLER pursuant to which ADLER undertook to purchase from Redzone all of the Company's shares Redzone holds (3,172,910 ordinary shares of the Company, constituting 41.04% of the issued and paid-up share capital and voting rights ("the Company's Capital") at a price per share of NIS 440 (i.e., for a total consideration of NIS 1,396 million). The transaction was completed on April 2, 2018. For additional details, see the immediate report of February 18, 2018 and March 27, 2018 [Ref. 2018-01-016024, 2018-01-030148, respectively) which are brought in this report by way of reference.

1.3.1.2 Special tender offer - further to the above, on February 19, 2018, ADLER published specifications of the special tender offer, as amended on March 20, 2018 (ref. 016558-01-2018 and 026776-09-2018, respectively) (the Tender Offer Specifications) for the purchase of up to 1,994,278 ordinary shares of the Company. After the late response period, acceptance notices were received for the tender offer for 4,238,284 shares of the Company constituting, about 54.82% of the Company's issued and paid up share capital. On April 2, 2018, in accordance with the terms of the tender offer, ADLER acquired 1,994,278 ordinary shares of the Company (where the percentage of the purchase from each offeree responding to the offer was approximately 47.05%) constituting 25.8% of the Company's issued and paid-up share capital and voting rights for a total consideration of NIS 877 million. For additional details, see the immediate reports of the Company dated March 25 and 27, 2018 (reference no .: 2018-01-028618, 2018-01-030148).

1.3.1.3 Exercising the option and purchasing the balance of the management team holdings by ADLER - in the Specifications, Adler indicated that it received commitments from Gal Tenenbaum Ofir Rahamim and Fred Ganea (hereinafter jointly: "the Management Team") to respond to the tender offer in relation to all of their holdings in the Company's shares (434,559 ordinary shares of the Company, constituting approximately 5.62% of the Company's capital). At the same time, the purchaser has granted the management team an option, which will come into effect subject to the completion of the tender offer, to sell to it (at a price per share equal to the price offered in the tender offer) the balance of their holdings in the Company's shares that will not be sold to the purchaser as part of the tender offer.

On April 12, 2018, the option was exercised such that ADLER purchased from the management team 230,083 shares of the Company at NIS 440 per share and at a total consideration of NIS 101 million.

As of the report signing date, and following the transactions specified in section 1.3.4, ADLER holds 5,397,271 shares of the Company constituting 69.8% of the Company's capital listed for trade.

1.4 Distribution of Dividends and Buybacks

1.4.1 Distribution of Dividends

The Dutch Civil Code[1] (DCC) provides that a Dutch public company (NV) may distribute any types of dividends to its shareholders, subject to its equity exceeding the total nominal value of the issued and paid up share capital together with statutory reserves (for further discussion regarding the statutory reserves relevant to the Company, see Section 1.4.2 below). The distribution as stated may occur only from the profits of the Company (solo) or from the Distributable Reserves (as defined below), but not from the statutory reserves. In Holland, the principle of "capital preservation" is considered based on the separate financial data of the Company, and not from the consolidated financial data.

The statutory reserves which must be maintained under the Dutch companies law and/or the Articles of Association are referred to as "non-distributable reserves". It shall be noted that the Articles of Association of the Company do not include a requirement to maintain certain reserves beyond the reserves that the Company is required to maintain under the Dutch companies law. Other reserves, which are not statutory reserves by law or the Articles of Association, are referred to as "freely distributable reserves". The profit reserve and share premium reserve, for example, are considered "freely distributable reserves".

It shall be noted that despite that fact that the Company implements the international financial reporting standards (IFRS) instead of the Dutch generally accepted accounting principles (GAAP), as permitted in principle under the Dutch law, the provisions of the Dutch law regarding statutory reserves shall still apply.

Further to the above, it shall be noted that as of the date of the Statement of Financial Position (meaning, as of December 31, 2019) an amount of EUR 144,237 thousand was recorded in the books of the Company as premium on the shares. As stated above, based on Dutch law, a share premium is part of the distributable reserves – and therefore, the Company may[2] distribute the said amount as dividends to its shareholders.

It shall be noted that the distribution of dividends to shareholders (including from the distributable funds which are not accrued profits, including a share premium), is subject to Dutch withholding dividend tax of 15%, subject to the exemptions and leniencies provided in the law[3].

Regarding the ability to convert the premium to share capital and later perform a capital distribution to the shareholders by way of reducing capital without requiring withholding tax, see Section 1.4.3 below.

[1] The provisions of this section below are based on the information provided to the Company by its legal counsel in Holland.

[2] Subject to the approval of the distribution by the competent organs of the Company in accordance with the provisions of the law and the Articles of Association of the Company.

[3] It shall be noted that until December 31, 2019, a shareholder that is a corporation in an EU country and who holds 5% or more was exempt from withholding tax as stated; additionally, all of the exemptions of leniencies provided in a tax convention that The Netherlands is a party to shall apply. It is indicated that effective from January 1, 2018 this exemption was extended such that in certain conditions also a shareholder holding above 5% of the Company's shares who is a resident of a country with which The Netherlands has a tax treaty and is not an EU member can enjoy this exemption.

1.4.2 Conversion of Revaluation Reserves to Capital, Reduction of Capital and Distribution Thereof

The Dutch Civil Code provided that dividends cannot be distributed, inter alia, from: (a) profits of the Company arising from adjustments to fair value of investment property and from revaluations arising from fair value adjustments of financial liabilities or financial assets which were not exercised; (b) profits arising from fair value adjustments of investment property of subsidiaries and revaluations arising from fair value adjustments of financial liabilities of subsidiaries or financial assets of subsidiaries which were not exercised and/or other profits of the subsidiaries which were not distributed to the Company as dividends and which constitute part of the Company's profit as a result of the consolidation of the financial statements of the subsidiaries with the financial statements of the Company.

The Dutch companies law provides that a Dutch public company must create statutory reserves, inter alia, for the profits described in subsection (a) or (b) above (hereinafter and below: "**Revaluation Reserves**").

The Dutch Civil Code enables the conversion of Revaluation Reserves to share capital, whether by way of issuing additional shares against the Revaluation Reserve[1] or by way of increasing the nominal values of the existing shares in the Company's capital on account of the Revaluation Reserve.Subsequently, the share capital (increased) can be reduced in the [2] manner provided by law and the Articles of Incorporation for the reduction of share capital, and for payment of the part reduced to shareholders of the Company, pro-rata to their shares, as described below.

The main stages during the conversion process of Revaluation Reserves to share capital, the reduction of the share capital and the distribution thereof to shareholders are described below.

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[1] It shall be noted that the issuance of additional shares may require an amendment to the Articles of Association of the Company in order to maintain the ratio required between the registered and issued capital in Dutch law (which is a ratio of no more than 5 times).

[2] It shall be noted that the increase of the nominal value of the shares as stated will require an amendment to the Articles of Association of the Company.

<table>
<tr><th>Nature of the Action</th><th>Approving Entity</th><th>Majority Required</th><th>Notes</th></tr>
<tr><td>Amending the Articles of Association of the Company – increasing the nominal values of the shares of the Company and increasing the registered share capital of the Company</td><td>The General Assembly of shareholders in the Company</td><td>More than half of the votes cast</td><td rowspan="2">The amendment to the Articles of Association of the Company requires the receipt of “lack of opposition” declarations by the Dutch Ministry of Justice which shall provide that the Dutch Ministry of Justice does not oppose the amendment of the Articles of Association[1]</td></tr>
<tr><td>Amending the Articles of Association of the Company – reducing the nominal values of the Company’s shares and reducing the registered share capital of the Company</td><td>The general assembly of shareholders in the Company</td><td>A majority of two thirds of the votes will be required if less than half of the issued share capital is represented in the assembly</td></tr>
<tr><td colspan="4">The resolution of the shareholders regarding the reduction of capital shall be provided by the Company to the Dutch Trade Register, and at the same time, the Company will publish a notice in a daily Dutch newspaper with national distribution regarding the delivery of the resolution to the Dutch Trade Register as stated (hereinafter: the “Publication Date”).</td></tr>
<tr><td colspan="3">The creditors of the Company may oppose the reduction of capital, within a period of 60 days from the Publication Date (hereinafter: the “Period for Opposition”). In the event that no oppositions are submitted as stated, then the approval of the court will not be required for the completion of the capital reduction proceedings.</td><td>In the event that oppositions are filed by the creditors of the Company, the Court may instruct the Company to provide additional securities to the opposing creditors as a condition for its approval to reduce the capital, unless said creditors have sufficient securities and the Company is able to repayment its liabilities (solvent);</td></tr>
<tr><td colspan="4">Upon the elapse of the Period for Opposition, in the event that no oppositions are filed as stated by creditors of the Company, then the amendment of the Articles of Association enabling the reduction of the nominal values of the shares of the Company shall become effective, and the reduction of the capital shall be performed by way of a payment to the shareholders of the difference between the previous nominal values of the shares and the reduced nominal values of the shares</td></tr>
</table>

It shall be noted that the conversion of statutory reserves to share capital requires Dutch withholding tax at a rate of 15% to the shareholders, subject to the exemptions provided by law.[2]

It shall be noted that in any event, based on the guidelines of the Stock Exchange, all of the shares shall be issued and fully repaid.

[1] Usually, the said declaration is received within about two weeks from the submission of a request to the Dutch Ministry of Justice.

[2] A shareholder that is a corporation in an EU country and holds 5% or more is exempt from withholding tax as stated; additionally, any exemption provided in a tax convention that The Netherlands is a party to shall apply and the Dutch tax laws. It is indicated that effective from January 1, 2018 this exemption was extended such that in certain conditions also a shareholder holding above 5% of the Company's shares who is a resident of a country with which The Netherlands has a tax treaty and is not an EU member can enjoy this exemption.

1.4.3 Conversion of Premium to Capital, Reduction of Capital and Distribution Thereof Without Withholding Tax

The premium on shares may be convertible to share capital, and later reduced and distributed to shareholders in the manner described in Section 1.4.2 above regarding the statutory reserves. However, in contrast to the conversion of statutory reserves to share capital, the conversion of premium on shares (which is not a statutory reserve) to share capital and the reduction of the share capital against the actual repayment to the shareholders (i.e., the reduction of capital) does not require withholding tax in Holland.

1.4.4 Change of the Company's Capital Structure

If a distribution/distributions as stated are approved in the future by the organs of the Company, if and as required, the Company will act, subject to the provisions of the law, including without derogating from the generality of the above, the approval of organs of the Company as required, to convert the share premium[1] to issued and paid share capital in a manner enabling the Company to perform a distribution of capital in the future to the Company's shareholders without the requirement of withholding tax in Holland.

1.4.5 Limitations on dividend distribution

The following is a description of the external limitations which have impacted the ability of the Company to distribute dividends effective from January 1, 2018 until the date of this report, as well as limitations as stated which may impact its ability to distribute dividends in the future.

During the last two years, there were no external limitations which impacted the Company's ability to distribute dividends, and there are no limitations as stated as of the Report date that may impact its ability to distribute dividends in the future, other than as provided below:

1.4.5.1 Distribution limitations in trust deeds

Trust deed	**Main legislative limitations**	**Reference to additional details**
The trust deed that was signed on February 24, 2011 between the Company and Reznik Paz Nevo Trusts Ltd. (hereinafter: "**Reznik**" as a trustee for holders of the Bonds (Series A) of the Company	The Company will not distribute dividends to its shareholders and/or distribute capital to its shareholders and/or will not perform a buy-back of its shares or convertible securities (hereinafter jointly: a "**Distribution**") if as a result of the same Distribution, the equity of the Company is reduced (excluding minority rights) **below EUR 80 million**	See Section 1.4.5(a) of Chapter A, "Description of the Corporation's Business," in the Company's periodic report for 2013 (which was published on March 27, 2014) [reference no.: 2014-01-025902] (hereinafter: the "**2013 Periodic Report**")
Amendment and addition no. 1 dated	The Company will not perform a Distribution if as a result of the same	See Section 1.4.5(a) of Chapter A, "Description

[1] As of December 31, 2019, a total of EUR 144,237 thousand is registered in the Company's books as share premium.

May 9, 2013 of the trust deed dated May 23, 2012 between the Company on the first hand and Reznik as a trustee for holders of the Bonds (Series B) of the Company on the other hand (hereinafter: the "**B Bonds Deed**")	Distribution, the equity of the Company is reduced (excluding minority rights) **below EUR 160 million and/or the debt to CAP ratio (as defined in subsection 5.4(b) of the B Bonds Deed) exceeds 70%**	of the Corporation's Business," in the Company's periodic report for 2013 as well as sections 5.3(a), 5.3(b) and 5.4(b) of B Bonds Deed which is attached as Appendix B to the Shelf Offering Report of the Company dated May 19, 2013 [reference no.: 2013-01-064576]
Amendment and addition 2 dated July 14, 2014 of the trust deed dated May 23, 2012 between the Company on the first hand and Reznik as a trustee for the Bondholders (Series C) of the Company on the other hand (hereinafter: the "**C Bonds Deed**")	The Company has undertaken that it will not perform a distribution unless **all** of the terms set forth below are met: (1) as a result of the distribution as stated, the equity of the Company (excluding minority rights) is not less **than EUR 200 million**; (2) as a result of the distribution as stated, the debt to CAP ratio (as defined in subsection 5.4(b) of the C Bonds Deed) **does not exceed 70%**; (3) there was and is no real concern that any of the events set forth in Section 16.1 of the C Bonds Deed are met and (4) the most recent financial statements published by the Company before the distribution date do not contain any of the warning signs set forth below: (i) a deficit in equity; or (ii) an opinion or review by an accountant as of the date of the report that includes reference relating to the financial position of the Company; the Company will provide the Trustee with consideration by a senior officer in the Company's financial department regarding: (1) the fulfillment of the terms set forth in subsection (1) through (4) (inclusive), in addition to a detail of the relevant calculation regarding the terms set forth in subsection (1) and (2); and (2) **that the distribution and/or acquisition as stated will not harm the Company's solvency with respect to the holders of Bonds (Series C) of the Company.**	See sections 5.3(a), 5.3(b) and 5.4(b) and 16.1 of C Bonds Deed which is attached as Appendix B to the Shelf Offering Report of the Company dated July 20, 2014 [reference no.: 2014-01-117642]

It shall be emphasized that in accordance with the provisions of the Deed of Trust, the performance of the distribution by the Company in contrast with the provisions of the Dividend Limitation (as detailed above) constitutes grounds for the placement for immediate repayment of the entire unqualified balance of the bonds and/or the exercise of collaterals.

1.4.5.2 The distribution of the dividend by the second tier subsidiaries of the Company – for the avoidance of doubt it shall be noted that there are external limitations on the second tier subsidiaries of the Company from the agreements with financing entities in relation with the distribution of the dividends to the subsidiary (100%) BGP and/or the repayment of the principal of the shareholders' loans provided by the subsidiary BGP for the said corporations, as applicable. Without derogating from the above, it shall be emphasized that as long as the investee companies as stated meet the terms of the financial conditions included in the financing agreements with the financing entities (if conditions as stated exist) and no other material breach of the same agreements occurs, usually there is no external limitation to the distribution of dividends and/or payment of the principal of the shareholders' loans provided to the companies held by the subsidiary BGP. It shall be noted that in some of the financing agreements[1] of the companies held by BGP, as long as the priority bank financing is not repaid, dividends cannot be distributed and/or principals of inferior loans cannot be repaid, but only ongoing interest payments for the same can be made.

1.4.6 **Dividend distribution policy**

On May 18, 2017, the Company's Board of Directors adopted a dividend policy deriving from the Company's annual FFO. For additional details on dividend distribution see the Company immediate report dated May 21, 2017 (Ref. 051021-01-2017).

It is hereby clarified that the aforesaid dividend policy should not be regarded as a commitment by the Company to make a distribution according to its provisions, and each distribution will be discussed separately by the Company's Board of Directors, which will be authorized to decide on the actual distribution at its discretion, inter alia, taking into account the criteria detailed above and subject to the approval to carry out such distribution by the general meeting of the Company's shareholders, if and to the extent required (in accordance with the provisions of any law).

The Company's Board of Directors may also review from time to time such dividend policy and change it and/or cancel it at its sole discretion.

It should be noted that the Company's Board of Directors resolved in its meeting dated March 17, 2019 not to distribute dividend in respect of the Company's financial results for the year ended December 31, 2019, among other things, in view of the situation in world markets and the decision of the Company's board of directors to continue reducing the leverage rate of the Company, particularly in view of the state of the markets and the spread of the Corona virus.

[1] Financing agreements whose value in the financial statements as of December 31, 2019, amounts to EUR 200,421 thousand (about 32% only from the total bank debt in the amount EUR 621,441 thousand).

Second Part – Other Information

Financial Information regarding the Group's Areas of Activity[1]

For financial information and financial data relating to the Group's operations, see the Company's annual financial statements for 2019 attached in Chapter C of this report. For explanation on the developments occurring in the data presented in the financial statements, see the Board of Directors' report on the state of the Group's affairs, which is attached in Chapter B of this report.

1.5 General Environment and Impact of External Factors on the Group's Activity

1.5.1 General

The activities of the Group within the segment focus, as of the report date, in Germany, and are comprised of actions of purchasing residential, commercial and office buildings, mainly in Western Germany, the betterment thereof (if necessary) and their rental. It shall be noted that the operations of the Company in the residential segment are focused on medium and large cities in North Rhine Westphalia ("NRW"), in the cities of Leipzig, Hanover, Kiel Bremen, Magdeburg, Gottingen and Halle and that the actions of the Company in the commercial segment focus mostly on medium and large cities in western Germany.

Additionally, the Group is engaged in fields of activity including the betterment of land in Dusseldorf and the development of residential real estate in Dusseldorf and Aachen focusing mainly in a central area in Dusseldorf, the administrative capital of NRW.

The following are the main details regarding the macro-economic environment in Germany (including a description regarding North Rhine Westphalia, in which the "Grafental" land is located), and the real-estate industry in Germany, as of the report date, as well as the macro-economic impacts that they have or are expected to have a material impact on the business results of the Group or the developments of the Group.

[1] For a description of the adjustment of the data in the tables below to the net profit in the Company's consolidated financial statements, including for costs that cannot be allocated between sectors of activity (such as management and general, marketing, interest for bonds of the Company and the like), see Note 22 of the consolidated financial statements of the Company for 2019, attached in Chapter C of this periodic report.

1.5.2 The Macro-Economic Environment in Germany

1.5.2.1 General Financial Data

	2018	*2019	*2020	*2021
Real growth	1.5%	0.6%	0.4%	0.9%
Unemployment rate	3.2%	3.2%	No data	No data
Inflation	1.9%	1.5%	1.7%	1.7%

* Forecast of the Organization of Economic Cooperation and Development (OECD)

Source: German Federal Statistical Office, Organization for Economic Cooperation and Development (OECD)

For the German economy, the year 2019 was characterized by significant positive growth of 0.6% following growth of 1.5% in 2018, this compared to a lower growth of most large European economies, while the GDP in the Eurozone as a whole increased by about 1.7% in 2019. The growth in the German GDP in 2019 is the lowest since 2013, and lower than 2018 2018 (1.5%). This is due to a negative net contribution of demand when exports increased by 0.9% (compared to 2.1% in 2018) and imports increased by 1.9% (compared to 3.6% in 2018). The OECD economists forecast a continued positive trend in economic activity in Germany in the years 2020-2021, which is lower than in 2018-2019.

Further to the positive trend during recent years, the average unemployment rate continued to fall and in 2019 was about 3.2% according to the OECD which is identical to unemployment rate in 2018.

1.5.2.2 North Rhine Westphalia

The federal state of North Rhine Westphalia (NRW) is located in northwestern Germany, and its capital is Dusseldorf. NRW has about 17.91 million inhabitants, is one of the most populous states in Germany and comprises about 25% of the German GDP. The main economic sectors in the area are telecommunications (leading companies in the field: Vodafone, Deutsche Telecom), IT (Fujitsu, IBM, Toshiba, HP), insurance, media, logistics, mechanical and electrical engineering, vehicle manufacturing (Ford, Opel, Daymler), chemical industries (Bayer) and energy (RWE, E.ON).

1.5.2.3 Dusseldorf

Dusseldorf – General Characteristics[1] -

The city of Dusseldorf has about 639 thousand residents, and is the seventh largest city in Germany. The city constitutes an important economic center, and based on the Federal Statistical Office, is one of the largest cities, third after Frankfurt and Munich in terms of GDP per capita. Additionally, Dusseldorf enjoys a high quality of life. Due to the above, Dusseldorf is a magnet and enjoys population growth at a rate of about 7% per year on average in 2013 – 2017 and increase of 8% in the number of households in those years, mainly due to the positive immigration which creates demand for residential units.

[1]Based among others on statistical data of Dusseldorf Municipality www.duesseldorf.de

In the years 2011-2017 the migration inflow rate accelerated, thus Dusseldorf grew by another 39 thousand residents, from 600 thousand residents at the end of 2010 to 639 thousand residents at the end of 2017.

1.5.2.4 General Information regarding the Area of the Grafental Asset, Dusseldorf

The complex is located between Grafenberg and Dusseltal, in a central location of the city, with high accessibility to business centers (about 10 minute travel from the central Dusseldorf), the airport (15 minute travel from Dusseldorf international airport), and main transportation lines. This area is characterized by a mix of uses and combines business and trade with high quality residence, culture, sport and parks. The site is bordered by the established neighborhoods Grafenberg and Dusseltal in the north and Flingern on the south.

1.5.3 Real Estate in Germany

1.5.3.1 General

The real estate market in Germany is the second largest in Europe (after Britain) and is characterized with low fluctuations in prices compared to other European and global markets. Due to the stability of real estate prices and the financial strength, German real estate is perceived as a safe haven by foreign investors.

1.5.3.2 Residential Real Estate

According to the Federal Statistics Office, as of the end of 2019, there were about 41.3 million residential units in Germany, compared to 40.4 million residential units in 2018, a figure reflecting low construction rate of 260,000 residential units compared to annual construction commencements rate of 800,000 residential units in the mid-90s. Additionally, an upward trend in residential real estate in Germany continues, while the residential price index recorded annual increase of about 8.79% in May 2019 and about 4.8% in 2018 according to the European Central Bank. According to JLL, the scope of residential real estate transactions for 2019 amounted to about EUR 17.78 billion compared to about EUR 16.4 billion in 2017.

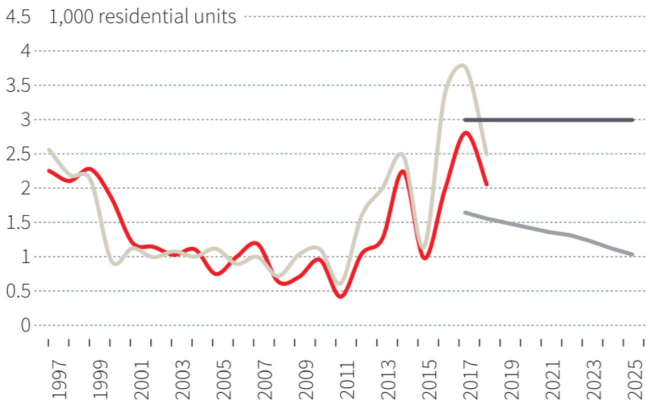
The German residential market is characterized by a high rate of residents living in rentals and extensive protections provided to renters, including, inter alia, regulation of rental fees. For additional details, see Section 1.17.2.2.

The scope of the commercial real estate transactions in 2019 amounted to EUR 56.2 billion compared to EUR 60.3 billion in 2018. The portion of foreign investors in the purchases was estimated at about 35% in 2019 and changed relatively to 2018 with an estimated 38% According to JLL, the scope of offices real estate transactions amounted to EUR 36.52 billion constituting about 40% of the scope of transactions in 2018,

1.5.4 Real Estate in Dusseldorf

1.5.4.1 The Residential Real Estate Market in Dusseldorf

Housing supply and demand for new buildings Düsseldorf



Source: destatis, BBSR housing forecast 2015, JLL; **Status:** July 2019

Due to a shortage of land for development in central areas of the city, the building rate of residential buildings during recent years did not catch up with the population growth rate as the number of households in the city is expected to continue to grow, as well as the demand for residential apartments in the city. In addition, the number of apartments completed in 2018 amounted to 2,050 along with increase in demand which is an additional factor that contributes to price increase. In 2016, 3,400 building permits were approved and in 2017 3,750 building permits were approved compared to 2018 in which only 2,500 building permits were approved and this fact further delays the progress of the construction target of 3,000 apartments on average each year.

According to the publication of the Dusseldorf municipality, the prices of vacant land and plots for residential purposes increased by 10% in 2018 compared to the previous year. Lands designated for residential use and commercial buildings increased even more, estimated at 20% while lands designated for industry increased by 5%.

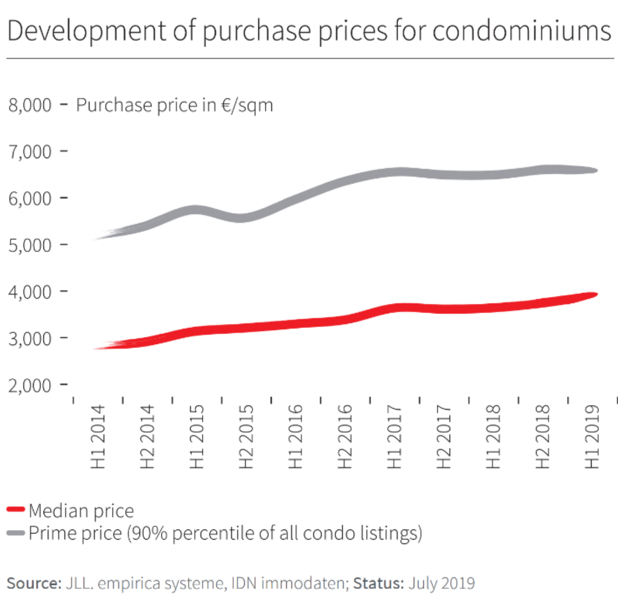
In addition, prices of constructed residential buildings increased in all areas of the city of Düsseldorf, while prices of private homes increased by about 7.9%.

The price of Condo apartments increased significantly in 2019 according to the year of construction of apartments, while the increase range is 7.9% -16%.

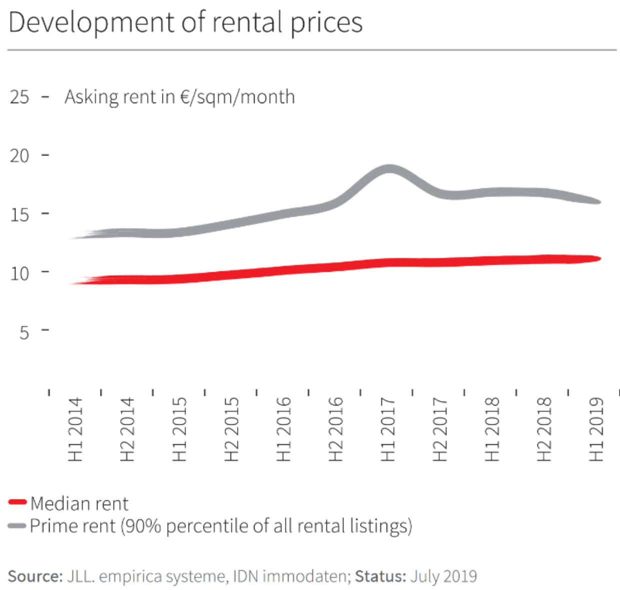
Prices in the Düsseldorf apartment market have been increasing since 2009.
The surplus in demand for residential properties has a positive effect on occupancy rates, price levels, and rent levels of new residential real estate in the city.

Following are diagrams showing the development of construction completions (new and renewed apartments) and trends in purchase prices and rent of residential units in Düsseldorf and similar large cities in Germany.

Development of real estate prices in Dusseldorf (Euro per square meter)



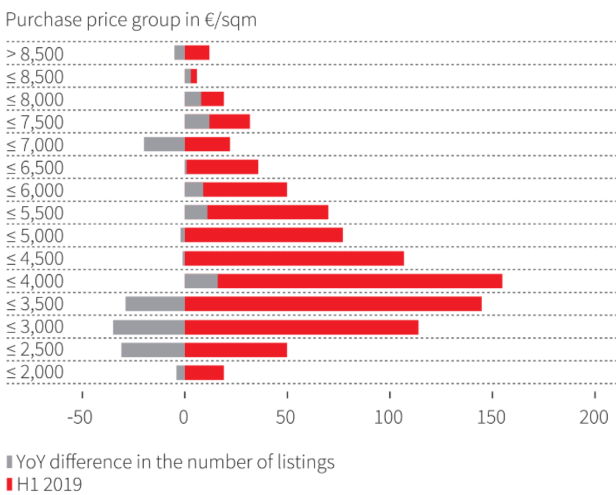
Development of rental prices of apartments in Dusseldorf (Euro per square meter per month)



The development of rental prices in residential apartments in Düsseldorf reached an average price of € 11.30 per sq.m. per month in the first half of 2019. The increase in rental prices was more significant in neighborhoods in less prestigious areas. Residential apartments of the prime segment reached a price level of € 16 per sq.m. per month (Based on maximum observations).

According to a study by JLL, the median price per square meter for 2019 is € 3,950 per square meter. The average price in new construction in the first half of 2019 is € 5,990 per square meter reflecting an increase of 4.5% in the first half of 2019 compared to last year.

Distribution of condo listings by price group



Source: JLL, empirica systeme; **Status:** July 2019

1.5.5 <u>The Macro-Economic Impacts Which Do Or Are Expected To Substantially Impact the Business Results of the Company or Company's Developments</u>

The policy of the European Central Bank (ECB) has remained unchanged so the interest policy remained zero. The interest margin on loans remained 0.25% while the interest on deposits remained at a negative level of -0.5%.

The main target of ECB under its monetary policy is to maintain price stability while placing an inflation rate which is low and close to inflation rate of 2% in the medium range. The inflation rate for December 2019 is 1.2% and the expected inflation rate for 2022 is 1.6%.

The Board of Directors of ECB expects that the interest rates of the ECB will remain unchanged at its present level and in accordance with adhering to the policy of maintaining the aforementioned inflation target. With regard to non-standard monetary policy measures, the Board of Directors intends to continue to invest fully the principal payments from realized securities purchased under the asset purchase plan for a prolonged period beyond the time it begins to raise the ECB's central interest rates, and in any event will act to maintain favorable liquidity conditions.

For details regarding the risk factors of the Company, see Section 1.22 below.

Third Part – Description of the Corporation's Business by Area of Activity

1.6 Income Generating Real Estate in Germany – Aggregate Level

Aggregate disclosure regarding the Company's activity in the income generating real estate sector - the disclosure is provided collectively both for income generating residential real estate and for income generating commercial real estate (collectively - income-producing real estate).

1.6.1 General Information on Area of Activity

1.6.1.1 Structure of the Sector and Changes Therein

As stated above, as of December 31, 2019, and as of the signing of the report, the Group has been engaged in the field of income-generating real estate in Germany only (hereinafter: the "**Income Generating Real Estate Sector**"). The Income Generating Real Estate Sector is divided into two subcategories: (a) the commercial income generating real estate sector, and (b) the residential income generating real estate sector.

The activities of the Group in the Income Generating Real Estate Sector have been focused, as of the report date, on Germany, one of the largest and strongest countries in Europe. Starting with the fall of the Berlin Wall during 1989 and the unification of the eastern part of the city with its western part, Germany has been experiencing economic recession which is expressed, inter alia, in the high unemployment rate and slow growth. As a result, the sector was characterized for a number of years by low real estate asset prices and high yields compared to other countries in Western Europe. However, the low real estate prices, together with the activities performed in Germany (on a municipal and federal level) resulted in ending the recession and led to the beginning of recovery in the real estate market, expressed by the massive entrance of investors (foreign and local) in the field of real estate to the German market, to identify real estate investments at attractive prices; the beginning of increased real estate asset prices, and accordingly the beginning of increased rental fee prices; and the creation of a variety of financial options for financing such transactions.

The Income Generating Real Estate Sector in which the Group is engaged is directly impacted from the economic and the demographic situation in Germany. For details regarding the economic and demographic situation in Germany, see Section 1.5 above.

1.6.1.2 Main Areas in which the Properties are Located

Most of the real estate assets of the Group are in a sub-segment of commercial real estate activities, and are a sub-segment of residential real estate activities, as well as residential development concentrated in the western part of Germany, including in North Rhine Westphalia (particularly residential assets), in North Germany (in Hannover, Bremen, Gottingen and Kiel) and in east Germany in the cities of Leipzig, Halle and Megdeburg.

1.6.1.3 Changes to the Scope of Activities in the Field and its Profitability

On the background of the relatively low real estate prices in Germany, the Group commenced its operations during 2005[1] in the Income Generating Real Estate Sector in Germany, and during the years, continued to increase its land assets, while using its relative advantages in the local market, the Group's existing reputation and its ability to perform engagements in the field. In 2018, upon the acquisition of control of the Company by ADLER, the Company decided to take action to sell income generating real estate assets in Germany, following a refocusing of the company's strategy.

Sub segment of commercial income generating real estate

- Hotel sale transaction - on April 25, 2018, the sale of hotel in Hamburg was completed that was owned by a wholly owned sub-subsidiary of the Company for € 11.9 million (of which € 6.2 million was used to repay the loan that financed the sold asset. For additional details see immediate reports dated February 25, 2018 and April 26, 2018 (reference 018520-01-2018 and 041314-01-2018) included therein by way of reference.

- Asset sale transaction A – on May 31, 2019, the Company completed the asset transaction sale A. For further details see section 1.1.3.1 above.

- Asset sale transaction B - On June 28, 2019, the Company entered into a transaction to sell additional assets from the Company's commercial income-producing real estate portfolio. On December 31, 2019, the transaction was completed finally with respect to assets in the cities of Kassel, Laatzen, Leverkusen, Düsseldorf, Cologne, Bad Segeberg, and Emden. For further details see section 1.1.3.1 above.

- Asset sale transaction in Borken - On November 29, 2019, a transaction to sell the Company's asset in Borken (see section 1.1.5, asset number 28 in the 2018 periodic report) was completed for € 16.6 million. The book value of the transaction date was about € 19.4 million. The proceeds were used to repay bank loans.

- Asset sale transaction in Ottendorf-Okrilla - On January 30, 2020, the Company sold another asset of the commercial income –generating portfolio in the amount of € 4.1 million. As part of the Company's strategy of reducing leverage, the balance of the proceeds from the sale was used for partial early repayment of shareholders' loan from ADLER. Accordingly, this asset is presented in the statement of financial position as of December 31, 2019 as an asset of investee disposal group.

[1] The Brack Capital Group commenced its operations in the field of income-generating real estate in Germany during 2005. The Company itself was established during June 2006, and during July 2006, it was transferred all of the holdings of the previous shareholders in BGP, which at the time, already held (through asset companies) four income generating assets in Germany. See also Section 1.1.4 above.

Sub segment of residential income generating real estate

The Company focused most of its purchases in the residential field in the North Rhine Westphalia area, in which the Company holds about 4,257 residential units, in Leipzig, in which the Company holds about 3,600 residential units, in Magdeburg and Halle it holds 576 residential units and in parallel expanded its operations in northern Germany, in which it holds 3,523 residential units in order to utilize its managerial economies of scale. In parallel to the performance of these purchases, the Company perfected the platform and its managerial abilities, allowing it to currently manage and renovate residential real estate assets while maintaining operational efficiency.

1.6.1.4 Critical Success Factors in the Area of Activity

a. Geographic targeting (Germany only) and regional targeting (the commercial assets are mainly concentrated in West Germany).

b. An independent and complete management system (facility, property, asset management).

c. Critical mass of assets, creating an economies of scale and decreasing marginal cost in asset management.

d. Combination of defensive assets creating high cash flows in long term durations and of assets creating (relatively) low cash flows in the short term, while still allowing significant improvement over time.

e. High financial strength, enabling perseverance and exercise of the business plan.

f. Accessibility to various financing resources, allowing matching funding to the relevant market conditions/business plans.

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

h. Accumulation of extensive and thorough knowledge and deep familiarity with the legal environment (contract, land, banking and finance, receivership, mergers and acquisitions, environmental laws), tax environment (tax planning in purchase and exercise of land, corporate taxation) and zoning environment (planning and zoning laws, city building plans, construction permits), which enable the performance of complex transactions, some of which are below market prices, and the renovation of assets while increasing value both during the performance of the transaction and throughout the life of the asset.

1.6.1.5 Main Entry and Exit Barriers to the Field of Activity

The Company estimates that the main entry barriers in the income generating real estate are:

(1) equity requirements in a large scale.

(2) the need to establish a management system that will provide a response to economic, legal, engineering, planning, taxation, financing and operating (asset maintenance, renovation, marketing and lease, collection) aspects, etc

(3) establishment of a system of relationships and access to transactions and maintaining this relationship and these contacts.

The Company estimates that the main exit barriers in the income generating real estate are:

(1) realization of the assets subject to conditions of supply and demand
(2) realization of the assets subject to existing financing options in the market for the potential purchasers.

1.6.1.6 Alternatives to the Group's Activities

The tenants (current and potential) in the Group's assets may move from a rental model to an ownership model. In the sub-segment of the Income-Generating Residential Real Estate Sector, to the best of the Group's assessment, the main alternative existing for the rental of apartments is direct ownership of the residential apartments by the residents. However, to the best of the Company's assessments, the characteristics of the market in Germany indicate that[1] most of the residential apartments (about 55% are rented or designated for rental) and are not owned by the residents thereof.

1.6.1.7 Structure of the Competition in the Sector and Changes Occurring Thereto

For additional details regarding the competition structure, see Section 1.9 below.

1.6.1.8 Limitations, Legislation, Standards and Special Constrains Applicable to the Sector

For details see section 1.16 below.

1.6.1.9 Unique Tax Implications within the Activities – as of the report date, the purchase tax on land in Germany is at a rate between 3.5% and 6.5% of the cost of the asset, depending on the specific tax legislation in the federal state in which the asset is located (for example, 6% in Berlin and Hesse, 6.5% in NRW and Schleswig-Holstein, 5% in Baden-Württemberg and Bremen, and 3.5% in Saxony.). The purchase of an asset with a share transaction allows for certain terms which prevent the payment of purchase tax.

[1] According to the Federal Statistical Office.

1.6.1.10 Asset Purchase and Realization Policies

For details regarding actions taken by the Company to focus its business strategy in the income generating residential sector see Section 1.20 below.

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

In 2019, the Company carried out a series of transactions to sell some of the Company's income-generating real estate assets. For further details regarding the above transactions, see section 1.1.3.1 above. For more information on the Company's strategy, see section 0 below.

As of the report publication date, the Company is continuing to examine the options for refocusing its business strategy in the area of income-generating development and residential real estate activities, and in doing so, the Company is continuing to carry out operations to sell additional assets from the Company's commercial real estate portfolios, as discussed above.

1.6.1.12 Types of assets and uses

See section 1.14 above.

1.6.1.13 The Composition of Tenants

Sub-segment of commercial income generating real estate

The Group's customers renting office spaces, commercial or other spaces from it (for non-residential purposes) are usually business corporations and retail chains. The main assets of the Group in the sub-segment of commercial income generating real estate are rented, as of the report date, to tenants with high financial strength.

It shall be noted that some of the residential complexes include a small number of commercial areas leased to commercial tenants. It shall be noted that the part of the commercial tenants of the total rented space in an asset or total rental fees from the asset is negligible. Additionally, it shall be noted that less than 5% of the total rental fee revenues are paid each month by the relevant local authority, in accordance with a residential subsidy policy for eligible residents of the same relevant authority.

Sub-segment of residential income generating real estate:

The Group engages with a single type of tenant in the sub-segment of apartment tenants in residential buildings.

In addition, some of the complexes include a small number of commercial spaces rented to commercial tenants. It should be noted that the share of the commercial tenants in the total rented space of the asset or total rental fees is negligible.

As of the report date, the Company is not reliant on a single tenant or a limited number of tenants, the loss of which would substantially impact the area of activity.

1.6.2 Summary of the Segment's Results

The following is a summary of the financial results of the segment for a period of three years ending on December 31, 2019:

Parameter	For the year ending on		
	31.12.2019	31.12.2018	31.12.2017
	In EUR thousand		
Total income of the operations (consolidated)	99,349	105,893	102,857
Estimated gains/losses (consolidated), net	19,517	97,693	80,230
Operating profit (consolidated)*	80,824	163,189	145,514
Same Property NOI (for two recent reporting periods) (consolidated)**	61,307	60,468	58,063
Same Property NOI (for two recent reporting periods) share of the corporation **	59,173	51,792	48,941
Total NOI (consolidated)	61,307	65,496	65,259
Total NOI (share of the corporation)	59,173	56,821	56,137

*Results of operating profit, calculated as the NOI amount, increase/decrease in value of investment property and other income/expenses, net.

** NOI from asses that as of December 31, 2019 are owned by the Company for at least two full years of operations.

1.6.3 Geographic Areas

The following are the financial parameters for the geographic area that the Group operates in (Germany):

	Germany		
	For the year ending on		
	31.12.2019	31.12.2018	31.12.2017
Gross domestic product (EUR billions) *	3,863	3,388	3,277
GDP per capital (EUR) *	41,345	40,883	39,650
GDP growth rate *	0.6%	1.5%	2.2%
GDP per capita growth rate * (employment)	-0.3%	0.1%	1.1%
Rate of inflation*	1.1%	1.9%	1.8%
Return on domestic government debt long term**	-0.22%	0.24%	0.75%
Rating of government debt long term ****	AAA	AAA	AAA
Exchange rate of New Shekel compared to Euro as of last day of the year *****	3.88	4.13	4.15

*From the website of the Federal Ministry of Statistics of Germany (www.destatis.de)
** From the website of statistics of EU countries www. ec.europa.eu/eurostat)
*** From the website of the Wall Street Journal (wsj.com).
****Based on the S&P rating agency (www.standardandpoors.com).
*****From the website of the Bank of Israel (www.boi.org.il).

1.6.4 Segmentations in Overall Level of Activity[1,2]

The following tables shall present various segmentations regarding income-generating real estate assets of the Group based on use.

1.6.4.1 Segmentation of income generating real estate spaces by areas and uses

As of December 31, 2019:

	Uses	Residential	Commercial	office	Total	Percentage of Total Asset Space
Areas		In sq.m.				
Germany	Consolidated	703,543	180,506	11,716	895,765	100.0%
Germany	Share of the corporation	687,088	164,771	11,716	863,575	100.0%
Percentage of Total Asset Space	Consolidated	78.5%	20.2%	1.3%	100.0%	
Percentage of Total Asset Space	Share of the corporation	79.6%	19.1%	1.4%	100.0%	

As of December 31, 2018:

	Uses	Residential	Commercial	office	Total	Percentage of Total Asset Space
Areas		In sq.m.				
Germany	Consolidated	703,543	312,799	11,716	1,028,058	100.0%
Germany	Share of the corporation	651,869	216,842	11,716	880,427	100.0%
Percentage of Total Asset Space	Consolidated	68.4%	30.4%	1.1%	100.0%	
Percentage of Total Asset Space	Share of the corporation	74.0%	24.6%	1.3%	100.0%	

[1] It should be noted that the Company holds 60% of the capital rights and 50% of the voting rights in the company holding offices with a total area of 7,251 square meters in Chemnitz, included in the table in this section 1.6.4 below. From an accounting perspective, the property company is presented within the investment section in associated companies in an amount of about EUR 3.9 million.

[2] Regarding consolidated data and the Company's share of income-generating assets for residential and commercial use as set forth in this Section 1.6.4 below – it is noted that the Company holds 10.1% of the rights in the corporations holding the assets in the Matrix Titan and Leipzig. The remaining rights are held by ADLER as specified in section 1.18 below.

1.6.4.2 Segmentation of Real Estate Fair Value by areas and uses[1]

As of December 31, 2019:

Areas	Uses	Residential**	Commercial**	Office*	Total	Percentage of Total Asset value
Germany	Consolidated	995,754	170,956	14,691	1,181,401	
Germany	Share of the corporation	972,845	159,878	14,691	1,147,414	
Percentage of Total Asset space	Consolidated	84.1%	14.6%	1.3%	100.0%	
Percentage of Total Asset space	Share of the corporation	84.7%	14.0%	1.3%	100.0%	

As of December 31, 2018:

Areas	Uses	Residential**	Commercial**	Office*	Total	Percentage of Total Asset value
Germany	Consolidated	927,523	472,459	14,298	1,414,280	100.0%
Germany	Share of the corporation	864,439	357,281	14,298	1,236,018	100.0%
Percentage of Total Asset space	Consolidated	65.6%	33.4%	1.0%	100.0%	
Percentage of Total Asset space	Share of the corporation	65.6%	28.9%	1.2%	100.0%	

*) It shall be noted that the Company holds 60% of the equity rights and 50% of the voting rights in the Property Company which holds offices in the total area of 7,088 sq.m. in the city of Chemnitz.
From an accounting standpoint, the property company is presented in investment in affiliates in the amount of € 3.9 million,

**) It shall be noted that the Company holds 89.9% of the rights in corporations holding the assets in Matrix, Titan portfolios and Leipzig. The remaining rights are held by ADLER as specified in section 1.9 below.

[1] It should be noted that the figures referring to Office in all reporting periods include also a property presented in "Investments in assiciates" the value of which as of the report signing date is EUR 3.9 million.

1.6.4.3 NOI Segmentation by areas and uses

For the year ending on December 31, 2019 (EUR thousand)

	Uses	Residential	Commercial	Office*	Total (EUR thousands)	Percentage of Total Asset NOI
Germany	Consolidated	42,025	18,722	560	61,307	100.0%
[in EUR thousands]	Share of the corporation	41,098	17,515	560	59,173	100.0%
Percentage of Total Asset NOI	Consolidated	68.6%	30.5%	0.9%	100.0%	
	Share of the corporation	69.5%	29.6%	0.9%	100.0%	

For the year ending on December 31, 2018 (EUR thousand)

	Uses	Residential	Commercial	Office*	Total (EUR thousands)	Percentage of Total Asset NOI
Germany	Consolidated	40,105	24,849	542	65,496	100%
[in EUR thousands]	Share of the corporation	37,505	19,316	542	57,363	100%
Percentage of Total Asset NOI	Consolidated	61.2%	37.9%	0.8%		
	Share of the corporation	65.4%	33.7%	0.9%		

For the year ending on December 31, 2017 (in EUR thousands)

	Uses	Residential	Commercial	Office*	Total (EUR thousands)	Percentage of Total Asset NOI
Germany	Consolidated	37,775	26,675	795	65,246	100%
[in EUR thousands]	Share of the corporation	35,163	20,242	795	56,201	100%
Percentage of Total Asset NOI	Consolidated	57.9%	40.9%	1.2%	100.0%	
	Share of the corporation	62.6%	36.0%	1.4%	100.0%	

*) It shall be noted that the Company holds 60% of the equity rights and 50% of the voting rights in the Property Company which holds offices in the total area of 7,088 sq.m. in the city of Chemnitz, which is not included in the table.

From an accounting standpoint, the property company is presented in investment in affiliates in the amount of € 3.9 million, whose contribution to total NOI amounted to € 36 thousand in 2018.

1.6.4.4 Revaluated Profit and Loss Segmentation by areas and uses

For the Year ending of December 31, 2019 (in EUR thousands)

Areas	Uses	Residential	Commercial	Office	Total (EUR thousands)	Percentage of Total Revaluated Profits or Losses
Germany	Consolidated	54,810	(37,793)	500	17,517	100.0%
Germany	Share of the corporation	53,060	(35,716)	500	17,844	100.0%
Percentage of Total Revaluation Profits or Losses	Consolidated	280%	(183%)	3%	100.0%	
Percentage of Total Revaluation Profits or Losses	Share of the corporation	269%	(172%)	3%	100.0%	

For the Year ending of December 31, 2018 (in EUR thousands)

Areas	Uses	Residential	Commercial	Office	Total (EUR thousands)	Percentage of Total Revaluated Profits or Losses
Germany	Consolidated	83,833	14,359	635	98,827	100%
Germany	Share of the corporation	72,866	10,517	635	84,018	100%
Percentage of Total Revaluation Profits or Losses	Consolidated	85%	15%	0%	100%	
Percentage of Total Revaluation Profits or Losses	Share of the corporation	85%	15%	0%	100%	

For the Year ending of December 31, 2017 (in EUR thousands)

Areas	Uses	Residential	Commercial	Office	Total (EUR thousands)	Percentage of Total Revaluated Profits or Losses
Germany	Consolidated	76,748	3,482	930	81,160	100%
Germany	Share of the corporation	65,868	4,398	930	71,196	100%
Percentage of Total Revaluation Profits or Losses	Consolidated	95%	4%	1%	100%	
Percentage of Total Revaluation Profits or Losses	Share of the corporation	93%	6%	1%	100%	

1.6.4.5 Segmentation of Average Rental Fees per Sq.m by areas and uses:

Uses	Residential		Commercial		Office*	
Germany	In EUR		In EUR		In EUR	
	For the year ending on		For the year ending on		For the year ending on	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Average annual rental fees per sq.m.	77	75	75	97	129	129

The data above reflects a state of rental fees as of the end of the year.

*) Including offices with a total area of 7,251 sq.m. in the city of Chemnitz, in which the property company holding them is held by the Company at the rate of 60% of the equity rights and 50% of the voting rights and from an accounting standpoint, it is presented as part of an investment in affiliated companies in the amount of € 3.9 million.

1.6.4.6 Segmentation of average occupancy rates, by areas and uses:

Uses	Residential			Commercial			Office		
Germany	In percentages								
	31.12.2019	For 2019	For 2018	31.12.2019	For 2019	For 2018	31.12.2019	For 2019	For 2018
Average occupancy rate (in %)	95%	95%	95%	95%	96%	97%	32%	32%	46%

It is stressed that office buildings constitute only 1.3% of the Company's total area of income generating real estate, as aforesaid.

1.6.4.7 Segmentation of a number of income-generating assets by areas and uses:

Uses	Residential*		Commercial		Office	
Germany						
	For the year ending on		For the year ending on		For the year ending on	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Number of income-generating assets	29	29	16	27	2	2

* The residential portfolio of the Company spans over 18 cities: it shall be emphasized that in addition to the area of residential units, some of the complexes include a small number of commercial spaces rented to commercial tenants. It shall be noted that the shares of the tenants of the total rented space in the asset or total rental fees from the asset is negligible.

1.6.4.8 Segmentation of actual average rates of return[1] (in percent value, by value at the end of the year) by areas and uses[2].

Uses	Residential		Commercial		Office	
Germany						
	For the year ending on		For the year ending on		For the year ending on	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Actual rate of return[3]	4.2%	4.3%	5.8%	5.4%	4.2%	3.8%

[1] Yield – the ratio between NOI during the specific period and between the value at the end of the same period.
[2] It should be emphasized that the office building constitutes only about 1.3% of the total area of income-generating real estate of the Company, as stated above.
[3] The actual yield rate (based on the value at the end of the year) – NOI from the asset or a number of assets in a reported period, assuming that the property is available the entire term, divided by the value of the asset or assets at the end of the period.

Expected revenue[1] for signed rental agreements (commercial and office only):

		Assuming non-exercise of the tenant option period			**Assuming the exercise of the tenant option period**		
Period of revenue recognition		Fixed component income	Number of agreements ending	Area, the object of agreements ending	Fixed component income	Number of agreements ending	Area, the object of agreements ending
		(in EUR thousands)		(sq.m.)	(in EUR thousands)		(sq.m.)
Year 2020	Quarter 1	2,775	6	1,551	2,292	5	1,271
	Quarter 2	2,766	2	275	2,285	1	164
	Quarter 3	2,730	5	326	2,279	2	113
	Quarter 4	2,539	13	6,079	2,129	7	3,668
Year 2021		20,324	8,609	23	7,079	8,153	12
Year 2022		18,563	6,886	15	17,977	7,387	9
Year 2023		17,969	6,528	13	5,400	7,037	13
Year 2024 and thereafter		114,521	20,331	27	90,561	70,070	65
Total		**194,896**	**53,164**	**104**	**129,248**	**101,632**	**114**

Main tenants:

Following the completion of the Asset sale A and Asset sale B, as specified in section 1.1.3.1, as of the date of the report, the Company does not depend on any tenant.

[1] Including assets for which sale agreement was signed however the sale was not yet completed and the assets were not delivered.

1.6.4.10 Purchase and sale of assets (aggregate):

Area		Parameters	Period (year ending on)		
			31.12.2019	31.12.2018	31.12.2017
Germany	Assets purchased	Number of assets purchased during the year	-	2	5
		Net cost from the purchase of assets (consolidated) (USD thousands)	-	6,641	125,937
		NOI of assets purchased during the year (consolidated) (in EUR thousands)*	-	410	5,531
		Area of assets purchased during the year (consolidated) (in EUR thousands)	-	-	90
		Gain/loss recorded from the realization of assets consolidated) (in EUR thousands)	-	278	560
Germany	Assets sold	Number of assets sold in the year*	11	1	1
		Consideration from the realization of assets sold (consolidated) (USD thousands)	275,790	11,900	14,272
		Gain/loss recorded from the realization of assets consolidated) (in EUR thousands)	(9,082)	-	-
		Area of assets sold in the year (consolidated) (in thousands of sq.m)	188.3	5	4.3
		NOI of assets sold in the year (consolidated) (in EUR thousands)*	15,209	254	720

*. The NOI was standardized to annual terms

1.6.5 List of material and very material income-generating assets of the Company in the field of real estate activity

1.6.5.1 Very material building – Residential portfolio in Leipzig.

(Data according to 100%; the corporation's share in the asset – 89.9%[1]	Details as of December 31, 2019
Name of the asset	Leipzig portfolio
Location of the asset	Leipzig, Germany
Areas of the property - split according to uses; If there is a significant change in the areas - the areas will be given for the last three years	2,769 residential units with an average area of 53 sq.m. The total area for rental totals 146,487 sq.m. It should be noted that the aforesaid portfolio also includes commercial areas in immaterial scope that are leased in consideration that is not material to the Company.
The holding structure in the asset (description of the holding through investee companies, including the holding rates therein and the rate of their holding in the asset)	Through investee companies - BCRE Leipzig Wohnen Ost BV BCRE Leipzig Wohnen West BV BCRE Leipzig Wohnen Nord BV held (100%) by BCP Leipzig B.V held by the subsidiary (100%) of the [2] (100%) Company- Brack German Properties BV
The actual share of the corporation in the asset (if the asset is in an investee company - multiplying the share of the corporation in the investee company by the investee company's share in the asset)	89.8%[1,2] (For details regarding collaboration agreements between the Company and ADLER which holds 10.1% of the rights in said asset, see section 1.18 below)
Indicating the names of the partners in the asset (if the partners own more than 25 percent of the rights in the asset or if the partners are related parties)	NA
Purchase date of the asset	July 2011[3]
Details of legal rights in the asset (ownership, lease, etc)	Ownership
Legal rights registration status	Registered
Unutilized significant construction rights	None
Special issues (material construction irregularities, soil pollution, etc)	None
Presentation method in the financial statements (full consolidation/equity method of accounting/joint activity)	Full consolidation
Details regarding sold asset	NA

[1] As of December 31, 2019; it should be noted that the Company is entitled to a certain percentage of the share of the other investors in the profit, and therefore the Company's share in the profit is higher than the rate of its effective holdings in the subsidiaries. The share of the Company, given the aforementioned Promote mechanism, is 91.60% as of December 31, 2019.

[2] The minority shares in the sub-subsidiaries that hold the said asset have not yet been allocated, and as at that date the other investors hold contractual rights with respect to the property companies

[3] It should be noted that the portfolio includes 182 residential units with a leasable area of 11 thousand square meters that were purchased in May 2014 by an investee company of the Company, which together with two other investee companies hold said portfolio

.

(a) key details about the asset

Data according to 100%; the corporation's share in the asset – 89.8%[1]	**2019**	**2018**	**2017**		**On the asset purchase date**
Fair value at year end (EUR in thousands)	230,860	211,670	170,900	Cost of purchase / construction (EUR in thousands) **	82,181
Book value at year end (EUR in thousands)	230,860	211,670	170,900	Date of purchase**	July 2011
Revaluation gains or losses (EUR in thousands)	17,623	38,509	37,016	Occupancy rate (%)	93.4%
If the asset is measured at cost - carrying amount at the end of the year (EUR in thousands)	NA	NA	NA	NOI (EUR in thousands)	6,610
If the asset is measured at cost – impairment (reversal of impairment) in the year (EUR in thousands)	NA	NA	NA		
Average occupancy rate (%)	96%	95%	95%		
Actual leased areas (in square meters)	140,604	138,236	139,855		
Total revenues (EUR in thousands)	10,039	9,736	9,292		
Average rental fees per meter (per month/year) (EUR)	6.13	5.96	5.54		
Average rental fees per square meter in agreements signed over the year (EUR)	7.17	7.11	6.78		
NOI (EUR in thousands)	9,361	8,696	8,513		
Adjusted NOI (EUR in thousands)	11,666	11,202	10,549		
ERV (EUR in thousands)	12,565	12,242	11,328		
ERV yield (%)	5.5%	5.8%	6.6%		
Actual yield rate (%)	4.5%	4.1%	5.0%		
Adjusted yield rate (%) **	5.1%	5.3%	6.2%		
Number of tenants at the end of the reported year (#)	2,650	2,608	2,631		

** according to average rental fees per square meter in new agreements signed over the year

[1]As of December 31, 2019; The share of the Company, given the aforementioned Promote mechanism, is 91.60% as of December 31,2019.

(b) Segmentation of revenues and expense structure

Data according to 100%; the corporation's share in the asset – 68%[1]	2019	2018	2017
Revenues:		**EUR in thousands**	
Rental fees – fixed	10,039	9,736	9,292
Rental fees – variable	-	-	-
Management fees	4,409	4,010	3,916
Total revenues	14,448	13,746	13,209
Costs:			
Management, maintenance and operation	5,087	5,050	4,696
Depreciation (if recorded)		-	-
Others		-	
Total costs	5,087	5,050	4,696
Profit			
NOI:	9,361	8,696	8,513

[1]As of December 31, 2018; The share of the Company, given the aforementioned Promote mechanism, is 74.31% as of December 31, 2018.

Certain financing

<table>
<tr><td colspan="3">Certain financing
(the corporation's share in the asset – 89.8%[1])</td><td>Loan A</td></tr>
<tr><td rowspan="4">Balances in the consolidated statement of financial position</td><td rowspan="2">31.12.2019 (EUR in thousands)</td><td>Presented as short-term loans:</td><td>1,770</td></tr>
<tr><td>Presented as long-term loans:</td><td>67,715</td></tr>
<tr><td rowspan="2">31.12.2018 (EUR in thousands)</td><td>Presented as short-term loans:</td><td>1,599</td></tr>
<tr><td>Presented as long-term loans:</td><td>69,612</td></tr>
<tr><td colspan="3">Fair value as of 31.12.2019 (end of reported year) (EUR in thousands)</td><td></td></tr>
<tr><td colspan="3">Original date of taking the loan</td><td>July 1, 2011</td></tr>
<tr><td colspan="3">Original loan amount (EUR in thousands)</td><td>60,000. It is indicated that additional EUR 17.4 million were received as part of withdrawing a credit line carried out on December 31, 2017.</td></tr>
<tr><td colspan="3">Actual interest rate (effective) as of 31.12.2018(%) end of the reported year)</td><td>1.81%</td></tr>
<tr><td colspan="3">Principal and interest repayment dates</td><td>in the last business day of each calendar quarter</td></tr>
<tr><td colspan="3">Key financial covenants</td><td>None</td></tr>
<tr><td colspan="3">Other Key financial covenants (including tenant departure, asset value etc)</td><td>None</td></tr>
<tr><td colspan="3">Indicate whether the corporation complies with the keys covenants and the financial covenants at the end of the reported year</td><td>Yes</td></tr>
<tr><td colspan="3">Is the loan of a non-recourse type [yes / no]
(For this purpose, "non-recourse" - financing without recourse to the borrower, other than the realization of collateral)</td><td>Yes</td></tr>
</table>

It is noted that in January 2018, the Company and the lending bank agreed to extend the loan period described above until October 30, 2028 at a fixed interest rate of 1.81% and principal repayment of 2.5% of the original principal amount. These conditions will come into effect commencing April 1, 2019.

[1] As of December 31, 2019; The share of the Company, with weighting the aforementioned Promote mechanism, is 91.60% as of December 31, 2019.

(C) Material legal restrictions and liens on the asset

Type	Details	**The amount secured by a lien** 31.12.2019 In the currency in which the liability for) (which the lien is given
Liens First ranking	First ranking lien in favor of the banking corporation on the rights of the asset (about 2,769 units in the city of Leipzig) assigning the rental fee proceeds in favor of the lender, bank accounts and insurance receipts.	EUR 77.4 million

(D) Information regarding valuations:

Data according to 100%; the corporation's share in the asset – 89.8%[1]	31.12.2019	30.06.2019	31.12.2018	30.06.2018	2017
The determined value (EUR in thousands)	230,860	223,090	211,670	205,557	170,900
Identity of the appraiser	Savills	Savills	Savills	JLL	JLL
Is the appraiser independent?	Yes	Yes	Yes	Yes	Yes
Is an indemnification agreement in place?	No	No	No	No	No
The effective date of the valuation (the date intended by the valuation)	31.12.2019	30.06.2019	31.12.2018	30.6.2018	30.6.2017
Valuation model	DCF	DCF	DCF	DCF	DCF

Key assumptions used for the valuation:

		31.12.2019	30.06.2019	31.12.2018	30.06.2018	2017
Valuation using Discounted Cash Flows (DCF)	Gross leasable area taken into account in the calculation (sq. m)	146,095	146,268	146,268	146,086	146,792
	Occupancy rate in year 1+ (%)	97.25	93.98	94.7	94.1	95.5
	Occupancy rate in year 2+ (%)	97.06	95.58	95.5	95.7	96.1
	Representative occupancy rate out of the leasable area for the purpose of the valuation (%)	96.85	96.53	96-98	96-98	96-98
	Average rental fees (monthly) per leased square meter for the purpose of the valuation in year 1+	7.20	7.13	5.64	5.90	5.54
	Average rental fees (monthly) per leased square meter for the purpose of the valuation in year 2+	7.35	7.27	6.01	6.23	5.96
	Average rental fees (monthly) per leased square meter for the purpose of the valuation in year 10+	8.75	8.55	7.32	8.29	8.18
	Representative average rental fees (monthly) per leased square meter for the purpose of the valuation (EUR/sq.m)	7.93	7.74	6.74	8.29	8.18
	Representative NOI for the purpose of the	8,528	7,961	7,948	11,202	11,206

[1]As of December 31, 2019; The share of the Company, given the aforementioned Promote mechanism, is 91.60% as of December 31, 2019.

	valuation (EUR in thousands)					
	Average periodic expenses for maintaining the status quo (EUR/sq.m)	7.00-9.36	7.00-9.30	7.91-9.30*	10-11	11
	Discount rate for the purpose of the valuation (%)	4.66	4.71	4.38	5.4	5.8
	Time to notional realization (years)	10	10	10	10	10
	Yield rate on notional realization (Cap Rate) (%)	4.41	4.46	4.78	3.9	4.8
Sensitivity analyzes for value (according to the selected approach):				**Change in value (EUR in thousands)**		
Discount rate	Increase of 0.25 basis points	(4,770)	(4,540)	(4,370)	(12,534)	(8,533)
	Decrease of 0.25 basis points	4,940	4,750	4,400	14,078	9,569
	Increase of 0.5 basis points	(9,360)	(9,000)	(8,680)	(23,481)	(16,539)
	Decrease of 0.5 basis points	9,820	9,580	8,980	30,553	20,266

*) monthly rental fees relating to rental units only

Additional clarifications in connection with the valuation:

Over the last few years and up to the second quarter of 2018 (inclusive), valuations were carried out by JLL for the Company's residential portfolio in Leipzig (for the purpose of this matter: the asset). After acquiring control of the company by ADLER and for preparing the financial statements for 2018, JLL was replaced by Savills, one of the world's leading real estate agencies.

There are approach differences among such appraisers, which are reflected in their reference to key parameters in their valuation of the asset, as detailed below. These differences did not result in a material change in the value of the asset in accordance with the various valuations. Thus, in the valuation conducted by Savills for 2018, there was an insignificant increase in the value of the asset of € 6 million (approximately 3% of the value of the asset) compared to the valuation of JLL that was prepared for the purpose of the financial statements as of June 30, 2018. The valuation of Savills for 2019 that was prepared for the purposes of the present reports was attached to these reports.

The two appraisal firms (Savills and JLL) used the discounted cash flow approach to estimate the value of the asset. Appraisals using this approach have key parameters that supplement each other – (discount rates and cap rates) and the relation between them and expected representative rental fees.

The cash flow discounting approach requires the use of basic assumptions, which, in relation to them, were changes among the appraisers.

Generally, it could be said that the current appraiser (Savills) assumed lower cash flows from the property, which were reflected at projected lower income and expense levels in comparison to the appraisal of 2018 and the appraisal of June 30, 2018 amounted to representative NOI of € 7.9 million at the end of the representative year (€ 4.5 per square meter per month), compared to JLL which assumed higher levels, amounting in representative NOI of € 11.2 million at the end of the representative year (€ 6.36 per square meter per month), on the other hand, Savills assumed lower discount rate than JLL, 4.38% compared to 5.4% (in JLL's latest valuation as of June 30, 2018) and on the other hand, the cap rate (Cap rate) is higher by 4.78%, compared to 3.9%.

These differences reflect the main gaps in approaches between Savills and JLL when referring to the key parameters in the valuation. These approach differences were preserved while preparing the valuations for 2019.

It should be stressed again that despite the differences in approaches between the appraisers, such differences in approaches did not result in a material difference in the asset value according to the various valuations, as detailed above. In addition, data on comparative transactions presented in the appraisals as well as independent tests conducted by the company on the value of assets by using income multipliers and average prices per meter in comparative transactions (based on information obtained from appraisers) have yielded similar results to the results obtained in the appraisals in all periods.

(E) Additional details – illustrating the Promote Mechanism regarding the Company's asset in Leipzig.

In addition to the Company's share in the division of profits in accordance with the rate of its holdings in the capital of the asset company, the Company is entitled to 20% of the share of its partners (members of the group of investments) in any future distribution of profits in the property company, after the repayment of the entire investment of the partners in the transaction in addition to aggregate annual yield of 8% on the investment (above and hereinafter: the "**Promote Mechanism**").

It shall be noted that as of the Signing Date of the Report, no distribution was performed as stated above, and the data on the table below reflects a case of the sale of the asset on December 31, 2019 in accordance with the fair value of the asset as of the same date, for the illustration of the promote mechanism. The following example is a numeric example alone considering the promote mechanism, for the purpose of convenience and in order to understand the promote mechanism alone.

Data on the table is in NIS thousands			
Fair value of the asset as of December 31, 2019	**230,860**		
Repayment of loans from banks	**-69,486**		
Other net assets and liabilities	**-25,149**		
Remaining distributable amount	**136,225**		
Rate of holdings before impact of Promote mechanism	**89.82%**		
Rate of holdings after impact of Promote mechanism	**91.60%**		
Amount for distribution and nature	**Distribution to partners (non-controlling interests)**	**Total amounts distributed to the Company**	**Total remaining distributable amounts**
Distribution of profits before use of promote mechanism	13,869	122,356	-
Value of Promote	2,421-	2,421	-
Total	11,448	124,777	-

Sensitivity analysis of value of Promote compared to change in fair value of investment property				
Company's effective share – in EUR thousands				
Impact of increase of 10% in fair value of real estate	**Impact of increase of 5% in fair value of investment property**	**Total promote value**	**Impact of decrease of 5% in fair value of investment property**	**Impact of increase of 10% in fair value of investment property**
4,617	2,309	2,421	-2,309	-4,617

The holdings rate after the impact of the promote mechanism was calculated under the assumption that the holdings rate of the minority in the joint venture is equal to the total holdings in the equity of the joint venture while considering the total capital loans provided from non-controlling interest and the value of the promote mechanism – in the following manner:

		EUR thousands
Equity of the joint venture, without loans from non-controlling interests and from the Company:		136,225
Share of non-controlling interests in the equity (without loans from non-controlling interest and from the Company) before the impact of the promote mechanism:	10.18%	13,869
Value of the promote mechanism:		-2,421
Value of holdings of non-controlling interests after the impact of the promote mechanism:		11,448
Equity of joint venture excluding loans from non-controlling interests		136,225
Effective holdings rate of the non-controlling interests in the joint venture, after use of the promote mechanism(excluding capital loans):		8.40%
Effective holdings rate of the holders of non-controlling interests in the joint venture, after use of the promote mechanism:	**91.60%**	

For further details regarding the purchase of the share of JV partners see section 1.1.3.2 above.

1.6.6 Adjustments Required on the Company Level

1.6.6.1 Adjustments of Fair Value to Values in the Statement of Financial Position:

		As of (consolidated) (in EUR thousands)	
		31.12.2019	31.12.2018
Presentation in the Description of the Corporation's Business Report	Total income generating assets (consolidated)	1,181,401	1,414,280
	Total lands for investment (consolidated)	62,218	64,683
	Total (consolidated)	1,243,619	1,478,963
Adjustments	Assets included within "non-current assets held for sale" in the Statement of Financial Position	(54,155)	-
	Adjustments to value arising from accounts payable and receivable sections	-	-
	Adjustments arising from presentation of assets by cost	-	-
	Other adjustments (companies accounted for by equity method of accounting)	(3,896)	(3,998)
	Total adjustments	(58,051)	(3,998)
	Total, after adjustments	1,185,568	1,474,965
Presentation in the Statement of Financial Position	Section of investment property in the Statement of Financial Position (consolidated)	1,185,568	1,474,965
	Total	1,185,568	1,474,965

1.6.6.2 Adjustments to FFO Profits (Funds from Operations)

	FFO for year ending on		
	31.12.2019	31.12.2018	31.12.2017
	In EUR thousands, consolidated		
	Unaudited		
Net profit for the year attributed to holders of capital rights of the Company	18,318	100,919	101,124
Adjustments based on provisions of the Fourth Addendum to the Securities Regulations (Details and Draft of Prospectus – Form and Structure), 5729-1969 (hereinafter: the "Prospectus Details Regulations")*:			
1. Changes to value of investment property, investment property under construction, lands and additional investment assets	(16,388)	(81,055)	(96,226)
6. Changes in fair value of financial instruments measured at fair value through profit and loss	8,914	(1,438)	(313)
7. Purchase costs recognized in profit and loss (IFRS3R)			
8. Deferred taxes for adjustments	10,927	23,895	27,133
9. Adjustments [1-8] regarding affiliates or jointly transactions presented in accordance with the equity method			
=======================================	======	=====	=====
Nominal FFO (Funds from Operations) under instructions of the Fourth Addendum to the Prospectus Details Regulations*	21,771	42,321	31,718
Additional adjustments in respect of non-cash flow items:			
Cost of share-based remuneration	-	-	1,303
Reduction of financing costs, exchange rate differences and non-cash flow measures	10,667	(4,640)	5,699
Component of the interest in hedging transactions	1,451	1,055	1,091
Additional adjustments for one-time items/ new activities/activities terminated/other:			
Management and general expenses for management time in connection with the betterment of land in Dusseldorf	4,211	4,651	3,908
Depreciation , donations, professional services, and onetime adjustments	5,271	5,119	534
Adjustments for interest accrued relating to the associate companies and update of accounting estimates	378	1,292	-

Profit from the sale of apartments	(11,073)	(12,731)	(9,756)
Additional adjustments with non-controlling interests			
====================================	=======	=======	=======
FFO according to management approach	32,676	37,067	34,497

FFO is not a financial index based on accepted accounting rules; this index is calculated according to the provisions of the Securities Authority; the index is the accounting net income for the period, less the one-time revenues and expenses (including profits or losses from the revaluation of assets), the sale of assets, depreciation and amortization and additional types of profit; the use of this index is accepted for determining the performances of income generating real estate companies **and does not include profit from the sale of apartments**; the adjustments required from the accounting income are detailed in this table.

1.7 Betterment of the Land in Dusseldorf

1.7.1 General Information regarding the Segment

1.7.1.1 Structure of the Segment and Changes Applicable Thereto

The Company owns a plot of land ("Land I") in a central location in the city of Dusseldorf, (where the Company's "Grafental" residential project is located) (for further details see section 1.7.1.8 below) designated for constructing office park. In addition, in August 2014, the Company purchased another land complex of with an area of 20,000 sq.m where several residential buildings and offices are erected thereon (Land II) located in the Grafenberg neighborhood – one of the prestigious residential neighborhoods of Düsseldorf adjacent to the "Grafental" residential project established by the company.

The Company is working to improve the land and change its designation from the existing zoning to its future designation as land for residential development and during the reporting period continued to promote new plans for Land I and land II as detailed in section 1.7.1.8 below.

1.7.1.2 Critical Success Factors in the Segment

The Group estimates that the main factors contributing to the success in the area of activity are as follows:

1) Thorough familiarity with the local real-estate market in Dusseldorf and mapping its needs for the medium-long term.
2) Building a planning team (city planners, architects, road and infrastructure planners, environmental development planners) which is high quality and professional, with experienced familiarity with the real estate market in Dusseldorf, together with understanding and control of the planning laws relevant to the designation change process as stated.
3) Access and personal familiarity with the various planning entities in the city of Dusseldorf.
4) Accumulating extensive and thorough knowledge and familiarity with the legal and planning environment.

1.7.1.3 Main Entry and Exit Barriers of the Area of Activity

The Company estimates that the main entry barriers in the income generating real estate are:

(1) equity requirements in a large scale.

(2) the need to establish a management system that will provide a response to economic, legal, engineering, aspects, etc

(3) thorough familiarity on a professional basis with the decision makers in Dusseldorf municipality in general and in the various planning authorities, in particular.

The Company estimates that the main exit barriers in the income generating real estate are:

(1) realization of the assets subject to conditions of supply and demand
(2) realization of the assets subject to existing financing options in the market for the potential purchasers.

1.7.1.4 Competition structure in the area of activity and the changes thereof

For further details see section 1.9 below.

1.7.1.5 Limitations, Legislation, Standards and Special Constraints Applicable to the Segment

For further details see section 1.17 below.

1.7.1.6 The main areas in which the assets are located

The assets are located in Dusseldorf. For further details see section 1.7.3 below.

1.7.1.7 Asset purchase and realization policy

See section 1.20 below.

1.7.1.8 Material changes underlying the business activity in the last three years

a. Progress in approval processes of the city building plans for Grafental Mitte and Grafental Ost

Regarding Land I designated to build offices, the Company promoted together with the municipality of Dusseldorf, a city building plan to change designation of said land for residential use, such that an additional 900 residential units can be built upon the formal approval of the new city building plan including residential units that are in various performance stages including 470 residential units expected to be subject to rent control.

Grafental Mitte city building plan

The city building plan for 592 residential units/about 59 thousand sq.m of construction rights, net (of which 286 units/ about 24 thousand sq.m of construction rights, net that are subject to rent control). This city building plan is in effect and applies to stages E-I of the Dusseldorf residential project as specified in section 1.8 below.

Grafental Ost city building plan

The city building plan for the remaining 330 residential units/ about 33 thousand sq.m of construction rights net (of which 185 residential units/about 14 thousand sqm) of construction rights net expected to be subject to rent control) is in the process of planning and the Company estimates that the city building plan will be approved and will be available for construction towards the end of 2020. This city building plan will apply to stages J - L of the residential project in Düsseldorf (for further details see section 1.8.below). The city building plan will apply to the remainder of the land at the present zoning for offices with an area of approximately 20,000 square meters and an area of approximately 7,000 square meters which is owned currently by Dusseldorf municipality and expected to be purchased by the Company in the coming two years .

The Company expects that in 2020, it will be possible to publish the draft city building plan for public review under section 3.2 of the German Planning and Construction Law for the purpose of receiving comments/objections from the public. It is stressed that publication of the draft city building plan for public examination allows the Company to submit and receive building permits under section 33 of the German Planning and Building Law, even before the final approval of the city building plan by the city council.

Upon receipt of comments/objections by the public and adjusting the draft city building plan to the extent necessary to the aforesaid comments/objections, the draft city building plan will be presented for final approval by the city Council

The information described above in connection with the progress in the city building plan approval procedures and the aforesaid change in zoning (including the expected dates of its completion) is forward-looking information as defined in the securities law – 1968 which is not in the company's full control and the occurrence of which in practice is not at all certain. There is no certainty that the change in zoning proceeding will take place and/or be completed, if at all, as its completion is subject to planning and construction proceedings required according to German law, the completion of which is not in the Company's control.

For further details regarding restrictions on rental for part of the stages in the project see section 1.7 of the 2018 periodic report.

b. **Land II: <u>Purchase of a number of office buildings in the Grafenberg neighborhood for the purpose of improvement</u>** The company owns a land with an area of approximately 20,000 m² on which are located residential and office buildings (generating annual rental fees of EUR 96 thousand) in the Grafenberg neighborhood – one of the upscale neighborhoods in the City of Düsseldorf – and adjacent to the "Grafental" residential project constructed by the Company. For further details regarding this transaction see immediate report dated August 31, 2014 (ref 146337-01-2014) which is brought by way of reference.

c . In the reported period, the Company continued to promote, together with the city of Dusseldorf, a city building plan to change the designation of the aforesaid land ("**Land II**") to residential. According to the Company's plan, if and inasmuch as the change in zoning is completed, it will enable the construction of a residential project which will include 84 residential units (approximately 14,000 m² constructed area, net) on the land (instead of the existing structures). For details regarding said city building plan see sub section a above.

d. For additional details regarding Gerresheim project see residential real estate development in Dusseldorf in section 1.8.

1.7.1.9 <u>Implications of tax laws applicable to the Group and unique to this area of activity.</u>

See section 1.15 below.

1.7.2 Summary of Segment Results

The following is a summary of the financial results of the segment for a period of three years ending on December 31, 2019:

Parameter	For the year ending on		
	31.12.2019	31.12.2018	31.12.2017
	In EUR thousand		
Total income of the operations (consolidated)	326	183	296
Estimated revaluation gains or losses (consolidated)	(4,179)	(2,694)	28,502
Operating profit (loss) (consolidated)	(4,006)	(2,609)	28,161
Same property NOI (for two recent reporting periods) (consolidated)	174	85	(341)
Same property NOI (for two recent reporting periods) share of the corporation	155	83	(266)
Total NOI (consolidated)	174	85	(341)
Total NOI (share of the corporation)	155	83	(266)

1.7.3 Geographic Areas

		Dusseldorf/Germany/NRW		
		For year ending on		
		31.12.2019	**31.12.2018**	**31.12.2017**
Macro-economic parameters:				
Gross domestic product in Dusseldorf (in EUR billions) *		No data for Dusseldorf	No data for Dusseldorf	No data for Dusseldorf
GDP per capita in Dusseldorf (EUR)*		No data for Dusseldorf	No data for Dusseldorf	No data for Dusseldorf
Population growth rate in Dusseldorf ** (%)		No data for Dusseldorf	No data for Dusseldorf	0.6%
Inflation rate (**in Germany)****		1.5%	1.9%	1.8%
Average yield on long-term government bonds (**Germany**)***		-0.22%	0.24%	0.75%
Long term government bond rating (**Germany**)		AAA	AAA	AAA
Exchange rate of new shekel to euro as of last day of the year (Bank of Israel data)		3.88	4.13	4.15
Binding sectorial parameters:				
Index relating to asset prices in relevant uses in Dusseldorf	Residential (price psm)****	3,950	3,660	3,630
	Office (price psm)****	28.5	28.0	27.0
Scopes of sales in the construction industry in NRW (EUR millions) ******		25.1	24.2	21.8%
Construction price index in Germany – annual change rate **		3.8%	3.2%	4.4%
Construction permits in NRW**** (by use)	Residential (residential units)	42,100	41,200	38,700
Construction permits in Dusseldorf**** (by use)	Residential (residential units)	No data	No data	3,753

* Based on the website of Dusseldorf municipality www.duesseldorf.de
**Based on the publication by the German Federal Statistical Office (www.destatis.de). It shall be noted that the company has not requested consent of the said entity for the inclusion of the data below, as it is published public information.
***Based on the Wall Street Journal (www.wsj.com).
**** Based on market research of JLL.
***** Based on the IT.NRW Bureau of Statistics.
******Based on publications of the German Central Bank (www.bundesbank.de). It shall be noted that the company has not requested consent of the said entity for the inclusion of the data below, as it is published public information.

1.7.4 Land for Investment

Land classified as investment property (aggregate)

Area	Parameters	Period (year ending on)	
		31.12.2019	**31.12.2018**
Germany	The amount that the lands are presented in the financial statements at the end of the year (consolidated) (in EUR thousands)	46,700	47,100
	Total area of land at the end of the year (in thousands of sq.m.)	20,000	20,000
	Total construction rights in land, based on approved plans, by use (in thousands of sq.m.)	7	7

1.8 Area of Residential Real Estate Development

Definitions for the purpose of section 1.8 only

(1) Real estate development project which ended in the current year – Said project is a project in which all of the following are met: (A) The rate of project completion as of the last day of the reporting year is one-hundred percent; (B) Delivery of the apartments in the project was completed during the course of the reporting year; (C) Income in respect of the project was recognized during the reporting year; (D) No income from the project is expected which has not yet been recognized; (E) The inventory attributed to the project was fully subtracted by the last day of the reporting year;

(2) Real estate development project which construction ended during the current period and the sale of which has not yet fully ended – Said project is a project where its completion rate as of the last day of the reporting year is one-hundred percent and it does not meet the requirements set forth in subsection 1(B) and (D), above;

(3) Real estate development project under construction – Said project is a project in which all of the following are met: (A) Construction of the project commenced before the end of the reporting year and there is no obstacle to its ongoing continual construction; (B) Construction of the project did not end by the last day of the reporting year;

(4) Real estate development project being planned – Said project is a project in which all of the following are met: (A) On the last day of the reporting year, its construction has not yet commenced; (B) One of the following – (1) in the assessment of the corporation's management, its construction is expected to begin in the year following the reporting year; (2) a building permit has been received (or outside of Israel – a permit which is the equivalent of a building permit);

(5) Land reserve project – Said project is land which is presented as inventory or real property inventory on which project construction has not yet commenced, and the requirements of subsection 4(B) above are not met;

Introduction

The following projects are included in this area of activity:

Grafental project – residential project in Dusseldorf

The Group owns land with an area of about 150 thousand square meters ("Grafental"), located in a central area of Dusseldorf[1], the administrative capital of NRW.

The Company has decided to develop the land such that on a portion of the land a residential neighborhood

The development of the neighborhood is performed in a number of stages while maintaining a high ratio of advance sales (hereinafter: the "**Residential Project**"). As a result of this decision, the Company began operating to promote the commencement of the construction of the Residential Project and therefore, the Company has decided to classify the part of the project attributed to the development of residential real estate as inventory of buildings under construction and land inventory, in accordance with the Company's operating cycle. Out of the project, land designated for subsidized rent as stated in section 1.8 above was not classified to inventory and is presented and accounted for in the financial statements as investment property (according to accepted accounting principles). Other data for this land are included in land reserves in this chapter.

[1] Incl. spaces on which units were already built and handed over to purchasers and are therefore no longer owned by the company as described in this chapter.

Project description

Residential project is a project for the establishment of a residential neighborhood which commenced in 2011 in a scope of about 1,655 residential units of which 471 residential units for rental in affordable housing and rent control – for details see section 1.7.1.8 above) and 1,184 residential units as Condo apartments for sale in the free market intended for the middle-upper class. The development of the project was and will be carried out in several stages while aiming to maintain high ratio of advance sales.

As of the date of this report, construction of stages A to D has been completed, they were handed over and are fully occupied. Stages E to I are in various construction and development stages and have not yet been handed over to the purchasers.

The following is a description of the main activities performed by the Company in connection with the progress of the Residential Project in Dusseldorf:

(A) **Performance and marketing of Stage E –** in April 2018, upon receipt of the building permit, the Company commenced the construction of Stage E that includes 89 flats and 5 townhouses with 86 underground parking spaces at a total area of 12,450 m^2. In May 2018, the Company commenced the marketing and sale of Stage E and as of report signing date 89 flats (signed agreements and reservations) were marketed (100% of this stage) for a total monetary consideration of EUR 49.6 million. Stage E is a part of the Grafental project which is classified in this report as " very material project". All data regarding this stage were concentrated for the convenience of the reader under section 1.8.3.1 below.

(B) **Performance of Stage F, the first stage that was built as part of the Grafental Mitte (project for the construction of income generating residential real estate under construction)** – in April 2018 upon receipt of the building permit, the construction of Stage F has commenced, which includes 112 residential units for rental (of which 70 apartments in subsidized rents and 42 apartments as affordable housing – in rent control) For additional details see section 1.8.3) with 57 underground parking spaces with a gross area of approximately 12,000 square meters. As of the report date, the completion rate of the project is 89.4%. Stage F is a part of the Grafental project which is classified in this report as " very material project". All data regarding this stage were concentrated for the convenience of the reader under section 1.8.3.1 below. It should be noted that although Stage F does not meet the definition of a very material project, full description has been provided for the sake of uniformity and the Company believes that the data presented above provides the reader with the full picture regarding the project.

(C) **<u>Performance and marketing of Stage G, the second stage that was built as part of Grafental Mitte</u> <u>(project for the construction of development project under construction)</u>** - a construction permit for 89 additional residential units for free sale in the market (condo apartments) along with 106 underground parking spaces with a total gross area of 12,000 sq.m. was received in the fourth quarter of 2018. The Company commenced to develop and market this stage. As of report date, the project completion rate amounted to 83.6%. Stage G is a part of the Grafental project which is classified in this report as " very material project". All data regarding this stage were concentrated for the convenience of the reader under section 1.8.3.1 below.

(D) **<u>Performance and marketing of Stage H, the third stage that was built as part of Grafental Mitte</u> <u>(project for the construction of development project under construction)</u>** - a construction permit for 96 additional residential units for free sale in the market (condo apartments) along with 101 underground parking spaces with a total gross area of 12,000 sq.m. was received in the third quarter of 2019. The Company commenced to develop and market this stage. As of report date, the project completion rate amounted to 23.5. as of the report date, 35 flats (signed agreements and reservations) were marketed (58% of this stage). Stage H is a part of the Grafental project which is classified in this report as " very material project". All data regarding this stage were concentrated for the convenience of the reader under section 1.8.3.1 below.

(E) Performance of Stage I, the fourth stage built as part of Grafental Mitte (an real estate development project under construction) - Construction permit for 206 units for rental (of which 87 apartments in subsidized rental and 87 apartments in affordable housing – rent control and 32 additional apartments that are expected to be leased at market prices) along with 127 underground parking spaces in a total area of approximately 14,800 square meters gross.

In addition, the Company has an additional project which is a part of the residential project in Dusseldorf and currently is in the process of zoning change 9as specified in section 1.7 above).

Land reserve project A - the remaining stages in the residential project in Dusseldorf

(1) Stage I - under the city building plan Grafental Mitte – establishment of 32 residential units in a net area of approximately 2,900 sq.m., which are not subject to rent control restrictions, the Company intends to hold. It should be noted that as part of the stage, the Company is constructing an additional 174 units in a net area of approximately 12,000 sq.m. subject to rent control and are included in the area of land betterment activities under section 1.7.

(2) Stages K-L: under the Grafental Ost city building plan for the construction of 144 residential units with a net area of 19,000 square meters, which are not subject to rent control restrictions. It should be noted that under stage J, approximately 185 residential units are expected to be constructed by virtue of the same city building plan included in land betterment sector. For further details, see section 1.7 above).

The residential project in Dusseldorf is classified in this report as " very material project". All data regarding this project were concentrated for the convenience of the reader under section 1.8.3 below.

The Company's residential project in Gerresheim neighborhood in Dusseldorf, Germany.

On February 28, 2018, the Company completed the purchase of parcel of land with an area of 193 thousand square meters (in Gerresheim neighborhood in Dusseldorf, Germany, EUR 141.9 million[1] .The land is located in the Gerresheim neighborhood (with a population of 30,000 people) east of the city center of Dusseldorf adjacent and south of the luxurious neighborhood Granfenberg and close to Granfenberg forest. On the vacant land of 193 thousand square meters, 1,500 residential units and 30,000 square meters of commercial spaces, offices and kindergartens and school are planned to be constructed.

On September 22, 2019, the Company entered into an agreement for selling 75% of its holdings in a subsidiary that holds Gerresheim project. For further details see section 1.1.3.1 above.

The Gerreshiem project is classified in this report as " very material project". All data regarding this project were concentrated for the convenience of the reader under section 1.8.3 below.

The Company's residential project in Aachen Germany – development project under construction which is a joint venture for constructing 280 flats on a land owned by the Company in the city of Aachen Germany on which an old unused factory was situated. For further details, see the Company's immediate report dated February 28, 2016 (reference no: 2016-01-035506), and section 1.9 of the Company's annual report for 2018 which are brought in this report by way of reference.

The planning entities in the city of Aachen have agreed jointly with the Company about the project's design concept in a manner that will enable the establishment of 280 units (instead of 180-220 units, as stated in the immediate report published by the Company on the date of purchasing the asset (reference no: 2016-01-035506),) a fact which may will lead to an

[1] For additional details regarding said transaction, see the immediate reports dated December 10, 2017 [Reference No. 2017-01-110137] December 19, 2017 [Reference No. 2017-01-113707] and from March 1, 2018 [reference no. 020404-01-2018], the information contained therein is brought in this report by way of reference.

increase in the scope of sales and profitability expected in the project compared to the project's original design.

Construction permits were received in December 2018 and infrastructure development commenced in during 2019. The project construction is expected to commence in the second quarter of 2020.

The Aachen project is classified in this report as " very material project". All data regarding this project were concentrated for the convenience of the reader under section 1.8.5.3 below.

The data and estimates included in this report regarding the future results of the Company's entrepreneurial arm are presented under the assumption that this activity will continue in its current format, whereby the units developed by the Company are sold to third parties. Should it be decided in the future by the Company to refocus this activity (including in a manner that units developed by the Company will be leased to third parties and will not be sold), this may materially affect said data and estimates.

Aggregate Description

1.8.1 **General Information regarding the Segment**

1.8.1.1 Structure of the area of activity and Changes Occurring Thereto

For additional details regarding the competition structure, see Section 1.8 above.

1.8.1.2 Geographic area in which operations are performed – most of the activity is concentrated in a central area of Dusseldorf, the administrative capital of NRW where the Grafental and Gerresheim projects are located.

In addition, certain part of the Group's operations under this area of activity is carried out in Aachen, Germany.

1.8.1.3 Types of projects

Relevant projects include construction on land owned by the Company.

Types of uses in the sold inventory

Sold inventory is composed of apartments, parking spaces and common areas relating thereto. There are spaces in negligible scope that is used for commercial use.

1.8.1.4 Material changes underlying the business activity in the last three years

On February 28, 2018, the Company completed the purchase of parcel of land with an area of 193 thousand square meters in Gerresheim neighborhood in Dusseldorf, Germany, as specified below.

On September 22, 2019, the Company entered into an agreement with a third party buyer investing real estate projects and focuses in real estate projects in Germany for selling 75% of its holdings in Glasmacherviertel GmbH & Co KG, a wholly owned subsidiary of the Company, which owns the Gerresheim development project, for a consideration reflecting a property value of € 375 million. The agreement was amended on December 26, 2019. For further details regarding the transaction, see section 1.1.3.1 and the Company's immediate report dated September 23, 2019 and December 29, 2019 (Reference 2019-01-098212 and 2019-01-114996, respectively) which are hereby included by way of reference.

1.8.1.5 Nature of the engagements with performing contractors within the area of activity - With respect to the Grafental project - the Company has put up the work under external tender between leading construction companies. The agreement is a turnkey agreement with a general contractor for the performance of all of the construction work.

It should be noted that the Company's project in Aachen, which is held as part of a joint venture, the partner in the project who is a performing contractor, is expected to carry out some of the project.

1.8.1.6 **Activities financing policy –** the financing of the project will be performed mainly from its equity and withdrawing bank credit as necessary. Most of the equity the Company provided for the project is the value of the land charged for the benefit of the financing bank against the provision of construction loan. It is indicated that the receipts from purchasers, received from the sale of the apartments in the project, will be deposited in the accompanying account and will reduce the total construction loan (if any). For additional details regarding the project’s financing, see section 1.8.6 below with respect to each stage.

1.8.1.7 **Limitations, legislation, standards and special constraints applicable to the segment** – see Section 1.17 below.

1.8.1.8 **Critical success factors in the segment**

The Company estimates that the main factors contributing to success in the segment are as follows:

1) Thorough familiarity with the local real-estate market in Dusseldorf and mapping its needs for the medium-long term.
2) Building a planning team (city planners, architects, road and infrastructure planners, environmental development planners) which is high quality and professional, with experienced familiarity with the real estate market in Dusseldorf, together with understanding and control of the planning laws relevant to the issuance process of construction permits.

3) Accessibility to and personal familiarity with the various planning entities in the city of Dusseldorf and the decision makers in the city of Dusseldorf
4) Planning the project, including determining the composition of apartments and their size, the technical specifications, designing the appearance and public spaces, in a manner maximizing the quality of the product sold compared to competitors in the market and enabling achievement of sales prices in the upper part of the range (compared to competitors).
5) Establishment of a marketing and sales team with significant experience in the residential market of Dusseldorf within the Company.
6) Establishment of a project management staff with significant experience in the performance of residential construction projects
7) Obtaining financing for the construction of the project with optimal terms (low interest margins, low early sale rates, unsubstantial investment of additional equity beyond the provision of land as a security for the construction loan).
8) Selection of a performing contractor with professional abilities, experience, a quantity of employees and equipment enabling the completion of the project while meeting the plans, schedules, quality and nature desired, without significantly deviating from the expected costs.
9) Delivery of the apartments to purchasers on time (or with only minor delay) compared to the agreed date, and limited problems during the quality and investigation stage after the delivery, to the extent possible, while providing the residents with a high level of service after occupancy in order to reach a high level of satisfaction which will impact the Company's ability to market itself as the leading entity in the residential construction market in Dusseldorf and will contribute to the Company's success in marketing the coming stages of the project.

1.8.1.9 **Main entry and exit barriers of the segment and changes applicable thereto** – regarding entry barriers, see Section 1.7.1.3 above. The main exit barrier is the Company's liability for quality and inspection warranty for a period of five years from the delivery date of the residential units located within the project; in this regard, see also subsection (e) above.

1.8.1.10 **Structure of the competition** – for additional details see 1.9 below.

1.8.2 Summary of Results

Parameter	For year ending on		
	31.12.2019	31.12.2018	31.1.2017
	In EUR thousand		
Segment revenues (consolidated)	70,029	62,753	58,958
Segment profits (consolidated)	13,030	14,982	11,755
Segment profits (corporation's shares)	11,073	12,731	9,689
Totals segment assets in balance sheet (consolidated)	250,038	266,872	148,997
Total liabilities attributed to the segment (consolidated)	150,635	91,942	32,590

Aggregate Data regarding Projects

1.8.2.1 Completed projects

As a result of the Company's business plan, the Company sells the residential units in the project in advance, so that when stages are completed, all units in the project are handed over to the buyers, and the Company has no inventory of apartments that have been completed.

1.8.2.2 Disclosure regarding supplies and sub-contractors

See section 1.8.4 regarding suppliers and sub-contractors.

Disclosure Regarding Very Material Projects

1.8.3 <u>Data Required for a Very material Project</u>

1.8.3.1 Grafental Stage E; development project under construction

A. Presentation of the project

(Data based on 100%. The Corporation's effective share of the project – 84.98%)	**Description as of 31.12.2019**
Project name:	Grafental (Stage E of the residential project)
Project location:	Neumann Str. 6, Dusseldorf, Germany
Short description of the project:	84 residential units with saturated construction and five private homes (about 12.45 thousand gross sq.m) together with underground parking including 86 parking spaces
Corporation's effective share of the project:	84.98%
Structure of holdings in the project	See Section 1.1.5 above.
Listing the names of participants in the project	See Section 1.1.5 above.
Presentation method in the financial statements:	Consolidation
Purchase date of the land that the project will be built on:	June 2008
Area of the land that the project will be built on:	6,000 sq.m.
Completion date of construction [planned]:	The first quarter of 2020
Commencement date of project marketing [planned]:	The marketing of Stage E will comment in May 2018;
Expected marketing completion date:	As of the report date, project marketing was concluded
Agreements with performing contractors in connection with the project:	See Section 1.8.4.
Beginning date of construction [planned]:	May 2018 upon receipt of a construction permit

Description of legal rights on the land:	Ownership
Special agreements relating to the project (combination / gentrification / other):	None
Existence of material exposures of the reporting corporation to the project:	Regarding planning and environmental development requirements – see development agreement in Section 1.8 above.
Was the net realizable value estimated in the reporting period?	No
Discussion of existence of infrastructures in proximity to project:	For details regarding the engagement of the project companies in the development agreement, see Section 1.8 above.
Special matters:	None. It is clarified that the existing land pollution on the project land (as described in Section 1.17.1.2 below) is in part of the land designated for the establishment of stages G-L in the residential project.

B. Planning State of the Project

Stage E -Planning state as of 31.12.2019 Data based on 100%, the Corporation's share in the project – 84.98%			
Current planning state			
Inventory type	**Total construction rights (sq.m.)**	**Total units**	**Notes**
Residential units	About 12.45 thousand gross square meters above ground together with 86 underground parking spaces	84 apartments and five private homes	The construction permit was received in April 2018.

A. Costs invested and to invested in the project

Stage E	Costs invested in the Project	
Data according to 100%. (Corporation's effective part in the project – 84.98%)	**Financial data in EUR thousands (aggregate)**	
	2019	**2018**
Total cumulative costs for the land at the end of the period.	9,649	9,649
Total cumulative costs for the planning, marketing and sales, fees, management of the project and office costs.	2,458	1,298
Total cumulative costs for the development of public infrastructures.	549	529
Total cumulative costs for the construction.	20,178	5,454
Total cumulative costs for the financing (capitalized)	-	-
Total cumulative costs	32,834	16,930

Stage E		
Costs not yet invested and investment balance		
Data according to 100%. (Corporation's effective part in the project – 84.98%)	**Financial data in EUR thousands**	
	2019	**2018**
Total costs for the land that have not yet been invested (estimate)	-	-
Total costs for the planning, marketing and sales, fees, management of the project and office costs that have not yet been invested (estimate)	744	1,904
Total costs for the development of public infrastructures that have not yet been invested (estimate)	0	0
Total costs for the construction that have not yet been invested (estimate)	4,004	18,726
Total cumulative costs for the financing that are expected to be capitalized in the future (estimate)	-	-
Total cost remaining for completion	4,748	20,630
Completion rate [financial] (not including land) (%)	83.1%	26.1%
Expected construction completion date	March 2020	March 2020

D. Marketing of the project

Stage E – project marketing									
(Data according to 100%. The corporation's effective share in the project – 83%)	**2019**					**2018**			
	As of the report signing date	**Quarter 4**	**Quarter 3**	**Quarter 2**	**Quarter 1**	**Quarter 4**	**Quarter 3**	**Quarter 2**	**Quarter 1**
Cumulative signed agreements in the current period									
Flats (#)	89	89	89	89	89	86	69	35	NA
Flats – total monetary consideration (including for parking, EUR in thousands)	49,563	49,563	49,563	49,563	49,563	47,961	37,446	21,371	
Flats (square meters)	9,999	9,999	9,999	9,999	9,999	9,688	7,473	4,359	
Average price per sqm (EUR)	4,957	4,957	4,957	4,957	4,957	4,951	5,011	4,902	
cumulative signed agreements and reservations until the report signing date									
Flats (#)	89	89							
Flats – total monetary consideration (including for parking, EUR in thousands)	49,564	49,564							
Flats (square meters)	9,999	9,999							
Average price per sqm (EUR)	4,957	4,957							
Marketing rate of the project %									
	2019					**2018**			
	As of the report signing date	**Quarter 4**	**Quarter 3**	**Quarter 2**	**Quarter 1**	**Quarter 4**	**Quarter 3**	**Quarter 2**	**Quarter 1**
Marketing rate as of the report signing date – signed agreements and reservations	100%	100%	100%	100%	100%	88.9%	75.6%	43.1%	NA
Advances from tenants									
Advances from tenants (EUR in thousands)	42,338	40,648	35,814	27,619	14,142	11,657	1,458	1,458	NA
Rate of advances from tenants (%)	85.4%	82.0%	53.0%	40.8%	20.9%	17.2%	2.2%	2.2%	
Spaces for which agreements and reservations were not yet signed as of the report signing date									
(#)Flats	-	-							
Flats – total expected monetary consideration (including for parking, EUR in thousands)	-	-							
Flats (square meters)	-	-							
Average price per sqm (EUR)	-	-							

Total cumulative cost attributed to spaces in respect of which binding agreements were not yet signed in the statement of financial position (consolidated) (EUR in thousands)	-	-					

E. Gross profitability

The following are details about the estimates of the Company's management regarding the profitability data expected in Stage E of the project:

Expected developer's profit	
Total estimated expected income during stage E of the project (in thousands of euro)	49,564
Total expected cost (including land) (in thousands of euros)	37,560
Expected developer's profit in respect of the project (in thousands of euros)	12,004
Of which gross profit already recognized in profit or loss	**9,030**
Of which gross profit not yet recognized in profit or loss	**2,974**
Total expected developer's profit rate in the project (%)	**32.0%**
Average sale price in the project (including in respect of income from the sale of parking spaces) (in euros per square meter)	5,000 for the apartments and 4,000 for the private homes

It should be noted that according to accounting principles, the Company will recognize revenues, costs and gross profit arising from stage E commencing with the financial report for the third quarter report of 2018 following the initial implementation of IFRS 15, according to the sale rate and completion rate of the project. For additional details see Note 2W of the financial statements attached under Chapter C of this periodic report.

F. Sensitivity analyses of gross profit not yet recognized in the project

It should be noted that because the Company has sold all apartments of this stage, and the delivery of the apartments is expected until the end of the first quarter of 2020, without deviating from the estimated construction costs, the Company did not see fit to present a sensitivity analysis to the profitability of the project.

G. Specific financing and accompanying frameworks for the project

Not relevant due to closing the financing framework in the current year

H. Charges and legal restrictions

Not relevant due to closing the financing framework in the current year

I. Adjustment between expected gross profit and creating retained earnings expected to be withdrawn (it is noted that no taxes were included in the calculation below)

Expected gross profit	12,004
Adjustments to retained earnings mainly cost of land	7,623
Total retained earnings expected to be withdrawn	19,627
Expected date for withdrawal of retained earnings	Second quarter of 2020
Preconditions for withdrawal of retained earnings	Forfeiture of lien and delivery of apartments to apartment purchasers

1.8.3.2 Grafental Mitte– Stage F
Project for the establishment of income generating residential project under construction

a. Presentation of the project

(Data based on 100%. The Corporation's effective share of the project – 84.98%)	**Description as of 31.12.2019**
Project name:	Grafental Mitte (Stage F of the residential project)
Project location:	Neumann Str. 6, Dusseldorf, Germany
Short description of the project:	112 residential units in saturated construction with an area of 12,000 gross sq.m, of which 70 apartments in subsidized rent and 40 apartments in affordable housing under rent control with underground parking with 57 parking spaces.
Corporation's effective share of the project:	84.98%
Structure of holdings in the project	See Section 1.1.5 above.
Listing the names of participants in the project	See Section 1.1.5 above.
Presentation method in the financial statements:	Consolidation
Purchase date of the land that the project will be built on:	June 2008
Area of the land that the project will be built on:	4,600 sq.m.
Completion date of construction [planned]:	The first quarter of 2020
Commencement date of project marketing [planned]:	The apartments rental will commence in the second quarter of 2020 upon the stage construction completion
Expected marketing completion date:	The apartments rental is expected to end in December 2020
Agreements with performing contractors in connection with the project:	See section 1.8.4 below
Beginning date of construction [planned]:	In April 2018 upon receiving the construction permit
Description of legal rights on the land (ownership, lease and the like):	Ownership
Special agreements relating to the project (combination / gentrification / other):	None

Existence of material exposures of the reporting corporation to the project:	Regarding planning and environmental development requirements – see development agreement in Section 1.8.5 above.
Was the net realizable value estimated in the reporting period?	No
Discussion of existence of infrastructures in proximity to project:	For details regarding the engagement of the project companies in the development agreement, see Section 1.8.5 above.
Special matters:	None. It is clarified that the existing land pollution on the project land (as described in Section 1.17.12 below) is in part of the land designated for the establishment of stages G-L in the residential project.

b. Planning State of the Project

Stage F - Planning state as of 31.12.2019 Data based on 100%, the Corporation’s share in the project – 84.98%			
Current planning state			
Inventory type	**Total construction rights (sq.m.)**	**Total units**	**Notes**
Residential units	About 12 thousand square meters, gross, above ground together with 57 underground parking spaces	112 apartments of which 70 apartments in subsidized housing rental and 42 apartments in affordable housing under rent control	The construction permit was received in April 2018.

C. Costs invested and to be invested in the project

Stage F	Costs invested in the Project	
Data according to 100%. (Corporation's effective part in the project – 84.98%)	**Financial data in EUR thousands (aggregate)**	
	2019	**2018**
Total cumulative costs for the land at the end of the period.	3,500	3,500
Total cumulative costs for the planning, marketing and sales, fees, management of the project and office costs.	1,757	1,117
Total cumulative costs for the development of public infrastructures.	493	493
Total cumulative costs for the construction.	17,138	5,664
Total cumulative costs for the financing (capitalized)	-	-
Total cumulative costs	22,888	10,773

Stage F		
Costs not yet invested and investment balance		
Data according to 100%. (Corporation's effective part in the project – 84.98%)	**Financial data in EUR thousands**	
	2019	**2018**
Total costs for the land that have not yet been invested (estimate)	-	-
Total costs for the planning, marketing and sales, fees, management of the project and office costs that have not yet been invested (estimate)	1,207	1,847
Total costs for the development of public infrastructures that have not yet been invested (estimate)	-	1
Total costs for the construction that have not yet been invested (estimate)	1,110	12,824
Total cumulative costs for the financing that are expected to be capitalized in the future (estimate)	-	-
Total cost remaining for completion	2,317	14,672
Completion rate [financial] (not including land) (%)	89.4%	33.1%
Expected construction completion date	March 2020	March 2020

D. Marketing of the project

The marketing and sales are expected to commence in April 2020 upon the construction completion of this stage. Stage F will include 1,293 square meters of apartments rented at subsidized rent of 6.25 euro/ sq m / month, 4,025 m² net of apartments rented in subsidized rent of € 7.15/sq m / month, 3,518 sq. m. in affordable housing units rented at a rent of € 10/sq.m / month and 57 parking spaces to be rented at € 80/ month per parking space. The total annual rental income expected with the rental of the apartments in Stage F is approximately - EUR 925 thousand per year

E. Gross profitability

Assuming that the Company chooses to sell the apartments that will be built in Stage F as an income-generating property to a third party, the following are details of the Company's management estimates regarding the expected profitability data in Stage F of the project:

Expected developer's profit	
Total estimated expected income during stage F of the project (in thousands of euro)[1]	28,925
Total expected cost (including land) (in thousands of euros)	25,445
Expected developer's profit in respect of the project (in thousands of euros)[2]	3,480
Total expected developer's profit rate in the project (%)	**13.7%**
Average sale price in the project (including in respect of income from the sale of parking spaces) (in euros per square meter)	NR – rental project

The information described above in connection with stage F of the project, including the company's assessments in connection with expected income, sales prices, expected costs, and expected profits are "forward-looking information" which is not in the company's full control and whose actual occurrence is not certain. The information is based on information in the company's possession as of the date of the report regarding: (1) Demand for residences in Düsseldorf; (2) Market prices of residential areas in Düsseldorf in general and the area of the project in particular in competing projects comparable to the company's project (see section 1.9.2 below); (3) Cumulative know-how and experience of the company's management and the project managers in that field; (4) The company's forecasts and estimates regarding cost of construction, development, marketing, etc. including estimates of engineering planners and advisors for the project based on the plans for construction permit, construction specifications and letters of quantities prepared for the purpose of preparing the tender and

[1] Represents the expected value of the stage with multiplier assumption of 31.4 on the expected rental from the project.

[2] It is noted that developer's profit in respect of this stage was not recognized

the contract with the general contractor, signed with respect to Stage F, and including additional estimates of the Company.

A change in circumstances (including without derogating from the generality of the above – a decrease in demand for the aforesaid areas in Dusseldorf and/or a decrease in the market prices in Dusseldorf of the aforesaid areas) or an increase in the construction costs following the additions and changes in the general contractor agreement and/or the creation of special conditions under the circumstances may substantially change the Company's estimates detailed above and materially impact the revenue forecast from the project including the overall profitability.

F. Sensitivity analyses of gross profit not yet recognized in the project

The company believes that sensitivity analysis is not relevant since it intends to hold stage F as an income generating asset

G. Specific financing and accompanying frameworks for the project

It should be noted that stage F is composed of two sub-stages, affordable housing, and subsidized housing (see below), the Company entered into an agreement with a one bank to finance the construction of the sub-stage of affordable housing. In respect of the sub-stage for subsidized housing, the Company entered into an agreement with another bank in favorable conditions. As of the report date, the Company repaid such loans.

<table>
<tr><td rowspan="4">Balances in the statement of financial position (in EUR thousands)</td><td rowspan="2">31.12.2019</td><td>Presented as short-term loans:</td><td>3,587</td><td>-</td></tr>
<tr><td>Presented as long-term loans:</td><td>-</td><td>4,725</td></tr>
<tr><td rowspan="2">31.12.2018</td><td>Presented as short-term loans:</td><td>2,098</td><td>NA</td></tr>
<tr><td>Presented as long-term loans:</td><td>NA</td><td>NA</td></tr>
<tr><td colspan="3">Lending institution:</td><td>Banking corporation</td><td>Banking corporation</td></tr>
<tr><td colspan="3">Date of approval of the loan / framework and the date of taking the loan:</td><td>June 2018</td><td>November 2017</td></tr>
<tr><td colspan="3">Total framework:</td><td>EUR 10 million for the financing of the project.</td><td>EUR 7.4 million. This loan is not framework</td></tr>
</table>

	Loan repayment date- April 2020	but will be granted according to the Company's compliance with performance targets. The Company believes that in the coming weeks half of the loan will be granted to the Company.
From which, the unutilized balance:	EUR 4 million	EUR 2.7 million
System for determining the interest and noting the interest:	Interest margin of 1.95% above the Euribor interest for 3 months.	between 0% to 0.5%
Repayment date of the principal and interest:	The principal repayment for the construction loans is in one payment (bullet) during April 2020 or upon the completion of the construction and the population of Stage F, whichever is earlier. The interest is paid each quarter.	A loan for 20 years, annual principal payment of 2%. Semiannual payments. Upon the project construction completion, 25% of the loan amount becomes a grant.
Key financing conditions:	None	None
Other key conditions [including: sales pace, etc.]:	None	None
Additional main conditions determined in the loan agreement:	Assignment of the rights of the project companies in the performance agreements with contractors for the benefit of the banking corporation; assignment of rights of the project companies in the work insurance policy for the benefit of the banking corporation.	None
Note if key conditions or other covenants were breached at the end of the reporting year:	No	No
Is it a non-recourse type [Y/N]:	Yes it is indicated that the Company extended various performance	Yes

	guarantees in favor of the bank.	
Conditions for releasing earnings from the accompanying account, including noting whether the conditions existed:	NA. there are no receipts from tenants, rental project	NA. there are no receipts from tenants, rental project
Securities:	A first-degree pledge on the lands of the project, a pledge on the insurance proceeds as well as the assignment of the proceeds from the sale of the apartments for the benefit of the banking corporation.	A first-degree pledge on the lands of the stage

H. Charges and legal restrictions

Type		**Detail**	**Amount secured by pledge (consolidated) (as of Report date)** December 31, 2019 (EUR thousands)
Liens	First ranking	First ranking pledge on the land of the project, including the following stages in land I a pledge on the insurance payments and the assignment of sale proceeds of the apartments for the banking corporation	140,000
Other (caveats and the like)		None	

I. Adjustment between expected gross profit and creating retained earnings expected to be withdrawn (it is noted that no taxes were included in the calculation below). No data on withdrawing retained earnings were included since the Company is not expected to realize the project.

1.8.3.3 Grafental stage G: development project under construction

a. Presentation of the project

(Data based on 100%. The Corporation's effective share of the project – 84.98%)	**Description as of 31.12.2019**
Project name:	Grafental (Stage G of the residential project)
Project location:	Neumann Str. 6, Dusseldorf, Germany
Short description of the project:	89 residential units (About 9,534 square meters net along with underground parking, which includes 98 parking spaces
Corporation's effective share of the project:	84.98%
Structure of holdings in the project	See Section 1.1.5 above.
Listing the names of participants in the project	See Section 1.1.5 above.
Presentation method in the financial statements:	Consolidation
Purchase date of the land that the project will be built on:	June 2008
Area of the land that the project will be built on:	6,500 sq.m.
Completion date of construction [planned]:	March 2020
Commencement date of project marketing [planned]:	The marketing of this Stage commenced in November 2018
Expected marketing completion date:	As of the report date, the Company concluded the project marketing.
Agreements with performing contractors in connection with the project:	See section 1.8.4
Beginning date of construction [planned]:	fourth quarter 2018
Description of legal rights on the land (ownership, lease and the like):	Ownership
Special agreements relating to the project (combination / gentrification / other):	None
Existence of material exposures of the reporting corporation to the project:	Regarding planning and environmental development requirements – see development agreement in Section 1.8 above.
Was the net realizable value estimated in the reporting period?	No

Discussion of existence of infrastructures in proximity to project:	For details regarding the engagement of the project companies in the development agreement, see Section 1.8.5 above.
Special matters: (material construction deviations, soil pollution etc)	None. It should be clarified that existing land pollution in the project's land (as described in section 1.17.1.2 below) in part of the land designated for the construction of stages G-L in the residential project.

b. The project planning state

Stage G - Planning state as of 31.12.2019 Data based on 100%, the Corporation's share in the project – 84.98%			
Current planning state			
Inventory type	**Total construction rights (sq.m.)**	**Total units**	**Notes**
Residential units	About 9.5 thousand square meters gross above ground together with 98 underground parking spaces	89 apartments	The construction permit was received in the fourth quarter of 2018.

C. Costs invested and to be invested in the project

Stage G	Costs invested in the project	
(Data based on 100%, the Corporation's share in the project – 84.98%)	2019	2018
(financial data in EUR thousands)		
:		
Total cumulative costs for land at the end of the period	11,500	10,500
Total cumulative costs for planning, marketing and sales, project development fees and offices expenses	1,404	1,171
Total cumulative costs for the development of public infrastructures	913	78
Total cumulative costs for construction	23,571	3,963
Total cumulative costs for financing (discounted)	0	0
Total cumulative costs	37,388	15,713
Stage G	**Costs not yet invested in the project**	
(Data based on 100%, the Corporation's share in the project – 84.98%)	**2019**	**2018**
Total costs for the land that have not yet been invested (estimate)	0	0
Total costs for the planning, marketing and sales, fees, management of the project and office costs that have not yet been invested (estimate)	1,832	2,064
Total costs for the development of public infrastructures that have not yet been invested (estimate)	0	132
Total costs for the construction that have not yet been invested (estimate)	3,940	23,548
Total cumulative costs for the financing that are expected to be capitalized in the future (estimate)	0	0
Total cost remaining for completion	5,772	25,744
Completion rate [financial] (not including land) (%)	83.6%	16.8%
Expected construction completion date	second quarter of 2020	second quarter of 2020

Stage G – project marketing									
(Data according to 100%. The corporation's effective share in the project – 83%)	**2019**					**2018**			
	As of the report signing date	**Quarter 4**	**Quarter 3**	**Quarter 2**	**Quarter 1**	**Quarter 4**	**Quarter 3**	**Quarter 2**	**Quarter 1**
Cumulative signed agreements in the current period									
Flats (#)	89	86	83	66	51	27	NA	NA	NA
Flats – total monetary consideration (including for parking, EUR in thousands)	53,689	51,169	48,696	38,559	28,553	14,301			
Flats (square meters)	9,534	9,103	8,666	6,865	5,089	2,536			
Average price per sqm (EUR)	5,631	5,621	5,620	5,616	5,607	5,639			
Reservations as of the report signing date									
Flats (#)	89								
Flats – total monetary consideration (including for parking, EUR in thousands)	53,689								
Flats (square meters)	9,534								
Average price per sqm (EUR)	5,631								
cumulative signed agreements and reservations until the report signing date									
Flats (#)	89								
Flats – total monetary consideration (including for parking, EUR in thousands)	53,689								
Flats (square meters)	9,534								
Average price per sqm (EUR)	5,631								
Marketing rate of the project %									
	2019					**2018**			
	cumulative	**Quarter 4**	**Quarter 3**	**Quarter 2**	**Quarter 1**	**Quarter 4**	**Quarter 3**	**Quarter 2**	**Quarter 1**
Marketing rate as of the report signing date – signed agreements	100%	95.3%	90.7%	71.8%	53.1%	21.2%	NA	NA	NA
Marketing rate as of the report signing date – signed agreements and reservations	100%								
Advances from tenants (cumulative)									
	cumulative	**Quarter 4**	**Quarter 3**	**Quarter 2**	**Quarter 1**	**Quarter 4**	**Quarter 3**	**Quarter 2**	**Quarter 1**
Advances from tenants (EUR in thousands)	40,713	34,150	18,089	-	-	-	NA	NA	NA
Rate of advances from tenants (%)	75.8%	63.6%	26.8%	-	-	-	NA	NA	NA
Spaces for which agreements and reservations were not yet signed as of the report signing date									
(#)Flats	-	-							
Flats – total expected monetary consideration (including for parking, EUR in thousands)	-	-							
Flats (square meters)	-	-							

Average price per sqm (EUR)	-	-				
Total cumulative cost attributed to spaces in respect of which binding agreements were not yet signed in the statement of financial position (consolidated) (EUR in thousands)	-	-				

E . Gross profitability

The following are details of the Company's management estimates regarding the expected profitability data in Stage G of the project:

Expected developer's profit	
Total estimated expected income during stage G of the project (in thousands of euro)	53,689
Total expected cost (including land) (in thousands of euros)	42,457
Expected developer's profit in respect of the project (in thousands of euros)[2]	11,232
Total expected developer's profit rate in the project (%)	**26.5%**
Average sale price in the project (including in respect of income from the sale of parking spaces) (in euros per square meter)	5,631

Sensitivity analyses of gross profit not yet recognized in the project

The Company believes that sensitivity analysis is not relevant since it intends to hold stage G as an income generating asset

F. Specific financing and framework for the project

The financing framework was closed at the beginning of 2020, where the loan balance at the report date that was actually withdrawn is EUR 2.2 million was repaid on January 6, 2020.

G. Adjustment between expected gross profit and creating retained earnings expected to be withdrawn (it is noted that no taxes were included in the calculation below)

Expected gross profit	11,232
Adjustments to retained earnings mainly cost of land	11,500
Total retained earnings expected to be withdrawn	22,732
Expected date for withdrawal of retained earnings	September 2020
Preconditions for withdrawal of retained earnings	Forfeiture of lien and delivery of apartments to apartment purchasers

1.8.3.4 Grafental stage H: development project under construction

a. Presentation of the project

(Data based on 100%. The Corporation's effective share of the project – 84.98%)	Description as of 31.12.2019
Project name:	Grafental (Stage H of the residential project)
Project location:	Neumann Str. 6, Dusseldorf, Germany
Short description of the project:	96 residential units (About 9,793 square meters net along with underground parking, which includes 96 parking spaces
Corporation's effective share of the project:	84.98%
Structure of holdings in the project	See Section 1.1.5 above.
Listing the names of participants in the project	See Section 1.1.5 above.
Presentation method in the financial statements:	Consolidation
Purchase date of the land that the project will be built on:	June 2008
Area of the land that the project will be built on:	6,500 sq.m.
Completion date of construction [planned]:	Second half of 2021
Commencement date of project marketing [planned]:	The marketing of this stage commenced in July 2019
Expected marketing completion date:	Sale of the apartments is expected to end until the end of 2020
Agreements with performing contractors in connection with the project:	See section 1.8.4
Beginning date of construction [planned]:	fourth quarter 2019
Description of legal rights on the land (ownership, lease and the like):	Ownership
Special agreements relating to the project (combination / gentrification / other):	None
Existence of material exposures of the reporting corporation to the project:	Regarding planning and environmental development requirements – see development agreement in Section 1.8 above.
Was the net realizable value estimated in the reporting period?	No

Discussion of existence of infrastructures in proximity to project:	For details regarding the engagement of the project companies in the development agreement, see Section 1.8 above.
Special matters: (material construction deviations, soil pollution etc)	None. It should be clarified that existing land pollution in the project's land (as described in section 1.17.1.2 below) in part of the land designated for the construction of stages G-L in the residential project.

b. Planning state of the project

Stage H - Planning state as of 31.12.2019 Data based on 100%, the Corporation's share in the project – 84.98%			
Current planning state			
Inventory type	**Total construction rights (sq.m.)**	**Total units**	**Notes**
Residential units	About 9.8 thousand square meters gross above ground together with 96 underground parking spaces	96 apartments	The construction permit was received in the fourth quarter of 2018.

c. Costs invested and to be invested in the project

Stage H	Costs invested in the project	
(Data based on 100%, the Corporation's share in the project – 84.98%)	2019	2018
(financial data in EUR thousands)		
Total cumulative costs for land at the end of the period	14,119	14,119
Total cumulative costs for planning, marketing and sales, project development fees and offices expenses	1,159	-
Total cumulative costs for the development of public infrastructures	77	-
Total cumulative costs for construction	6,747	-
Total cumulative costs for financing (discounted)	-	-
Total cumulative costs	22,102	14,119
Stage H	**Costs not yet invested in the project**	
(Data based on 100%, the Corporation's share in the project – 84.98%)	**2019**	**2018**
Total costs for the land that have not yet been invested (estimate)	-	-
Total costs for the planning, marketing and sales, fees, management of the project and office costs that have not yet been invested (estimate)	1,834	2,993
Total costs for the development of public infrastructures that have not yet been invested (estimate)	344	420
Total costs for the construction that have not yet been invested (estimate)	23,783	30,951
Total cumulative costs for the financing that are expected to be capitalized in the future (estimate)	-	-
Total cost remaining for completion	25,961	34,364
Completion rate [financial] (not including land) (%)	23.5%	16.8%
Expected construction completion date	Second half of 2021	Second half of 2021

d. Project marketing

Stage H – project marketing									
(Data according to 100%. The corporation's effective share in the project – 83%)	**2019**					**2018**			
	As of the report signing date	**Quarter 4**	**Quarter 3**	**Quarter 2**	**Quarter 1**	**Quarter 4**	**Quarter 3**	**Quarter 2**	**Quarter 1**
Cumulative signed agreements in the current period									
Flats (#)	65	58	33	-	-	NA Marketing commenced in the third quarter of 2019			
Flats – total monetary consideration (including for parking, EUR in thousands)	37,940	33,957	19,071	-	-				
Flats (square meters)	6,311	5,786	3,297	-	-				
Average price per sqm (EUR)	6,012	5,869	5,784	-	-				
Reservations as of the report signing date									
Flats (#)	-								
Flats – total monetary consideration (including for parking, EUR in thousands)	-								
Flats (square meters)	-								
Average price per sqm (EUR)	-								
cumulative signed agreements and reservations until the report signing date									
Flats (#)	89								
Flats – total monetary consideration (including for parking, EUR in thousands)	51,231								
Flats (square meters)	8,900								
Average price per sqm (EUR)	5,756								
Marketing rate of the project %									
	2019					**2018**			
	As of the report signing date	**Quarter 4**	**Quarter 3**	**Quarter 2**	**Quarter 1**	**Quarter 4**	**Quarter 3**	**Quarter 2**	**Quarter 1**
Marketing rate as of the report signing date – signed agreements	88.3%	58.5%	32.9%	-	-	**NA**			
Marketing rate as of the report signing date – signed agreements and reservations	88.3%%	58.5%	32.9%						
Advances from tenants (cumulative									
Advances from tenants (EUR in thousands) [1]	11,232	-	-	-	-	NA			
Rate of advances from tenants (%)	19.4%	-	-	-	-				

[1] It should be indicated that advances have not yet been received from buyers due to waiting for registration of sub parcels to be completed in the land registry office which is expected to be completed in the coming weeks.

Spaces for which agreements and reservations were not yet signed as of the report signing date						
(#)Flats	7	61				
Flats – total expected monetary consideration (including for parking, EUR in thousands)	6,798	37,422				
Flats (square meters)	893	6,238				
Average price per sqm (EUR)	7,613	5,999				
Total cumulative cost attributed to spaces in respect of which binding agreements were not yet signed in the statement of financial position (consolidated) (EUR in thousands)	2,589	14,253				

Revenue recognition from binding sale agreements in the project and advances expected to be received from the project

The Company estimates that it will recognize revenues of approximately EUR 33,957 thousand from the sale of apartments for which binding agreements were signed in the amount of approximately EUR 33,957 thousand, which are expected to be received by the stage construction completion date, which is expected to occur in the second half of 2021. Sales are expected to spread linearly in accordance with the provisions of German law applicable in this case (see section 1.17.4.1).

F . Gross profitability

The following are details of the Company's management estimates regarding the expected profitability data in Stage H of the project:

Expected developer's profit	
Total estimated expected income during stage H of the project (in thousands of euro)	58,029
Total expected cost (including land) (in thousands of euros)	48,063
Expected developer's profit in respect of the project (in thousands of euros)[2]	9,965
Total expected developer's profit rate in the project (%)	**20.7%**
Average sale price in the project (including in respect of income from the sale of parking spaces) (in euros per square meter)	5,869

G. Sensitivity analyses of gross profit not yet recognized in the project

Stage H - Sensitivity analyses of gross profit not yet recognized in the project

	Impact of increase of 10%	**Impact of increase of 5%**	**Total gross profit not yet recognized**	**Impact of decrease of 5%**	**Impact of decrease of 10%**
Impact of change in sale prices of spaces for which binding sales agreements were not yet signed, per square meter, on the expected gross profit not yet recognized	15,768	12,867	9,965	7,064	4,163
Impact of change in construction costs per square meter on the expected gross profit not yet recognized	6,571	8,268	9,965	11,663	13,360

[2] it is indicated that developer's profit was not yet recognized for the stage since advances from apartment purchasers were not yet received

H. specific financing and framework for the project

Balances in the statement of financial position (in EUR thousands)	**31.12.2019**	**Presented as short-term loans:**	--
		Presented as long-term loans:	---
	31.12.2018	**Presented as short-term loans:**	NA
		Presented as long-term loans:	NA
Lending institution:			Banking corporation
Date of approval of the loan / framework and the date of taking the loan:			July 2019 [1]
Total framework:			EUR 36.1 million for financing the project. Loan repayment date- April 30, 2021
From which, the unutilized balance:			The loan balance not yet utilized for this stage – EUR 36.1 million
System for determining the interest and noting the interest:			Interest margin of 1.95% above the Euribor interest for 3 months.
Repayment date of the principal and interest:			The principal repayment for the construction loans is in one payment (bullet) during April 2021 or upon the completion of the construction and the population of Stage H, whichever is earlier. The interest is paid each quarter.
Key financing conditions:			None
Other key conditions [including: sales pace, etc.]:			It is not required to invest equity in this stage. it is not required to perform pre sales as a condition for withdrawing construction loan for this stage.
Additional main conditions determined in the loan agreement:			Proceeds from the sale of the apartments are deposited in a closed account in favor of the project companies. Assignment of the rights of the project companies in the performance agreements with contractors for the benefit of the banking corporation; assignment of rights of the project companies in the work insurance policy for the benefit of the banking corporation.
Note if key conditions or other covenants were breached at the end of the reporting year:			No
Is it a non-recourse type [Y/N]:			Yes it is indicated that the Company extended various performance guarantees in favor of the bank.

[1] The Company took a loan of EUR 8 million in January 2020.

Conditions for releasing earnings from the accompanying account, including noting whether the conditions existed:	The Company may, subject to the approval of the bank, withdraw the earnings from the accompanying account, under the condition that the construction loan was repaid in full.
Securities:	A first-degree pledge on the lands of the project, a pledge on the insurance proceeds as well as the assignment of the proceeds from the sale of the apartments for the benefit of the banking corporation.

I. Charges and legal restrictions

Type		**Detail**	**Amount secured by pledge (consolidated) (as of Report date)** December 31, 2019 (EUR thousands)
Liens	First ranking	First ranking pledge on the land of the project, , including the remaining stages in land I a pledge on the insurance payments and the assignment of sale proceeds of the apartments for the banking corporation	140,000
Other (caveats and the like)		None; upon the completion of the registration of the apartments in the Land Registry, caveats have been and will be registered (as applicable) in favor of the apartment purchasers	---

J. Adjustment between expected gross profit and creating retained earnings expected to be withdrawn (it is noted that no taxes were included in the calculation below)

Expected gross profit	9,965
Adjustments to retained earnings mainly cost of land	14,119
Total retained earnings expected to be withdrawn	24,084
Expected date for withdrawal of retained earnings	September 2020
Preconditions for withdrawal of retained earnings	Forfeiture of lien and delivery of apartments to apartment purchasers

1.8.3.5 Residential project in Aachen– real estate development under construction

a. Presentation of the project

(Data based on 100%. The Corporation's effective share of the project – 50%)	**Description as of 31.12.2019**
Project name:	Tuchmacherviertel Aachen
Project location:	Becker Str., Aachen, Germany
Short description of the project:	27 thousand square meters, net, of construction rights for residential use to establish a project that will include 280 residential units of which 84 units are expected to be rented under affordable/social rental
Corporation's effective share of the project:	50%
Structure of holdings in the project	Through a sub subsidiary of the Company holding 50% of the limited partnership which is the owner of the land
Listing the names of participants in the project (in case the partners are related party or hold more than 25%)	Nesller Bau GmbH, the contractor's project development company, which carried out and carries out the construction work for the Company of stages B3, C D, G and H at a total scope of EUR 100 million.
Presentation method in the financial statements:	Equity method of accounting
Purchase date of the land that the project will be built on:	February 2016
Area of the land that the project will be built on:	43,000 sq.m
Completion date of construction [planned]:	Not yet determined
Commencement date of project marketing [expected]:	Second quarter of 2020
Expected marketing completion date:	Not yet determined
Agreements with performing contractors in connection with the project:	Not yet determined
Beginning date of construction [planned]:	Second quarter of 2020
Description of legal rights on the land (ownership, lease and the like):	Ownership
Special agreements relating to the project	None

(combination / gentrification / other):	
Existence of material exposures of the reporting corporation to the project:	NA
Was the net realizable value estimated in the reporting period? If so, a disclosure will be given for the basic assumptions	No
Discussion of existence of infrastructures in proximity to project:	NA
Special matters: (material construction deviations, soil pollution etc)	NA

b. Planning State of the Project

Planning state for the Aachen project as of 31.12.2019 Data based on 100%, the Corporation's share in the project – 50%			
Current planning state			
Inventory type	**Total construction rights (sq.m)**	**Total units**	**Comments**
Residential units	27,000, construction rights, net	280	In December 2019, the city building plan was published for the complex so the previous zoning (industry) is expected to change to residential in the coming weeks[1]

c. Costs invested in the project[2]

(Data based on 100%, the Corporation's share in the project – 50%)	**2019**	**2018**
(financial data in EUR thousands)		
Costs invested:		
Total cumulative costs for land at the end of the period	6,071	6,071
Total cumulative costs for planning, marketing, development, taxes and fees	5,445	1,285
Total cumulative costs for construction	-	-
Total cumulative costs for financing (discounted)	-	-
Total cumulative costs	11,516	7,356

[1]The information described above in connection with the aforementioned change in zoning (including the dates expected for its completion) is forward-looking information, as defined in the Securities Law, which is not fully controlled by the Company and may not materialize or materialize at different times unlike the Company's estimates, inter alia due to regulatory procedures which are not controlled by the Company

[2]in view of the early stages of the project, only costs that were invested at this stage are presented.

d. Project marketing

Not yet commenced

e. Estimated total gross profitability in the project

In view of the early stage of the project the Company cannot estimate at this stage

f. Sensitivity analysis to gross profit not yet recognized in the project

In view of the early stage of the project the Company cannot perform sensitivity analysis at this stage.

g. **Specific financing and accompanying frameworks for the project:**

Specific financing was taken in connection with the purchase of land and the project construction in October 2019 from a banking corporation in the amount of EUR 3.9 million. The loan bears fixed annual interest of 1.54% and is expected to be repaid in one installment on May 30, 2023.

1.8.3.6 land reserve A project (stages I-L in the planned residential project under the city building plans for Grafental Mitte/Grafental Ost for apartments that are not subject to rent control)

a. Presentation of the project

(Data based on 100%. The Corporation's effective share of the project – 84.98%)	**Description as of 31.12.2019**
Project name:	Grafental Mitte/ Grafental Ost (Stages I-L of the residential project)
Project location:	Neumann Str. 6, Dusseldorf, Germany
Short description of the project:	22 thousand square meters, net, about 176 residential units in saturated construction and private homes.
Corporation's effective share of the project:	84.98%
Structure of holdings in the project	See Section 1.1.5 above.
Listing the names of participants in the project	See Section 1.1.5 above.
Presentation method in the financial statements:	Consolidation
Purchase date of the land that the project will be built on:	June 2008
Area of the land that the project will be built on:	14,000 sq.m. with an additional 7,000 sq.m to be purchased by the Company from Dusseldorf municipality
Completion date of construction [planned]:	Not yet determined
Commencement date of project marketing [planned]:	Not yet determined
Expected marketing completion date:	Not yet determined
Agreements with performing contractors in connection with the project:	see section 1.8.4
Beginning date of construction [planned]:	With respect to stage I – The permit is expected to be received in the coming weeks.
Description of legal rights on the land (ownership, lease and the like):	Ownership
Special agreements relating to the project (combination / gentrification / other):	None

Existence of material exposures of the reporting corporation to the project:	Regarding planning and environmental development requirements – see development agreement in Section 1.8 above.
Was the net realizable value estimated in the reporting period? If so, a disclosure will be given for the basic assumptions	No
Discussion of existence of infrastructures in proximity to project:	For details regarding the engagement of the project companies in the development agreement, see Section 1.8 above.
Special matters: (material construction deviations, soil pollution etc)	In about 40% of the land area, soil is contaminated with heavy metals and PAH[1]. According to the approvals of the relevant authorities and according to a report prepared by the Company, the pollution of the land does not prevent or restrict the issuance of building permits by virtue of the city building plan.

[1] Polycyclic Aromatic Hydrocarbon is considered one of the most common organic pollutants in soil pollution.

b. Planning State of the Project

Planning state for the Land Reserves A as of 31.12.2019, Data based on 100%, the Corporation's share in the project – 84.98%			
Current planning state			
Inventory type	**Total construction rights (sq.m)**	**Total units**	**Comments**
Residential units	21,662	176	32 residential units are included under approved Grafental Mitte city building plan and 144 residential units are included under the Grafental Ost city building plan the approval of which is expected in 2020.

c. Costs invested in the project[2]

(Data based on 100%, the Corporation's effective share in the project – 84.98%)	**2019**	**2018**
(financial data in EUR thousands)		
Costs invested:		
Total cumulative costs for land at the end of the period	38,412	71,115
Total cumulative costs for planning, marketing, development, taxes and fees[3]	5,409	7,172
Total cumulative costs for construction	1,471	-
Total cumulative costs for financing (discounted)	-	-
Total cumulative costs	45,292	78,287

d. **N**o data were presented for marketing, expected gross profitability in view of the early stages of the project. Estimated gross profitability is included in the project.

e. **Specific financing and accompanying frameworks for the project:** specific financing was not yet taken in connection with the construction of the various stages of the project

f. **Charges and legal restrictions**: the lands of the project constitute collateral for the construction loan granted for the previous stages of the complex and were not yet repaid/ended.

[2]in view of the early stages of the project, only costs that were invested at this stage are presented.
[3]mainly local business tax

1.8.3.7 land reserve B project: 193 thousand square meters in Gerresheim neighborhood, Dusseldorf Germany.

For details regarding the sale of the land see section 1.1.3.1 C

a. Presentation of the project

(Data based on 100%. The Corporation's effective share of the project – 100%)	Description as of 31.12.2019
Project name:	Glasmacherviertel
Project location:	Heyestraße/Torfbruchstraße Gereesheim ,Germany
Short description of the project:	193 thousand square meters with industrial zoning. The Company works to change the zoning so it can establish a residential neighborhood.
Corporation's effective share of the project:	100%
Structure of holdings in the project	See Section 1.1.5 above.
Listing the names of participants in the project	See Section 1.1.5 above.
Presentation method in the financial statements:	Consolidation
Purchase date of the land that the project will be built on:	February 2018
Area of the land that the project will be built on:	193 thousand square meters
Completion date of construction [planned]:	Not yet determined
Commencement date of project marketing [planned]:	Not yet determined
Expected marketing completion date:	Not yet determined
Agreements with performing contractors in connection with the project:	Not yet determined
Beginning date of construction [planned]:	Not yet determined
Description of legal rights on the land (ownership, lease and the like):	Ownership
Special agreements relating to the project (combination / gentrification / other):	None

Existence of material exposures of the reporting corporation to the project:	See note regarding sale agreement in section 1.1.3.1 (a) above.
Was the net realizable value estimated in the reporting period? If so, a disclosure will be given for the basic assumptions	No
Discussion of existence of infrastructures in proximity to project:	The construction of the project will require from the Company to develop public infrastructure.
Special matters: (material construction deviations, soil pollution etc)	None

b. Planning State of the Project

Planning state for the land reserve project of 193 thousand square meters in Gerresheim neighborhood, Dusseldorf Germany as of 31.12.2019, Data based on 100%, the Corporation's share in the project – 100%			
Current planning state			
Inventory type	**Total construction rights (sq.m)**	**Total units**	**Comments**
Industrial use	NA	NA	
Planning state after the planned change			
Residential units	107,000	1,500	The Company works to promote the city building plan with the local authority and estimates that it will be approved towards the end of 2020.
Commercial spacers and offices	30,000	NA	
Kindergartens and school	NA	3	

C. Costs invested in the project[1]

(Data based on 100%, the Corporation's share in the project – 100%)	2019
(financial data in EUR thousands)	
Costs invested:	
Total cumulative costs for land at the end of the period	141,645
Total cumulative costs for planning, marketing, development, taxes and fees[2]	901
Total cumulative costs for construction	-
Total cumulative costs for financing (discounted)	-
Total cumulative costs	142,546

[1] in view of the early stages of the project, only costs that were invested at this stage are presented.

[2] Mainly local business tax

d. No data were presented for marketing, expected gross profitability in view of the early stages of the project. Estimated gross profitability is included in the project.

e. Specific financing charges and legal restrictions related to the project:

<table>
<tr><td rowspan="4">Balances in the statement of financial position (in EUR thousands)</td><td rowspan="2">31.12.2019</td><td>Presented as liabilities of disposal group held for sale:</td><td>132,000</td></tr>
<tr><td>Presented as long-term loans:</td><td></td></tr>
<tr><td rowspan="2">31.12.2018</td><td>Presented as short-term loans:</td><td>-</td></tr>
<tr><td>Presented as long-term loans:</td><td>90,000</td></tr>
<tr><td colspan="3">Lending institution:</td><td>Banking corporation</td></tr>
<tr><td colspan="3">Date of approval of the loan / framework and the date of taking the loan:</td><td>December 26, 2019</td></tr>
<tr><td colspan="3">Total framework:</td><td>EUR 132 million for the financing of the project. Loan repayment date in one payment- June 27, 2020</td></tr>
<tr><td colspan="3">From which, the unutilized balance:</td><td>NA</td></tr>
<tr><td colspan="3">System for determining the interest and noting the interest:</td><td>Interest margin of 4% above the Euribor interest for 3 months.</td></tr>
<tr><td colspan="3">Repayment date of the principal and interest:</td><td>The principal repayment for the construction loans is in one payment (bullet) during June 2020. Interest is paid quarterly.</td></tr>
<tr><td colspan="3">Additional main conditions determined in the loan agreement:</td><td>No</td></tr>
<tr><td colspan="3">Note if key conditions or other covenants were breached at the end of the reporting year:</td><td>No</td></tr>
<tr><td colspan="3">Is it a non-recourse type [Y/N]:</td><td>Yes see other key conditions</td></tr>
<tr><td colspan="3">Conditions for releasing earnings from the accompanying account, including noting whether the conditions existed:</td><td>NA</td></tr>
<tr><td colspan="3">Securities:</td><td>A first-degree pledge on the purchased asset and a pledge on the deposit.</td></tr>
</table>

The information described above in connection with the city building plan and its publication, is forward-looking information, as defined in the Securities Law, which is not fully controlled by the Company and may not materialize or materialize at different times unlike the Company's estimates, inter alia, as a result of approvals required from third parties and regulatory procedures that are not under the Company's control.

F. charges and legal limitations

See section E above

1.8.4 Material Agreements

1.8.4.1 For details regarding the public infrastructure development agreement with the City of Dusseldorf, see Section 1.8 above.

1.8.4.2 For details regarding the agreements with the general contractor in the various project stages, see below:

<table>
<tr><th>Project stage</th><th>Contractor name</th><th>Turn-key financial scope of the agreement</th><th>Signing date</th><th>Agreement date of completion of construction</th><th>Actual completion date of construction</th><th>Manner of performance of payment</th><th>Guarantees provided to contractor</th><th>Fines</th></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td rowspan="4">On a monthly basis in accordance with the pace of the construction's progress and the scope of construction performed in the said month.</td><td rowspan="4">A performance guarantee in the amount of 5% of the scope of the contract to secure the contractor's commitments in accordance with the said agreement. The performance guarantee will be replaced with a quality guarantee upon the completion of the construction in a scope of 5% of the total agreement for the warranty periods, as defined in the German law (5 years generally, 10 years for the sealing work).</td><td rowspan="4">A fine for delayed completion of the construction – 0.1% of the agreement amount per day beyond 14 days of delay by no more than 5% cumulatively.</td></tr>
<tr><td>Stage E</td><td>Schmeing Bau GmbH</td><td>All of the construction work (underground parking, shell, environmental development and finishing) of Stage E in a financial scope of about EUR 21 million.</td><td>November 2017</td><td>March 2020</td><td>Not yet completed</td></tr>
<tr><td>Stage F</td><td>Schmeing Bau GmbH</td><td>All of the construction work (underground parking, shell, environmental development and finishing) of Stage F in a financial scope of about EUR 19.6 million.</td><td>November 2017</td><td>March 2020</td><td>Not yet completed</td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Stage G</td><td>Nesseler Grünzig Bau GmbH</td><td>All of the construction work (underground parking, shell, environmental development and finishing) of Stage G in a financial scope of about EUR 27 million.</td><td>March 2018</td><td>May 2020</td><td>Not yet completed</td><td></td><td></td><td></td></tr>
<tr><td>Stage H</td><td>Nesseler Grünzig Bau GmbH</td><td>All of the construction work (underground parking, shell, environmental development and finishing) of Stage G in a financial scope of about EUR 30 million.</td><td>November 2018</td><td>May 2021</td><td>Not yet completed</td><td></td><td></td><td></td></tr>
</table>

It should be noted that Nesseler Grünzig Bau GmbH is a partner of the Company (50%) in real estate held in a joint venture in the city of Aachen, for further details see section 1.8.3.5.

Fourth Part - Matters Relating to the Corporation's Operations in its entirety

1.9 Competition

1.9.1 General

To the best of the Group's estimation, the real estate field in Germany generally contains significant competition, both on the part of local developers and mainly on the part of non-local developers, active in various investment scopes, and which see the economic state of Germany, the potential inherent therein, and on the other hand – the availability of real-estate assets, their relatively low costs and the relatively high yield with respect thereto, as a good business opportunity.

The competition in the field of activities is based on the geographic location of the assets. In most sites in which the Group has assets, areas are also offered for rent by other companies. In the event of assets with similar designation levels, the competition is mainly regarding the rental fees, the performance of adjustments for the tenant and additional costs (management fees, property tax, etc.).

The competitors include real-estate players and developers, category-specializing real estate companies (offices, commercial centers) which operate to better the assets through the active management of rentals and asset development, if such an option exists, and "financial players" on the other hand – which mainly focus on the margin between the interest of the loan and the yield of the asset.

The Group deals with competition through being a "local player", as a result of focusing the activities in the Germany market as of 2004, its thorough knowledge and familiarity with the local laws and regulation relating to the real estate market, the business relationships developed with entities involved in the German real estate market (see also Section 1.6.1.4 above), allowing it access to a wide variety of transactions before they reach the market, and the quick response of the Group in closing transactions due to a unique methodology, transaction analysis and underwriting ability within the Group and high access to banks and local financers.

The Group employs a managerial platform in Germany with a local staff including about 150 employees, allowing it to actively manage the assets, reflected in a direct connection with the tenants, supervision capability and fast response to tenants' requests, to physical flaws collection issues and strong familiarity with the market conditions in each subarea in which the Company's assets are located and a strong relationship with local marketing entities. In addition, the management platform developed by the Group in Germany allows it to lower its managerial costs compared to management by a third party.

1.9.2 Area of activity – income generating real estate

The income generating commercial real estate is relatively decentralized compared to other European countries, across 7 major urban centers (Frankfurt, Berlin, Hamburg, Munich, Dusseldorf, Cologne and Stuttgart) and dozens of other markets. To the best of the Company's estimate, the entire sector is very competitive from domestic and foreign investors, operating on different levels of investment, who consider Germany's economic situation and its potential, and the availability of real estate, their relatively low cost and relatively high return, a good business opportunity.

To the best of the Company's knowledge, a number of parties are operating in the area of activity, including public real estate companies and large real estate groups with considerable resources, some of which are category-focused (commercial centers, offices), which acquire an entire portfolio of properties, and a number of private real estate companies and private investors who usually work to purchase single income generating assets.

To the best of the Company's knowledge, many parties operate in the income generating residential sector, including public real estate companies and large real estate groups with considerable resources, institutional investors (construction funds and German and foreign insurance companies), as well as numerous private real estate companies and private investors who usually work to purchase single income generating assets. **It should be noted that as of the report date, the scope of the Group's activities is not material in the German real estate market.**

1.9.3 Area of activity – residential real estate development

The Company has the largest inventory of construction rights in Dusseldorf and considers it to be a strategic advantage. In addition, the company enjoys the fact that Düsseldorf suffers from a shortage of quality apartments in the market. Other than less significantly projects the Company has identified a project as the main competitor

1.10 Fixed Assets, Land and Facilities

1.10.1 The Offices of the Group

The Group's offices are located in Amsterdam. The Company has other offices in Germany from which the assets are operated by the asset operation company (hereinafter jointly: the "**Company's Offices**").

The Company rents the Company's offices as a main tenant, in consideration for monthly rental fees of EUR 23 thousand.

1.10.2 Fixed assets.

The Group does not have fixed assets in a material scope. The fixed assets used for the Group's operations in the area of activity include vehicles, furniture, computer systems, and other equipment.

1.10.3 Investment property

See Sections 1.7 and 1.8 above.

1.11 **Human Capital**

1.11.1 The Organizational Structure of the Group

Changes in the composition of the Company's board of Directors

On April 10, 2018, Noam Sharon and Ludmila Popova, directors of the Company, announced their immediate resignation from the Company's Board of Directors, following the change in the Company's control. For further details see the Company's immediate reports dated April 11, 2018 (ref number 036796-01-2018 and 036799-01-2018, respectively, which are included by way of reference.

On May 7, 2018, Mr. Willem van Hassel's term as an external director of the Company has ended, without extending his term for an additional period. For further details, see the Company's immediate report dated May 7, 2018 [Ref. No.: 045022-01-2018], which is included by way of reference.

On June 5, 2018, Mr. Van den Heuvel announced his immediate resignation from his position as an external director on the Company's Board of Directors. For additional details, see the Company's immediate report dated June 5, 2018 (Ref. No.: 047811-01-2018), which is included by way of reference).

On July 2, 2018, the general meeting approved the appointment of Van Ommen Nicolaas, Dorenbos Jeron, Burke Patrick and Moser Daniel to the Company's Board of Directors. For further details, see the immediate reports of the Company dated May 24, 2018 and July 2, 2018 (Reference no.: 042231-01-2018 and 063220-01-2018, respectively), which are included by way of reference.

On January 2, 2019, the Company's general meeting approved the appointment of such directors for an additional term of office on the Company's Board of Directors. For further details, see the Company's immediate reports of November 26, 2019 and January 2, 2020 (Reference No. 2019-01-115186 and 2020-01-001401, respectively), which are included herein by way of reference.

On August 16, 2018, the general meeting approved the appointment of Mr. Friedrich Munsberg as an external director of the Company, the reappointment of Ms. Noa Shaham as an independent director of the Company and the appointment of Mr. Claus Jorgensen as a director of the Company. On January 2, 2019, the Company's general meeting approved the appointment of Ms. Noa Shaham and Mr. Claus Jorgensen for another term on the Company's Board of Directors. For further details, see the Company's immediate reports of November 26, 2019 and January 2, 2020 (Reference No. 2019-01-115186 and 2020-01-001401, respectively), which are included herein by way of reference.

In addition, the general meeting approved the amendment of the Company's articles of association and classification of the Company's directors as Executive Director and Non-Executive Director. For additional details, see the Company's immediate reports dated July 12, 2018 and August 16, 2018 (Ref. No.: 066904-01-2018, 076639-01-2018-, 2018-01-076645 and 076657-01-2018, respectively), which are included by way of reference.

1.11.2 Changes in the Company's management

On June 30, 2018, Gal Tenenbaum and Ofir Rahamim ceased to serve as joint CEOs of the Company. On July 8, 2018, Mr. Tomas A. de Vargas Machuca began serving as the new CEO of the Company. For additional details, see the immediate reports of the Company dated June 30, 2018 and July 8, 2018 [Ref: 058020-01-2018, 090438-01-2017, 107445-01-2017, 117634-01-2017, 058023-01-2018, 090438-01-2017, 107445-01-2017, 117634-01-2017 and 06139-01-2018, respectively], which included by way of reference). It should be noted that the remuneration of the new CEO was not yet approved. For further details, see Regulation 26 of the chapter of additional details attached as Chapter D to this report.

On May 24, 2018, the Company entered into an agreement with its CFO, Mr. Guy Priel, to terminate the provision of services, effective from August 31, 2018, and in a consulting agreement on a wide range of issues related to his activities as CFO of the Company, effective from September 1, 2018 which was amended and approved by the Company's competent organs. For further details, see the Company's immediate reports of May 27, 2018 and November 4, 2018 [Ref. No.: 042798-01-2018, 103941-01-2018 and 103944-01-2018, respectively], which were included by way of reference.

On November 4, 2018, Mr. Thomas Stienlet began serving as the new CFO of the Company, replacing Mr. Guy Priel, who served as the Company's CFO until August 31, 2018. For further details, see the Company's immediate reports of November 4, 2018 (Reference no.: 103923-01- 2018 and 2018-01-103941), which are included by way of reference.

On January 27, 2019 Claus Dieter Trapp, the Company's VP of Operations, ceased to be employed by the Company.

On January 31, 2019, Ulrich Tappe ceased to serve as Vice President of Development/CEO of a subsidiary of the Company. Ulrich serves as an external advisor to the Company, in order to continue to deal with the advancement of city building plans in the various land complexes of the Company.

As of the report date, the Company employs 146 employees.

1.11.3 Group's Workforce

The workforce and service providers of the Group, as of December 31, 2018 and December 31, 2019[1], are as follows:

Employing Company	Position in Employing Company	Number of Employees	
		As of December 31, 2019	**As of December 31, 2018**
The Company	CEO[2]	0	0
	Administration	2	2
	CFO	1	1
SIB Capital	IT person and administration	2	3
	Financial Department (analyst)	1	0
The Hungarian Subsidiary	Controller	1	1
The Property Management Company	COO	0	0
	Accounting staff	19	15
	Administration	20	20
	Asset/marketing/technical management	86	39
Grafental KG	Development VP	0	0
	Accounting staff	1	1
	Administration	3	3
	Marketing and sales	3	3
	Project management	8	8
Total		**146**	**150**

Most of the Group's employees are employed under personal agreements which are not limited in time, while both parties can terminate the agreement with prior notice which ranges between two weeks and a number of months (in accordance with the number of years of employment). It shall be noted that regarding the German employees of the Group, the termination of employment is subject to the labor laws in Germany which do not permit terminations other than for a material reason and after the procedure provided by law.

[1] As of the signing date of the report, no substantial change has occurred to the Group's workforce.
[2] The CEO does not receive wages from the Company and the remuneration policy was not yet approved.

The employment agreements determine the function of the employee, the scope of employment and work hours, absences due to illness and vacation days, and the termination of the employment relationship. It shall be noted that under the German law, the matter of termination is different than in Israel, and generally, the labor laws favor the employee. The law in Germany does not provide for severance pay; however, it is difficult to dismiss employees and the companies with over 20 employees[1] are subject to even stricter labor laws. Such a company, seeking to dismiss an employee, must prove a reasonable reason for the dismissal thereof, and unless otherwise proven, the employee can sue the company and continue to be employed thereby during the same period until a reasonable reason for the termination is proven. Social insurance is paid in part by the employer.

All of the senior offices of the Company have signed confidentiality agreements including those working in accounting, based on which the employees are required to maintain confidentiality of all matters relating to the activities and the business secrets of the companies in the Group during the employment term and thereafter, which they are made aware of during the term of their employment.

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

1.11.4 <u>The Senior Officers and Administrative Employees in the Group</u>

The senior management of the Group is comprised of a CEO and CFO,

For details regarding the senior officers of the Company in accordance with the provision of Regulation 26a of the Securities Regulations (Periodic and Immediate Reports), 5730-1970 (hereinafter: the "**Reporting Regulations**"), see Regulation 26 in Chapter D, "Additional Details regarding the Corporation", attached to this Periodic Report.

For details regarding the terms of office of the five individuals receiving the highest wages of the senior offices in the Company in accordance with the provisions of Regulation 21 of the Reporting Regulations, see Regulation 21 in Chapter D, "Additional Details about the Corporation", attached to this Periodic Report.

[1] Relevant to the Property Management Company.

1.11.5 Dependence on a key personnel

The Company estimates that the companies of the Company do not depend on the senior offices of the Group.

1.12 Financing

1.12.1 Definitions

For the sake of convenience, the following are definitions of the main terms in this section:

“LTV"	Loan to Value Ratio – the ratio between the loan amount on the inspection data and the fair value of the asset based on the valuation of the same date.
"ICR"	Interest Coverage Ratio – an interest coverage ratio, calculated by dividing net operating income (NOI)of the [1] borrower before interest and before tax during the measured period by the interest expenses of the borrower in the same period.
“DSCR"	Debt Service Coverage Ratio – the debt coverage ratio, calculated by dividing the net operating income (NOI)[1] of the borrower during the measured period by the debt service expenses of the borrower during the period measured (meaning, interest and principal payments during the measured period).
"CAP"	A call option that allows a purchaser to receive payments from the option seller in the event that the interest rate exceeds a certain predetermined threshold.
"SWAP"	A contract in which both parties agree to replace periodic interest payments, while the varying interest payment rate is replaced with a fixed interest payment rate and is mainly used for hedging purposes.

1.12.2 General

As of the report date and during the reported period, the Group is financing its operations from its own sources, loans from banks (bank financing) issuance of bonds and credit facility from its controlling shareholder.

[1] In this regard, it shall be noted that the NOI is defined in various manner by different banks, all as determined in the loan agreement as applicable.

(a) Bank Financing

The Group customarily obtains bank financing for a group of assets and/or a specific asset when the loan is non-recourse to the Company and is secured, inter alia, in the lien on rights in the asset and/or group of assets, as the case may be.

- On December 26, 2019, a bank extended to the Company a loan in the amount of € 132 million as part of the transaction for selling the land in Gerresheim

- In January 2019 the Company, via sub-subsidiaries entered into an agreement with a German bank to refinance 16 non-recourse loans taken from that German bank to become in force and effect on April 1, 2019 according to the following conditions:

	New conditions	Previous conditions
Loan amount	EUR 205 million	EUR 205 million
Final repayment date	9.84 years	Weighted average of 3.78 years
Weighted interest rate per year	1.84% - all loans are in fixed rate	1.29% - weighted, according to the previous conditions EUR 157 million bore fixed interest and EUR 48 million bore variable interest
Current principal rate per year	2.5%	2.00% - 2.5%

There are no financial covenants for the loans and the value of assets that served as collateral against these loans amounted to EUR 536 million as of December 31, 2019.

- Additional Bank Financing Agreements

Further to the above, the companies in the Group customarily engage, during the ordinary course of business, in financing agreements for the purchase of real estate assets. The financing agreements are generally signed between the property company and the financing entity.

The financing agreements as stated include specific provisions regarding the scope of financing, the terms of its provision and the manner of repayment.

The bank financing balance (according to the financial statements) of the Group as of December 31, 2019 amounts to EUR 627,973 thousand.

(b) Issuance of bonds

For additional details see section part E of the board of directors report attached as chapter B to this periodic report.

(c) Loan from controlling shareholder

On May 9, 2019, the Company's audit committee and Board of Directors approved the receipt of a loan from the Company's controlling shareholder, in the amount of up to EUR 100 million, for a period of two years, with the actual funds being made at the discretion of the Board of Directors. Said loan will bear interest of 2.58%, and early repayment by the Company is possible at any time.

As of the report date, EUR 44.2 million were made available to the Company, of which the Company returned EUR 35.2 million.

For further details, see Regulation 22 of additional details chapter, which is attached as Chapter D to this report, and the Company's immediate reports of May 12 and July 14, 2019 (Reference No. 2019-01-040008 and 2019-01-060426, respectively), which are hereby included by way of reference.

1.12.3 Ratification of credit rating by Maalot – on March 25, 2019, the credit rating company, Maalot, ratified for the Company the rating of ilAA- (stable outlook) and for the Company's bonds Series A B and C ratified the rating of ilAA- [1]

1.12.4 Limitations Applicable to the Group in Receiving Financing

1.12.4.1 Financial criteria determined within the financing agreements that the Group's companies are a party to

In some of the financing agreements, the property companies are required to undertake various financial commitments and additional commitments, failure to comply with which constitutes, in some cases, grounds for calling immediate repayment by the lender, under the terms listed in the financing agreements and as customary in such agreements. For details regarding the central financial criteria in most of the loans of the Company from banking corporations, see the table below.

As of December 31, 2019, the Company has met all of the financial criteria determined within the financing agreements that the Company is a party to. For additional details regarding the calculation of the financial criteria in the material loan agreements for the Company, see the following table.

[1] For additional information see Maalot rating activity report that was attached to the Company's immediate report dated March 25, 2019 (reference number02612-01-2019) which is brought by way of reference.

1.12.4.2 Change of control clauses determined within the financing agreements that the Group’s companies are party to

As stated above, in some of the financing agreements, the property companies are required to undertake to not change control in the property company level up to the Company's level (BCP)

It is stressed that there is no control change clause which relates to any of the controlling shareholders in the Company (BCP) as described in below.

Under the deeds for bonds A, B and C, it was determined that (in the deed of A bonds) the transfer of control of the Company (as defined in the Securities Law), directly or indirectly, constitutes cause for immediate repayment, and (in the deed of B and C bonds) the transfer of control of the Company (as defined in the Securities Law), directly or indirectly, in the manner in which ADLER ceases to be the controlling shareholder of the Company, constitutes cause for immediate repayment and/or realization of collateral.

1.12.4.3 Liens and guarantees

To secure the loans from banking corporations liens have been recorded on the real estate assets, the bank accounts in which rental fees are received, the assignment of rights for rental fee receivables, the assignment of rights for insurance policies of the assets and liens on shares of the property companies. It shall be noted that for some of the assets and property companies, there is cross-collateralization to secure financing taken for the purchase of the assets and/or refinancing of the assets.

It is indicated that the remaining bank loans are non-recourse.

1.12.5 **Table Summarizing SWAP Agreements**

The following are details regarding the SWAP agreements that the Company engaged in before December 31, 2019 and which as still effective as of the Signing Date of the Report:

Source/Bank	**Completion Date**	**Amount in EUR thousands**	**Company**	**Value as of December 31, 2019 in EUR thousands**
Foreign banking corporation	September 30, 2022	44,553	A German corporation wholly controlled by the Company	(683)

1.12.6 **<u>Average Interest Rates and Effective Interest Rates</u>**

The following are the average interest rates and the effective interest rates of loans from banks which were in effect in the reported period which are not designated for specific use by the Company:

	Average interest rates for loans designated for specific use as of December 31		
	2019	2018	2017
Banks	* 1.68%	1.61%	1.66%

* Calculating the average interest rate does not take into account the interest on bank loan taken for the purpose of selling the land in Gerresheim.

1.12.7 **Variable Interest Credit**

As part of the Company's policy and in accordance with the demands of most financing banks, the Group's companies customarily engage in hedging agreements as part of the financing agreement system, in a manner determining the variable interest rate and making the loans, in effect, fixed interest loans.

As of December 31, 2019, there are 6 loans in the Group which were provided to the Group between October 2013 to December 2019 for the purchase of assets and refinancing, bearing variable interest as follows:

Mechanism	Date loan was taken	Range of interest for the year ending on December 31, 2019	Gross credit amount as of December 31, 2019 in EUR thousands	Interest rate near signing date of the Report
(*) Matrix- variable base interest, 3 month Euribor plus the bank interest margin at a rate of 2.30% per year.	February 28, 2014	2.78%-2.78%	37,209	2.78%
Park Blick - variable base interest, 3 month Euribor plus the bank interest margin at a rate of 2.25% per year	August 29, 2014	2.25%-2.25%	8,000	2.25%
Kita – variable base interest, 3 month Euribor plus the bank interest margin at a rate of 1.75% per year	February 28, 2015	1.75%-1.75%	1,955	1.75%
Dusseldorf - construction loan- variable base interest, 3 month Euribor plus the bank interest margin at a rate of 1.95% per year	Credit line withdrawals	1.95%-1.95%	5,747	1.95%
Magdeburg & Patros - variable base interest, 3 month Euribor plus the bank interest margin at a rate of 1.35% per year. Interest rate was fixed SWAP transaction. The interest rate close to the report signing date weights the SWAP transaction	November 23, 2017	1.9%-1.9%	44,553	1.59%
Gerresheim - variable base interest, 3 month Euribor plus the bank interest margin at a rate of 4% per year.	February 28, 2018	4.00% -4.00%	132,000	4.00%

1.12.8 The following is a description of the loans, material liens and the credit from banking corporations of the Group, as of December 31, 2019:

No.	Borrower Corporation	Lender	Loan Granting Date	Amount of Original Loan Facility (EUR thousands)	Number of Quarterly Payments (principal + interest)	Principal Balance as of 31.12.2019 (EUR thousands)	Last Repayment Date	Liens/ Securities	Annual Interest	Fixed Interest due to SWAP	Change of Control Clause	Financial liabilities	Notes
1	Portfolio loans[1]	Foreign banking corporation	September 30, 2016	110,000	2% of the original principal amount in the year payable monthly.	102,773	September 30, 2021	First priority pledge on the assets (6 complexes for residences, 3 buildings used for commercial and office purposes called the "Panther Portfolio"). A pledge of the accounts of the bank, and the insurance proceeds, as well as the assignment of rental fees for the benefit of the Lender.	Fixed rate of 1.22%	NR	The borrower must update the lender at the outset of any change in the control of the asset company, when in this regard a change in the control means, a change in 50% or more of the holding of the capital of the asset company.	LTV less than 75%, DSCR greater than 135%	(1) Non-recourse loan; (2) the financial liabilities are at the assets group level
2.	Glasmacherviertel Co.&KG Gmbh	Foreign banking corporation	December 26, 2019	132,000	Bullet payment	132,000	June 27, 2020	First priority pledge in favor of the banking corporation on the rights in the asset of 193 thousand square meters in Gerresheim bank accounts	4%	No	For further details, see section 1.1.3.1 (c) regarding the sale agreement.	For further details, see section 1.1.3.1 (c) regarding the sale agreement.	For further details, see section 1.1.3.1 (c) regarding the sale agreement.

[1] Granted to the following companies: Brack Capital (Hannover) B.V, Brack Capital (Bad Kreuznach) B.V , Brack Capital Gelsenkirchen GMBH&Co. KG, Brack Capital (Dusseldorf Schanzenstrasse) B.V, (Ludwigsfelde) B.V, Brack Capital (Neubrandenburg) B.V, Brack Capital Germany (Netherlands) XIX B.V, Brack Capital (Remschied) B.V.

								and insurance proceeds.					

Table of Compliance with Clauses and Financial Undertakings

Following the table above, below data shall be presented regarding the Company's compliance with the financial criteria determined in its loans.[1] Calculation of the financial criteria: DSCR, ICR and LTV, is performed based on the definitions in the relevant loan agreement, and not necessarily in accordance with generally accepted accounting principles[2].

Serial number within the loans table	The date of providing the loan	Original loan framework amount in EUR thousands	Principal balance As of December 31, 2019 EUR thousands	Principal balance As of December 31, 2019 EUR thousands	Financial/other liabilities	Actual financial covenant DSCR/ICR as of December 31, 2019	Actual LTV financial covenant as of December 31, 2019	*Actual financial covenant DSCR/ICR as of December 31, 2019 and the signing date of the Report	Actual LTV financial covenant as of December 31, 2019 and the signing date of the Report
								As of December 31 2019	As of December 31 2019
1	September 30, 2016	110,000	102,773	105,031	LTV less than 75% DSCR greater than 135%	DSCR= 283%	LTV = 54%	DSCR=268%	LTV=65%

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[1] Regarding financial criteria in connection with Bonds (Series A, B and C) of the Company, see Part E, Chapter B "Board of Directors Report", attached to this Periodic Report.

[2] The various financial standards in the loan agreements are as follows. LTV: the ratio between the balance of the debt for the bank and between the fair value of the asset in the books, less the costs of the transactions and various taxes. ICR: the ratio between the cash flows and the service debt and between the payment of interest expected in the coming year, and DSCR is the ratio between the cash flows and the service debt and between the payment of the principle + the interest expected for the coming year, when the cash flows for the service debt are the revenues derived from the asset financing for the next twelve months according to the signed contracts (without contracts that are meant to conclude during the year) less the operating expenses of the asset according to the version of the bank. It shall be noted that the calculation of the financial standards is not exactly for the reporting date or for the signing date of the report (as applicable) but rather for the closest date on which the Company is required to present this calculation to the financing body.

1.13 Working Capital

Consolidated	Amount included in financial statements (EUR thousands)	Adjustments (for period of twelve months in EUR thousands)	Total (in EUR thousands)
Current assets	349,471	*(29,311)	320,160
Current liabilities	262,119	-	262,119
Surplus current assets over current liabilities	87,352	(29,311)	58,041

* Inventory of buildings under construction are presented in accordance with the operating turnover of the Company as a current asset in accordance with the GAAP. A total of EUR 29,311 thousand represents the value of inventory of apartments under construction that is expected to be delivered to apartment purchasers in a period exceeding 12 months.

1.14 **Insurance**

1.14.1 Property and Operations Insurance of the Group

Within the ongoing operations in Germany, the Group insures its operations and assets with various insurance policies, through local insurance companies, as follows:

A. Property insurance for risks customary in Germany, for the various assets that it owns, including loss of rental fees for an indemnification period of up to 36 months, by occurrence.

B. Third party liability insurance with limitations of liability of EUR 10,000,000 per occurrence and for an annual insurance period to cover liability from Group members in connection with the maintenance, operation and management of structures in Germany.

It shall be noted that the annual insurance premiums amount to EUR 1.5 million.

For details regarding the commitment of the group with ADLER Assekuranzmakler GmbH & Co. KG, a subsidiary of ADLER as insurance broker (Insurance broker) for entering into various insurance policies see Regulation 22 of Chapter D attached to this periodic report.

1.14.2 Director and Officer Liability Insurance in the Company

See Regulation 29a of Chapter D, "Additional Details about the Corporation", attached to this periodic report.

1.15 **Taxation**

1.15.1 Main Tax Aspects in Germany

Corporate Tax and Corporate Tax Rate

The revenues of the subsidiaries from real estate assets in Germany (both income from rental fees and from the sale of assets) are taxable with corporate tax in Germany. The corporate tax rate applied in Germany in 15.825% (including solidarity tax[1]).

Local Business Tax

In addition to the corporate tax, a local business tax (trade tax) applies in Germany at an effective rate ranging between 10% and 17.2%. Subject to certain terms, the trade tax does not apply to income generated from passive holding of real estate.

[1] Tax paid in Germany in order to asset developing the Eastern part of Germany in an amount of about 5.5%, calculated annually for corporations and individuals.

Dividend Withholding Tax Rate

In accordance with the domestic law in Germany, the dividend tax withholding rate for a foreign citizen is 26.375%, subject to the provisions of the double taxation treaty signed by Germany and the provisions of the Parent-Subsidiary Directive of the European Union, according to which there is an exemption from withholding tax from dividends between two companies who are residents of member states of the European Union[1] subject to a minimal rate and period of holdings.

Interest Withholding Tax Rate

In accordance with the domestic law of Germany, there is no obligation to withhold tax from interest for a foreign citizen, excluding interest paid on certain profit sharing bonds and loans – the withholding tax rate in such cases is 26.375%, subject to the provisions of the double taxation treaty signed by Germany and the provisions of the Interest and Royalties Directive of the European Union, according to which there is an exemption from withholding tax from interest between two companies which are residents of members states of the European Union[2] subject to a minimum rate of holdings.

Capital Gains

Generally capital gains are included in the calculation of taxable income as ordinary income subject to corporate tax (excluding capital gains from the sale of share by a tax exempt company under certain conditions).

Rules for Recognizing Financing Expenses

As of 2008, Germany has applied "interest barrier" rules, which replaced the thin capitalization rules. Based on these rules, the ceiling of withholding net interest expenses in a company will be limited to EUR 3 million per year. In the event that the net interest expenses in a company exceed the EUR 3 million ceiling, then the permitted interest expenses withheld for tax will not exceed 30% of the EBITDA of the Company. The non-deductible part is transferred to the following years, and will be added to the interest expenses claimed up to a ceiling of EUR 3 million or 30% of the EBITDA of the Company, whichever is higher.

1.15.2 Tax treaty between The Netherlands and Germany

Corporate Tax

Under the convention for double taxation between The Netherlands and Germany, the revenues of subsidiaries from real estate in Germany (both from rental fees and the sale of assets) are subject to corporate tax in Germany and are exempt from paying corporate tax in Holland.

[1] It shall be noted that The Netherlands and Germany are both member states of the European Union.
[2] It shall be noted that The Netherlands and Germany are both member states of the European Union.

Capital gains

Capital gains from the sale of shares of a Dutch company (by a Dutch company) whose assets mainly include real estate in Germany will be taxed in The Netherlands and effective from January 1, 2019 will also be taxed in Germany due to a change in German tax laws. However, the change will only apply to accrued capital gains as of December 31, 2018. It is proper noting that 95% of capital gains will be tax-exempt in Germany. Capital gains from the sale of shares of a German company (by a Dutch company) whose assets mainly include real estate in Germany will also be taxed in Germany as follows: 95 % of the capital gain is tax exempt and the remaining is taxable at corporate tax rate of 15.825 %.

1.15.3 **Taxation in The Netherlands**

Corporate tax in The Netherlands applies to the global revenues (from any source) of a Dutch company, at a rate of 20% in 2018 and 19% in 2019 of the annual income up to EUR 200,000, and a rate of 25% to taxable income annually exceeding EUR 200,000, subject to certain exemptions provided in the Dutch tax laws.

Participation Exemption in The Netherlands

One of the exemptions provided in the Dutch tax laws is the participation exemption. In accordance with the participation exemption, a Dutch company (a "holding company") which meets certain conditions may benefit from a tax exemption of revenues from dividends and capital gains, derived from its share in holdings of the other company (an "investee company"). The exemption shall apply to any holding in investee company (of 5% and more) if such holding shall be considered as held for mere passive investment (intention test).

Real estate companies: real estate companies are considered as passive investment. Accordingly, participation exemption shall apply to real estate companies.

Dividend Withholding Tax Rate

In accordance with the domestic law of Holland, the dividend withholding tax rate for foreign citizens is 15%, subject to the provisions of treaty for the prevention of double taxation to which The Netherlands treaty is party, the provisions of the Parent-Subsidiary Directive of the European Union, and Dutch tax laws. For additional details, see Section 1.4.1 above.

Interest Withholding Tax Rate

In accordance with Dutch domestic law, there is no withholding tax on interest payments to a foreign citizen. other than interest paid on promissory notes or bonds which have the right to participate in profits. In such cases, the same provisions of withholding tax applicable on dividends (as above) will apply. It is proper to indicate that effective from January 1, 2021, interest tax withholding obligation is expected to apply to foreign residents under certain circumstances.

Capital Gains

Generally, capital gains are included in the calculation of taxable income as ordinary tax subject to corporate tax. The profits from the sale of shares by a Dutch company are exempt from tax in Holland, subject to compliance with the participation exemption terms provided in the Dutch law (see above regarding the applicable of the participation exemption regarding the Company).

1.15.4 **Taxation in Israel**

BCP is a Dutch company, and therefore, in accordance with the provisions of the Income Ordinance [New Version], 5721-1961 (the "**Ordinance**"), and the provisions of the convention between The Netherlands and Israel regarding preventing double taxation and tax evasion regarding income tax (the "**Convention**"), BCP shall be subject to tax in Israel only for income generated or accrued in Israel and for capital gains from the exercise of real estate assets in Israel or rights in a land association in Israel, and similarly, to capital gains from the sale of movable assets constituting part of the assets of a permanent establishment of BCP in Israel.

1.15.5 **Tax Assessments**

For details regarding tax assessments for the Company and/or any of the subsidiaries, see Note 17 of the financial statements of December 31, 2019, attached in Chapter C of this periodic report.

1.15.6 **Effective Tax Rate**

The tax rate in The Netherlands is, as stated above, 25%; however, the vast majority of the Company's income is dividends and capital gains from subsidiaries abroad holding real estate assets in Germany, exempt under the participation exemption section.

1.15.7 **Losses for Tax Purposes**

See Note 16 of the audited consolidated financial statements of the Company as of December 31, 2019, attached in Chapter C of this Periodic Report.

1.16 **<u>Environmental hazards and the methods of handling them,</u>**

During 1999, a law was enacted in Germany known as the Federal Soil Protection Law, which was designed to arrange the treatment of land and the renovation of contamination land by imposing liability thereon to the land purchasers.

The law seeks to protect the land in the long term by preventing the harmful effects of soil, remedying existing damage, and provisions against the creation of new defects.

In addition, the local authorities are managing registries (Altlasten) within which plots are registered in the event that the area that the plots are located in are classified as areas containing contaminants. Accordingly, in the event of the purchase of land, the land purchaser is responsible towards the authorities to remove the contamination (regardless of whether the land is registered in the registry). In the event of the development of land or construction on land classified in the registry as dangerous or in the event of a change to the characteristics of use of the asset, the appropriate authorities may perform independent examinations for potential contamination, and in the event that contaminants are located, the asset owner or causes of the contaminants are required to neutralize the contaminants.

The pollutants are divided into two types: soil pollution and groundwater pollution, while the second is more severe due to the higher cost of removal. Throughout Germany, there are areas and entire districts in which the groundwater is contaminated due to war damage, heavy industry and mining, use of pollutants which were buried in the ground and not properly eliminated.

Within the process of purchasing real estate assets, the Group's companies are required to uphold the provisions of the relevant standards, if existing regarding air pollution and environmental protection. Within the due diligence performed by the Group, the Group performs preliminary examinations required regarding environmental protection: both for the registry of contaminants and for various indications and suspicions of contaminants. Only after the matter is investigated will a decision be made regarding the purchase. The Group has a policy that in the event of a real concern of pollution, an examination will be conducted by an expert on the matter prior to the purchase of the asset.

As of the report date, and excluding the land assets in Dusseldorf, the Group has not purchased assets with registrations or suspicions which are material, and which have prevented the Group from financing the same assets, and have not bothered in the financing banks in the valuations performed thereby.

To the best of the Company's estimation, and excluding the land asset in Dusseldorf, the cost of the examinations performed by the Group's companies, as well as the cost of treating matters related to environmental protection, is unsubstantial to the Group.

To the best of the Group's knowledge, and excluding the costs of cleaning land in the real-estate asset in Dusseldorf, it owns no asset that: (1) current use of which would be prohibited or limited due to land contamination problems; (2) is currently being inspected by the authorities as possibly being limited, or (3) required repair/renovation due to soil or groundwater contamination problems. For details regarding the land contamination of the real estate asset in Dusseldorf, and the estimated costs to remove the said contamination, see Section 1.17.1.2 above.

1.17 <u>**Limitations and Supervisions of the Corporation's Activities**</u>

1.17.1.1 <u>Land Sale Laws in Germany</u> – based on German law, land transactions are performed through a public notary, who has a dominant role in the asset purchase process. The notary functions as a neutral entity, and constitutes a type of guarantee until the completion of the transaction. Its function is to secure the rights of the seller and purchaser, while usually all of the consideration for the purchased asset is transferred to the notary in trust and secured thereby until the registration in the name of the purchaser without any contrary right whatsoever. Regarding the completion of a land sale transaction, it shall be emphasized that the completion of the transaction is subject to the registration of the rights and the transfer of ownership or lease rights (hereinafter: the "**Proprietary Rights**") in the name of the purchaser, in the land registry offices. In accordance with the German laws, the transfer of Proprietary Rights is completed with the registration in the land registry and in accordance with the notary's consent regarding the transfer of the Proprietary Rights. A condition for the transfer of the consideration to the seller is the existence of the following conditions: (1) the notary has inspected and found that there is no registration of opposing caveats on the asset. The notary ensures to register a caveat in the name of the purchaser to secure the purchaser's right to the transfer of ownership in its name regarding the sold property; (2) the notary has inspected and found that all of the legal and governmental approvals required for the performance of the transaction have been received, including that the City has waived its right of first refusal regarding the asset; (3) the notary has inspected and found that all of the approvals for the release of liens have been received (excluding liens which the purchaser has agreed to remain registered on the asset), as well as limitations on the transfer of rights in the sold property..

In German law, there are a number of types of rights regarding land, inter alia the following:

a. Ownership right, lease right and ownership right in part of a condominium.

b. The lease right is a proprietary right for a long period (up to 99 years), which is inheritable and transferable. The said right is recorded in a separate part of the land registry. Based on the provisions of the German law, this right is similar in substance to the ownership right, but is limited in time to up to 99 years with an extension option. The lessor may lien its rights (mortgage another pledge types), in which case, usually, the consent of the owner of the land is required.

c. The ownership right in a condominium is an ownership right regarding a certain part of the structure, as well as shared and not specific ownership of all of the specific shares of the shared property located in the building.

d. The land in Germany is divided into blocks which are defined in the land registry as blocks and/or plots which are documented separated within the land registry. Information regarding the land, the right holders to the land and regarding rights of third parties in connection with the land exist within the documentation as stated.

The registry as stated is divided into three parts as follows:

The first part – arranges the identity of the holders of the land (whether owners or lessees). The second part – arranges the limitations existing on the land which do not secure a guarantee for a financial debt of a third party (for example, an easement right, right of refusal of the local authority, lease right, etc.). The third part – registration of liens and pledges to secure the obligations for the benefit of a third party, such as a mortgage to a financing entity, etc.

1.17.1.2 Protection and Preservation of Sites – in accordance with the provisions of the local law, there is an Authority for the Protection and Preservation of Cultural-Historic Sites in Germany (hereinafter: the "**Conservation Authority**"), which enforces proper use of buildings with a cultural-historic background, and manages, inter alia, a registry of homes designated for protection and preservation. In accordance with the provisions of the German law, structures with a historic-cultural background are subject, inter alia, to the following provisions of the law: (1) Right of refusal – the sale of land on which the asset classified as cultural-historic is located, based on the law, is subject to the right of first refusal granted to the local authority, in the event that the local authority intends to conserve the asset. This right of refusal is exercisable within two months from the delivery of notice to the local authority of the sale of the asset; (2) change in the characterization of use of the asset – the Conservation Authority must be notified regarding any change to the characterizations of the use of the asset; (3) conservation requirements and reconstruction – the owners of the asset as stated and those making use thereof are subject to an obligation to make proper use of the asset, preserve it as a cultural-historic asset, and protect it from possible risk. In the event that the asset is harmed, the Conservation Authority may order its restitution; (4) approvals required for the performance of actions in the asset – any actions in the asset classified as a cultural-historic asset, including reconstruction of the cultural-historic asset, changes thereto, painting and overhead covering, signage and advertising, eviction and demolition require the approval of the Conservation Authority.

The Company has a single digit number of small assets (all of which are used for residential leases) that are designated for preservation. The only limitation related to these assets is upon the performance of material renovations to the façade of the structure. In such a case, the owners are required to receive approval from the Conservation Authority in the local authority in the framework of which the owners undertake to conserve the structure and its original façade.

It should be noted that as of the report signing date, the Company does not intend to perform any renovation to the façade of the buildings designated for preservation, and therefore no action is required on the matter on the Company's part, and it is emphasized that the Company has also not initiated any proceeding for a construction permit with regard to any of the assets designated for preservation.

1.17.1.3 Planning and Zoning Laws – in accordance with the provisions of the German law, planning matters and determining city building plans are determined based on the federal legislation of Germany, while the matters of project construction, including construction permits, are decided based on the state laws unique to each area (based on a division within Germany, dividing it into 16 states). The provisions of the law in Germany determine that generally, the conditions for construction of a project are the receipt of a permit from the relevant authority, provided after the submission of a proper request and compliance with the conditions required. The permit will be effective for the amount of time determined therein (in accordance with the state law), and expires after the completion of the said period. Accordingly, a result of construction without a construction permit, while breaching the terms of the permit, failing to comply with the construction safety conditions, etc., are breaches which may lead to the imposition of a fine on the project developer. In addition, in certain cases (for example, in the event that the structure endangers the health of the public and cost-effective repair is not possible, or in the event of construction without a permit while breaching the building instructions or material zoning provisions), grants the relevant authority in Germany the authority to order the building owner to demolish it. Generally, the renovation of structures which does not change the appearance of the building and does not require a change in building designation does not require the receipt of a permit from the local authority. It should be noted that as of the report signing date, the Company meets all of the requirements of German law with respect to planning and construction laws, including the issuance of construction permits for renovation actions to buildings where the scope of the renovation and/or its nature requires receipt of a construction permit, and is performing any action for which a construction permit is given in accordance with the terms set forth in the same permit.

1.17.1.4 Environmental Protection Laws – see Section 1.16 above.

1.17.2 Area of activity – income generating real estate

Various legal systems apply to the Income Generating Real Estate Sector in Germany, which delineate the activities in the field, including the legislation of land laws and legislation arranging the relationships between the tenant and landlord. The Group is subject to supervision on behalf of the various authorities with whom the Group's companies come into contact within the sector.

In this regard, it shall be noted that there is a difference between the various systems of law applicable to the sub-segments of the areas of activity, meaning commercial income general real estate and residential income generating real estate. Therefore, the following shall describe the various systems of laws applicable to the activities, based on the sub-segments and with respect thereto.

Inter alia, the Group is subject to the following laws and regulations which impact the activities of the Group in Germany:

1.17.2.1 Rental Laws in Germany regarding Commercial Income Generating Real Estate

a. **Requirement for written lease agreements** – based on German law, there is no formative requirement for a lease agreement. However, when a lease agreement is drawn for a rental period exceeding one year, there is a requirement of writing. If the written requirement is not fulfilled as necessary, then the agreement shall be considered to be effective for an unlimited period of time, and can only be terminated with prior written notice according to the time prescribed by law.

Currently, commercial rental agreements typically include a flaw curing clause with respect to the written requirement (hereinafter: the "**Curing Clause**") in order to cure any breach of the written requirement and to prevent either party from terminating the agreement before the end of the lease term determined. Breaches or flaws in connection with the fulfillment of the written requirement can be remedied by way of amending the lease agreement meeting with the written requirement in accordance with the German law. However, the parties shall be required to engage in the amendment as stated only if the Curing Clause as stated above was included in the original lease agreement. There is no registry of leases in Germany, or any other official registry that provides universal validity for rentals.

b. **Update/increase of rental fees** – the provisions of the German law regarding limitations to the increase of rental fees only apply regarding residential lease agreements. Regarding lease agreements which are not for residential purposes, usually, the lease agreement provides a mechanism for updating rental fees in accordance with the changes in the consumer price index. An update to rental fees must be bilateral (meaning, such that the rental fees will increase or decrease, as applicable). The consent to update rental fees as stated may only occur if the period of the lease under the agreement exceeds 10 years, whether due to the period set forth in the agreement or due to a combination of the period set forth as stated together with contractual option periods.

c. **Term of the lease** – based on German law, the maximal term of a lease set forth in advance in a written lease agreement is 30 years. After 30 years, each party may terminate the agreement with prior notice of three months before the set termination date. This period of time is set forth by law. Usually, the period of the lease in commercial rental agreements ranges between three years and twenty years. Rental agreements typically include an option to extend the lease agreement by five additional years, subject to the provision of prior written notice (typically 6 or 12 months in advance) and/or an automatic option to extend for additional periods of one or two years at the end of the term of the lease, if neither of the parties had terminated the agreement prior thereto.

d. **Early termination of the agreement and tenant eviction –** based on German law, the rental agreement will end at the conclusion of the rental term, with a breach event or based on the mutual consent of the parties. The German law provides, regarding a lease agreement which is not limited in time, that either party may terminate the agreement in accordance with the completion dates provided by law or agreement. A party to the lease agreement for a fixed time may terminate the agreement unilaterally only “for just cause” – such as the non-payment of rental fees by the tenant on the one hand, or the withholding of a right of the tenant to make contractual use of the asset on the other. For details regarding the eviction of tenants from the leased property, see subsection 1.17.2.2 below.

e. **Commitment of asset owner towards tenants upon sale** – based on German law, in the event that the asset owner announces the sale thereof, the tenant has the right to terminate the rental agreement. In the event that the asset owner does not announce the sale, the owner shall guarantee the fulfillment of the commitments of the new purchaser, replacing it, towards the tenant. The lease agreement is transferred to the new purchaser automatically and does not need to be re-signed by the parties. In the event that the tenant deposited a security which is not returned by the asset purchaser at the end of the rental agreement term, then the previous owner of the asset shall be responsible to return it to the tenant.

f. **Operating costs** – based on German law, the asset owner shall bear payments and expenses applicable to the asset ("Nebenkosten"), such as taxes, insurance premiums, "building manager" costs, cleaning, heating, etc. This provision may be a condition in the lease agreement. In practice, it is customary that the tenant will also bear some of the operating costs of the asset, while usually the calculation is performed based on the ratio between the area rented to the tenant and between the total asset area.

g. **Repairs and maintenance** – in accordance with the provisions of German law, repairs and maintenance are the responsibility of the asset owner. However, usually, the agreement of the parties in the matter is different. It is customary that the asset owner will be responsible for repairs and maintenance of the roof and the leased property structure ("Dach und Fach") while the tenant shall be responsible for all repairs and maintenance within the rented property.

Usually, it is agreed that the tenant is responsible for interior decorating repairs ("Schönheitsreparaturen"), including plaster repairs, paint, etc., during the term of the lease. It shall be noted that in accordance with the current case law in Germany, the obligation of the tenant to perform internal design repairs may be invalid under certain circumstances (such as a requirement to renovate the leased property at the end of the term of the lease).

1.17.2.2 Rental Laws in Germany regarding Residential Income Generating Real Estate

The following shall describe the provisions of the law effective regarding residential lease agreements; the other provisions of the German law regarding rental agreements (including, without derogating from the above, formative requirements and written requirements, and early termination of the lease agreement in lease agreements with prescribed terms, liability of the asset owner after the sale of the rented asset to another), described in this section are applicable both to commercial rental agreements and residential rental agreements.

a. **Costs and payments** – based on the German law, the asset owner shall bear payments and expenses applicable to the asset, "Nebenkosten". The parties may agree amongst themselves that the tenant shall pay the said payments and expenses. Such consent must be clear and unequivocal. There are legal limitations regarding the rate of participation of the tenants in residential rental agreements for the said payments and expenses. The expenses that can be applied to the tenant are provided in the law, and include, inter alia, land taxes, structural and third party insurance premiums, trash removal costs, sewage, water, electricity, heat, lighting, cleaning, gardening, "building manager" and elevator operation expenses. It shall be emphasized that the tenant cannot be required to bear the administrative management costs of the asset and maintenance/repair costs of the asset (excluding expenses of ongoing maintenance of certain technical fixtures, such as elevators). The parties may agree regarding a payment mechanism of advances on a monthly basis (or in some cases – quarterly) for the said costs. At the end of a year of the lease, and within a year from the same date, the asset owner shall provide the tenant with a description of full costs for the same rental year, which describes the allocation of the said expenses among the renters in the assets and based on which settling of accounts between the parties will occur regarding a payment actually performed (whether overpayment or underpayment).

b. **Repairs and maintenance** – in accordance with the provisions of the German law, repairs and maintenance are the responsibility of the asset owner. The rental agreement can determine that the tenant will be responsible for repairs and maintenance, however, there are clear limitations in connection with the transfer of such liability (liability for payment only, and not for performance, as well as liability of the amount of expense per event and for a period regarding rental fees and in general). Due to current case law of the courts in Germany, sections of rental agreements as described above may become ineffective and non-binding.

c. **Update of rental fees** – the German law recognizes four basic options for increasing residential rental fees: first, the gradual increase of rental fees with the mutual consent of the parties. Second, it can be agreed to adjust the rental fees and link them to the cost of living index and consumer price index (typical for rental of commercial asset and not residential) . Third, the asset owner may request to increase rental fees paid thereto to the fair market price in accordance with the market rent level report ("Mietspiegel"); however, an increase as stated shall not exceed 10% as set forth below:

In specific areas that are declared through an order of the federal state as meeting the conditions justifying government supervision of rental fees, and for five years alone from the date of the order's approval, an apartment can be rented to a new tenant with rental fees that are no higher than 10% of the rental fees in the existing agreement for the asset/apartment and as long as the new rental fees are not higher than the relevant rental fees as set forth in Mietspiegel. In areas in which such order does not apply – rental could be raised for the new tenant above the existing agreement for the asset/apartment as long as the new rental fees are not higher than the relevant rental fees as set forth in Mietspiegel. The said limitation does not apply to apartments in new construction or in structures that have undergone thorough renovation that raises the standard of the apartments to like-new. **To date, no such order has been declared in the areas in which the Company operates;**

For an existing tenant, lease fees can be increased as long as the lease fees after the increase is in accordance with the specifications regarding the asset/apartment in the Mietspiegel table and an increase as stated will not exceed 20% in a three-year calculation. However, as part of the efforts of the German government to increase supervision of rental fees, any state may declare, with regard to a specific area/city, limitations to the increase of rental fees by no more than 15% in a three-year calculation ("Kappungsgrenze"). NRW government has declared a limitation as stated in a number of cities within NRW; however, **the limitation as stated does not apply to cities in which the Company's residential portfolio for lease is located (NRW).**

In addition, the Bremen government and Hannover municipality declared such limitation which is valid for Bremen (but not for Bremerhaven) in which the Company owns 745 units and Hannover in which the Company owns 838 units and Gottingen where the Company has 238 residential units.

In addition, the Federal Government of Saxony announced on 9.1.2018 such a limitation for the city of Leipzig in which the Company has 3,603 units, but the date of entry into force of the said directive has not yet been determined. Such limitation does not apply to other locations in which the Company operates.

Additionally and in addition to said increase, the asset owner may increase the annual rental fees after the performance of betterment or upgrades to the rented property, which also has a limitation of up to 8% of the total cumulative investment in the betterment or upgrade and a maximum increase of EUR 3 per square meter in 6 years (according to new legislation effective from January 1, 2019) . In connection with residential units that are rented with subsidies by the local authority – in the event that the increased rent exceeds the subsidy tables of the local authority, it may instruct the resident to vacate the apartment and find alternative residence in order to meet the terms of the subsidized prices.

It shall be noted that in the large majority of cases, the prevailing market rental fees are similar or higher to the rental fees permitted with subsidy based on the municipality tables, and therefore, upon vacation of the apartment as stated, the Company may rent the vacant apartment, after its renovation, at a price which shall not be less than the rental price allowed by subsidy. It should be noted that in calculating the fair value of the aforesaid assets, the said limitations have been taken into account.

It should be noted that in June 2019, the Berlin Senate approved a law that does not allow the increase of rental fees for five years for over 1.5 million apartments in Berlin. The law will take effect during 2020 and its clauses will apply retroactively from June 2018. The law does not apply to new construction. A landlord who fails to comply with the law and will violate the rental fee limit without reducing the rental fee so as to correct such rental is expected to pay a fine of about € 500,000. The Company does not have residential properties in Berlin and therefore this regulation is irrelevant for the Company

d. **Term and period of the lease** – in accordance with the provisions of German law, the term of the lease can be limited provided that a written agreement is made. The maximal term of a lease is 30 years. After 30 years, each party may terminate the written agreement, such to the delivery of an early termination notice in accordance with the provisions of the law. However, it should be noted that regarding the rental of residential apartments, the authority to define the rental agreements in advance with a specific period of time is only provided in certain cases, mainly if the asset owner intents after the term of the lease to: (1) use the asset for himself or his family; (2) renovate, upgrade or develop the asset; or (3) rent the asset to an employee in his business; therefore, usually, residential rental agreements are for an unlimited period of time, and can be terminated in accordance with the provisions of the law regarding early termination as described above.

e. Early termination of the term of the lease and eviction of tenants in rental agreements that are not limited in time - the German law provides that each party may terminate the agreement in accordance with the period of advance notice provided by law. Regarding the asset owner, said period is extended upon the passage of time from the commencement of the lease period, similarly, notice of termination of the agreement on behalf of the asset owner requires a reason justifying the termination as stated. A justifying reason as stated may exist if the tenant substantially breaches the lease agreement, if the asset owner needs the asset for personal use or use for his family, or if the lease agreement prevents the asset owner to make proper use of the asset, resulting in sustaining significant damages. It shall be emphasized that the agreement cannot be terminated in order to increase rental fees of the asset.

In addition, each party may terminate the agreement immediately for just cause. If the just cause is the breach of a contractual obligation (such as non-payment of two monthly rental fee payments), then a written warning must be issued before the agreement can be terminated, unless one of the exceptions provided by law is met. In the event of non-payment as stated, the tenant may remedy the damage by way of paying the late payments until two months after the submission of a legal claim for the eviction thereof. If the asset owner has terminated the agreement in accordance with the above, and received a final order for the court ordering the tenant to vacate the asset and return it to the asset owner, but the tenant fails to do so, the asset owner may initiate eviction proceedings.

f. Sale of the asset, sublease by the tenant – In accordance with the provisions of German law, the tenant is not permitted to transfer the lease agreement, charge it or sublease it without the consent of the asset owner. The refusal of the asset owner to the transfer as stated shall be on the basis of reasonable reasons. In the event that the asset owner will only consent in consideration for increasing rental fees, the asset owner may agree to the transfer as stated subject to the increase of rental fees in the asset. In the event that the tenant has passed away, then the lease agreement shall remain effective by the spouse and/or children of the tenant who shared the asset with the deceased.

g. Limitations regarding rental agreements for public housing – rental agreements within public housing (in this regard, public housing shall refer to assets which were established and/or renovated using financing of special public financing institutes which provide subsidized loans) are subject to special limitations in accordance with the provisions of the German law, including significant limitations in connection with the increase of rental fees. The limitations as stated are by virtue of the law and by virtue of financing agreements of the public financing institutes as stated above. In this regard, it shall be emphasized that in the event that the borrowing company early repays the loan taken from a public financing institute in connection with the construction and/or renovation of residential assets, then the same limitations continue to apply to the company until the elapse of 10 years from the early repayment date or until the planned repayment date based on the financing agreement, whichever is earlier.

In assets constructed or renovated through financing from a public entity before December 31, 2001, the rental fees are determined in accordance with the financial equation [*Kostenmiete*] taking the following parameters into account:

1) Financing expenses – including repayment of annual interest expenses for the loan taken to construct or purchase the asset, as well as a repayment of 4% of the equity invested, up to 15% of the total asset cost and 6.5% of the equity invested above 15% of the total asset cost;
2) Asset operating costs, including depreciation of 1% of the total construction costs, managerial expenses in the amount of EUR 230 per year per apartment, and EUR 30 per year for parking, maintenance expenses, loss of rental fees in the amount of 2% of the total annual renal fee income, and more)ation and variables listed above are ; the calcul[1] specified in financing agreements, and vary from time to time in accordance with the update of the index and the rental fees are updated accordingly.

Regarding 373 residential units and 84 residential units in the residential asset in Oberhausen, a rental fee limitation as stated applies, arising from a loan subsidized from the WFA corporation (for details regarding the loan from WFA, see Section 1.12.4 below) in an amount that shall not exceed EUR 4.35 per sq.m., and EUR 4.15 per sq.m., respectively. The said loan was prematurely repaid in October 2016, however, the said rental fee limitations remain valid till October 2026, a ten years term from the loan redemption date. It should be noted that the said limitations were taken into account in the calculation of the fair value of the same assets.

[1] Amounts linked to the consumer price index on a triennial basis.

As for 93 out of 144 residential units in the residential property of Hanover-Kronesberg, there is a rent restriction as follows: in 47 residential units the rent will not exceed € 7 per square meter for one room apartment and € 6.3 per square meter for the other types of apartments. Regarding 26 residential units, upon the rotation of tenants, rent will not exceed 15% of the rent of the previous tenant.

1.17.3 Area of activity - betterment of the land in Dusseldorf

1.17.3.1 Planning and Zoning Laws-

In accordance with the provisions of the German law, planning matters and determining city building plans are based on the federal legislation of Germany, while the matters of project construction, including construction permits, are decided based on the state laws unique to each area (based on a division within Germany, dividing it into 16 states). The provisions of the law in Germany determine that generally, the conditions for construction of a project are the receipt of a permit from the relevant authority, provided after the submission of a proper request, and compliance with the conditions required.
The permit will be effective for the amount of time determined therein (in accordance with the state law), and expires after the completion of said period. Accordingly, a result of construction with a construction permit, while breaching the terms of the permit, failing to comply with the construction safety conditions, etc., are breaches which may lead to the imposition of a fine on the project developer. In addition, in certain cases (for example, in the event that the structure endangers the health of the public and cost-effective repair is not possible, or in the event of construction without a permit while breaching the building instructions or material zoning provisions), the relevant authority in Germany in granted the authority to order the building owner to demolish it. However, generally, the renovation of structures which does not change the appearance of the building and does not require a change in building designation does not require the receipt of a permit from the local authority.

1.17.3.2 Environmental Protection Laws-

Regarding the land complex (with a total area of about 150,000 thousand sq.m) [1](which includes Land I (as defined below) and the land on which the Company's Grafental residential project is constructed), in a central area of Dusseldorf, as a result of the industrial activity carried out over the years in the asset, about 50% of the asset's area contains soil contamination of heavy metals and PAH. It shall be emphasized that groundwater contamination [2] was examined with no negative findings. Regarding the soil contamination in the asset, and in accordance with the approvals of the relevant authorities

[1] It should be noted that the Company developed and delivered apartments in said land complex from stage A up to and including stage C. as a result, the land areas for these stages have been delivered to the apartment purchasers and are not under its ownership.

[2] Polycyclic Aromatic Hydrocarbon – considered to be one of the most common organic pollutants in soil contamination.

and the inspection report prepared by the Company, the above shall not prevent and/or limit the current use of the asset taking place and/or prevent or limit the approval process of the city building plan regarding the said land and/or prevent or limit the issuance of construction permits under the said city building plan. Upon the commencement of the future development and construction work in the land, it will be necessary to remove the layer of contaminated soil and send it to designated landfills. The removal of the layers of contaminated soil and their transfer as stated is estimated, in accordance with the expert report initiated by the Company, to amount to about EUR 4.7 million. The Company has already borne a material part of this cost in the framework of the construction costs of stages that were delivered and the performance of public infrastructure work (sewage, water, roads, etc.).

With respect to land in Gerresheim - the soil was cleared from the industrial pollution it had contained, and about 90% of the upper layer to a depth of about 3 meters was replaced by the seller under the supervision of the relevant authorities, including the environmental department of the municipality of Düsseldorf. It is noted that the documents forwarded to the potential buyers included an approval from the city of Dusseldorf.

1.17.3.3 <u>Purchase Tax</u> – as of the report date, the purchase tax on the land in Germany is at a rate that ranges between 3.5% and 6.5% of the cost of the asset. It should be noted that in Dusseldorf (as well as NRW generally), purchase tax as of January 1, 2015 is 6.5%.

1.17.4 Area of activity – residential real estate development

1.17.4.1 See section 1.17.3.1 above. The table of proceeds from apartment purchasers in Germany as specified in German law is as follows: 30% upon the commencement of the construction work, 28% upon the completion of the skeleton, 12.6% upon the completion of the roof, 10.5% upon the completion of the installation of internal piping (water, electricity, sewage) and the systems in the building (elevators, heating, etc.), 7% upon the completion of the finishing construction (internal and external), 8.4% upon the delivery of the apartment and 3.5% upon the completion of all work in the project (such as in the event that the environmental development work was not completed before the apartments are occupied).

1.17.4.2 Additionally, upon the receipt of the first receivable on account of the sale consideration, in the event that the Company is unable to record a caveat for the benefit of the purchaser in the land authority because the registration process of the condominium has not been conclusion (parceling), then the Company shall issue a bank guarantee to the resident for the entire amount paid until the registration of the caveat as stated.

1.17.4.3 Additionally, the German law determines liability for the quality and inspection for a period of five years from the delivery date. The liability is not transferred to the main contractor and applies to the developer; however, on the other hand, the developer receives a quality guarantee from the performing contractor at a rate of 5% of the total construction upon the completion thereof in the project, for the purpose of covering the liabilities of the Company for quality and inspection with the apartment purchasers.

1.18 Collaboration Agreements

On July 1, 2019, the Company completed the acquisition of rights in a number of joint ventures, exercising its right of refusal/ first offer (as the case may be), and alongside the controlling shareholder in the Company such that ADLER's subsidiary acquired 10.1% of the rights and/or holdings in the relevant asset companies. For further details, see section 1.1.3.2 above, and the Company's immediate reports of January 29, May 11 and July 1, 2019 (Reference No. 2019-01-010509, 2019-01-040008 and 2019-01-056562, respectively) which are hereby included by way of reference. It should be noted that ADLER has entered into terms of engagement that existed with the former holders of rights, as set forth in the Company's reports under Section 1.18 of Chapter of Description of the Corporation's Affairs in the Company's 2016 Periodic Report, published on March 26, 2017.

The Company has a collaboration agreement with a partner of the Company holding 50% of the joint venture rights in Aachen. For further details see section 1.8.2 above.

1.19 Legal Proceedings

1.19.1 Regarding legal proceedings conducted against the Group, see Note 18b of the Consolidated Financial Statements as of December 31, 2019, attached in Chapter C to this Periodic Report.

1.19.2 On April 8, 2018, a motion to approve a class action was filed against ADLER, Redzone Empire Holding (the former controlling shareholder in the Company) and the management team (as defined in section 1.3.1.3 above) with the Tel Aviv District Court (the motion) by a shareholder in the Company regarding alleged violations of the provisions of the Companies Law as well as Tender Offer Regulations with regard to the special tender offer submitted by ADLER to the shareholders of the Company on February 19, 2018 (which was amended on March 20, 2018).

It is clarified that the Company is not a party to this proceeding. For additional details regarding the motion, see the immediate report of the Company dated April 9, 2018 [Ref. 035494-01-2018], which is included by way of reference.

1.19.3 Further to Note 17A (5) to the Company's financial statements for 2018, in June 2019, the Company reached an interim agreement with the performing contractor, under which the Company provided an additional € 1.6 million (paid at the beginning of July 2019 and recognized in the cost of sales during the reporting period). In addition, there are financial requirements of the contractor in the amount of € 3 million, against which the Company has counter-claims, as stated in the above note.

1.20 **Business Goals and Strategy**

1.20.1 General

As stated in section 1.1.3.1 above, the Company continues to explore options for focusing its business strategy in the field of income-generating and residential development real estate. The purpose of the Company is to provide its shareholders with an excess return, relative to the risk level, inter alia, by the following:

(1) Areas of activity - focusing the Company's activity in the field of income-generating and residential real estate development and continuing its operations to sell additional parts from the Company's commercial real estate portfolio.

(2) The Company's assets - the Company intends to continue to promote and invest resources in completing the Company's residential development projects (with an emphasis on the continued land betterment and project development in the city of Düsseldorf and Aachen) and to examine the operating options for these projects, including marketing them, holding them for long term rentals and even selling them subject to market conditions. The Company intends to leverage the knowledge and experience gained in executing complex transactions under the best price conditions from the market conditions that enable value unlocking both at the time of the transaction and throughout the life of the asset.

(3) The market – focusing on the German market while taking into account that the German residential market is considered to be a stable, large and liquid market.

(4) Management - maintaining a stable and high-quality staff while constantly exploring options for administrative cost savings, including the possibility of entering into a service agreement with the controlling shareholder of the company subject to applicable law and the necessary organs' approvals.

(5) Financing - reducing the Company's leverage while maintaining the Company's (AA-) rating, among others, as follows:

On the Company level – the Company strives to improve the debt structure in order to reach overall leveraging on the Company level of no more than 35% (LTV) interest coverage ratios that are not less than 3 (the EBITDA ratio from the income-generating assets only to the total interest expenses), all while maintaining the Company’s high credit rating (AA-) and improving the Company's financial flexibility.

On the asset level: adjusting the financing structure upon the purchase of the asset (including the loan term, selecting the financial instrument to hedge the interest risks, consent with the bank regarding the deferred payment of principal in a period up to the stabilization of the operating parameters of the asset against the use of the surplus cash flows for investment in the asset until meeting the business plan goals, building Capex funds and more, for the business plan of the asset and/or asset portfolio, in a manner enabling maximal flexibility in the execution of the business plan and maximizing the asset value.

It should be noted that the Company is constantly examining the German real estate market and looking for possible ways to maximize the Company's results, including through the sale of additional assets of the Company's portfolio, including the Company's income generating assets, all subject to the attractiveness of the terms of the transaction, while paying attention, among others, to the possible consideration, the asset value in the books, the potential revenue of the asset and market situation.

1.20.2 Income generating real estate activity

The Company intends to continue to hold and improve the income generating real estate assets and promote operational improvement of the residential income generating real estate.

1.20.3 Area of activity - land improvement in Dusseldorf and real estate development.

The Company intends to promote real estate development projects in accordance with its various stages, to promote city building plans in the area of land improvement and considers to continue selling commercial assets.

1.21 Projected Development during the Coming Year

1.21.1 The Company intends to take actions to focus its business strategic including the continued sale of additional parts of its commercial portfolio. For further details see section 1.1.3 above.

1.21.2 In the residential income generating sector the Company intends to continue implementing the betterment plans in the multifamily mainly retaining occupancy rates and improvement in rental fees per square meter.

1.21.3 Residential development in Dusseldorf and Aachen:

1. Continued development, marketing and handing over apartments in stages in development in Grafental project in 2020.
2. The receipt of construction permit for Stage I and in Grafental Mitte project during the second quarter of 202.
3. Continued promotion of the city building plan regarding the land of 193 thousand square meters in Gerresheim neighborhood Dusseldorf Germany and its approval until the end of 2020. Regarding the agreement for the sale of the complex see 1.1.1.3 c above.
4. Project development in Aachen

1.21.4 Improvement of the land in Dusseldorf:

The continued promotion of city building plans for the land complexes in Dusseldorf towards their approval during 2020 (see details in Section 1.7 above).

It should be noted that the above information is based on the Company's estimates regarding the trends events and developments in connection with the Company's activity which had or may have an impact on the development of its activity and its business results. The Company's estimates indicated in this section regarding future developments are forward looking information as defined in the securities law. The Company's estimates, as aforesaid, are based on

data held by the Company assuming its activity shall continue in the ordinary course of business. There is no assurance that these assumptions and estimates shall materialize in whole or in part since they depend on external factors over which the Company is unable to exercise its influence or that its impact on them is limited including the receipt of regulatory approvals and their dates.

1.22 Discussion of Risk Factors

The Company's management estimates that the Group's operations in its area of activity are exposed to the following main risk factors:

1.22.1 Macro-Economic Risk Factors:

(A) **The market situation in Germany** – among the macro-economic factors in Germany which may impact the operating results of the Company are the growth rate in the GDP and change in employment. These factors have a direct impact mainly on the demand for commercial and new residential areas. Similarly, a change in the private consumption in Germany may impact the revenue of retail companies and is derived from the demand for commercial space. Fiscal restraint which will be expressed in the reduction of the welfare budgets may detrimentally impact the residential rental market in Germany, as well as increase unemployment in Germany, may lead to decreased demand for apartments and curb the increase of average rental fees per sq.m. Due to the nature of the Company's operations in the field of real-estate in Germany, the state of the German economy will significantly impact the operating results of the Company. Material adverse changes in the market in Germany may impact the Company's ability for business development in this country.

(B) **A recession in the credit market, downturn in the capital markets in Israel and globally, insolvency of European countries and the concern of the dismantling of the Eurozone due to the rise in regimes advocating exit from the union**- increase in Governments in some EU countries that advocate exit the from the Eurozone, similar to Brexit, can lead to return of the recession in the credit market and fears of a decline in the credit rating of European countries (such as Greece, Spain, Portugal and Italy), as experienced by the EU during the second half of 2011 while creating a domino effect that will also impact additional European countries, including Germany. The consequences of this scenario on the Company are expected to be expressed in difficulties obtaining credit financing, stricter financing terms (high equity to debt ratio, high interest costs as a result of an increase in margins required by banks, etc.), resulting in a slow-down in the real estate market in Europe generally and Germany specifically, which will cause fewer transactions and harm the Company's expansion. Additionally, a slump in the capital markets in Israel and outside of it may harm the Company's future ability to perform issuances in Israel and in stock exchanges abroad, and a slump as stated in the capital markets in Israel and abroad may cause difficulty in recruiting capital and debt for financing the Company's activities. It should be noted that as a result of the declaration of the QE plan of ECB in January 2015, considerable stabilization began in the capital and debt marks in Europe, including stabilization in the real economic activity in Europe generally and Germany in particular, through a significant decrease in bank financing costs.

(C) **Interest risks** – regarding the Company's assets, an increase in the interest rates increases the rates of return sought on behalf of the investors, and thus decreases the value of the real estate.

Regarding the liabilities of the Company, the Company hedges the majority of its financial risks by taking loans with fixed interest or alternatively engagement in interest swap agreements (SWAP). Therefore, its main exposure, is not cash flow.

(D) Spread of Corona virus - The spread of the Corona virus has macroeconomic implications for all countries of the world, including Germany. The countries of the world are taking various steps to prevent the spread of the virus as well as its impact on global markets. The German government has also taken a number of steps to eradicate the spread of the virus and its impact on the German economy. At this early stage, the Company is unable to assess the exact effect of the spread of the aforementioned virus on its operations, but taking into account that the Company has focused its residential real estate activities and reduced its commercial real estate portfolio, the Company believes the impact of the spread of the Corona virus on the Company's activities and its results will be moderate. In addition, the significant improvement that has taken place in the Company's leverage level in the past year, its access to financing sources including a line of credit from the Company's owner and the right to receive significant amounts of proceeds for uncompleted transactions, may help maintaining the stability and solvency of the Company at this period. It should be clarified that the Company's assessments in connection with the implications of the Corona virus as mentioned above, including its stability and solvency, are based, inter alia, on public information published in the media as of the date of the report. The Company's estimates in this regard may or may not materialize or materialize differently from the above.

1.22.2 Sectorial Risk Factors – Income-Generating Real Estate

a) **Decrease in demand for areas for rent –** the crisis in the real estate market in Europe and Germany may lead to a decrease in the demand for areas for rent, erosion of the rental fees in the Group and harm its financial results. The high occupancy rates of the Company may be harmed in the event that a decline occurs in the demand for areas and/or non-renewal of existing lease agreements. The demand for office and commercial spaces may decline as a result of the increase in supply of areas, and as a result of competition over high-quality tenants (with financial strength).

b) **Decrease in insolvency of tenants** - this risk factor may lead to an increase in provisions for doubtful debts or alternatively may cause non-renewal and even early termination of the lease agreements.

c) **Decrease in the scope of governmental support for low-income strata –** in certain areas of Germany, in which the Company also operates, the government provides support in the form of participation in rental fees for needy populations (unemployed, disabled and the elderly). A decrease in the scope of support may lead to a decrease in the ability to make payments by tenants. It shall be noted that about EUR 0.7 million representing 11% of the total apartment rental fee income in the field of residential income-generating real estate is paid on a monthly basis by the relevant local authority in accordance with the housing subsidy policy for eligible tenants of the same relevant authority.

d) **Value of the Company's assets**– the Company is exposed to the decrease in value of the assets it holds, and the inability to exercise them. A decrease in the values of the Group’s assets and/or inability to exercise them may negatively impact the business results of the Company. Determining the fair values of investment property is performed, inter alia, in accordance with the income capitalization method. The calculation of income capitalization involves making assumptions, including assumptions regarding the capitalization rates, assumptions regarding the renewal of agreements (mainly the probability of renewal and anticipated rental fees upon renewal) and the occupancy rates in the various assets, estimates which are naturally uncertain.

e) **Purchase and liability risks** – the Company insures the real estate with a property insurance policy, and also purchases policies to insure the customary risks that the Group is exposed to. In the event of an insurance event, the Company may be financially exposed in the sum of the difference between the total insurance coverage rate and the financial scope of the action or damage to the asset. It shall be emphasized that according to the management of the Company, it is not underinsured.

1.22.3 <u>Sectorial Risk Factors – Residential Development of Real Estate in Dusseldorf:</u>

1) **Decrease in demand for the purchase of new residential apartments in Dusseldorf –** Dusseldorf has been characterized during the last five years by an increase in demand for the purchase of new residential apartments as a result of the economic boom that the city has experienced in the past 10 years (for additional details, see Section 1.5 above), which encourages positive immigration of a population in a high socio-economic section to the city. A reversal of this trend, as a result of an economic slowdown of the city may negatively impact both the level of demand for new residential apartments in Dusseldorf and the sale prices of apartments as stated, and consequently increasing the performance times and harm the profitability of the development residential project of the Company in Dusseldorf.

2) **Increase in supply of available lands and/or residential construction projects in Dusseldorf –** Dusseldorf is characterized by excess demand for new residential apartments compared to the existing supply as a result of the demographic increase on one hand and the reduction of supply of lands available for residential construction in attractive locations of the city. The forecast performed by the city of Dusseldorf during 2008 determined that given the continued demographic and economic trend existing in the City, a shortage of about 20,000 new residential units is expected in the city in the coming year. As a result of the shortage in availability of the land as stated, leading to an increase in prices of new apartments in the city (75% from 2009), real estate developers are acting to change the designation of existing land complexes from commercial/office/industry to residential. In the event that this trend leads to a significant increase in a short range of time of the supply of lands in central areas of the city for the construction of new residential apartments, the above may significantly worsen the competition, negatively impact both the level of demand for apartments in the Company's project, lead to a decrease in sales prices of new apartments in the city, and consequently increase the performance times and harm the profitability of the development residential project of the Company in Dusseldorf.

3) **Increase in construction input prices and/or contractor performance costs** - increase in the construction input prices as a result of the recovery of the global economic (for example, increase in prices of crude iron following the growth of demand for iron in India, Brazil and China) and/or increase in contractor performance costs for residential construction in Dusseldorf as a result of the possible growth in the number of competing projects (see Section 1.2 above), will lead to an unforeseen increase in performance costs of the Company's project in the city and a decrease in its profitability.

Increase in interest rates in the Eurozone – an increase in the interest rates in the Eurozone may negatively impact the Company's project in Dusseldorf in two ways: a) increase of interest rates in the short term will increase the financing expenses of the Company in connection with the following stages of the residential project; b) increase of the interest rate in the short term, if it also leads to an increase in the interest rates in the long term, will lead to an increase in the mortgage interest for apartment purchasers, and as a result will decrease the demand for new residential apartments, negatively impact both the level of demand for apartments in the Company's project, lead to a decrease in the sales prices of new apartments in the city, and as a result increase the performance time and harm the profitability of the development residential project of the Company in Dusseldorf.

1.23.4 <u>Risks Unique to the Group</u>

a) **State of the real-estate market in Dusseldorf** – a material decline in the sale prices of residential apartments in the city and/or a significant decline in the rental fees for offices in the city and/or a significant increase in construction costs and/or significant increase in the returns sought by the investors for the office assets in the city will lead to a decline in the fair values of the land in Dusseldorf and the profitability of the residential construction project of the Company in the city.

The following table presents the risk factors described above by nature – macro risks, sectorial risks and risks unique to the Group. These risk factors are rated in line with the estimations of the Company's management, the circumstances existing at the report date, based on their estimated impact on the Group's business:

	Degree of Impact of the Risk Factor on the Segment		
	Large	**Medium**	**Negligible**
Macro Risks			
Economic situation in Germany		+	
Recession in the credit market, downturn in the capital market in Israel and the world and insolvency of European countries		+	
Interest risks		+	
Sectorial Risks – income-generating real estate			
Decline in demand for rental areas		+	
Decline in credit solvency of tenants		+	
Decline in scope of governmental support for low-income strata			+
Value of Company's asset		+	
Purchasing and liability risks			+
Sectorial Risks – residential real estate development			
Decrease in demand for the purchase of new residential apartments in Dusseldorf		+	
Increase in supply of land available and/or residential projects for construction in Dusseldorf		+	
Increase in construction input prices and/or contracting performance costs		+	
Cost of the interest rates		+	
Risks unique to the Group			
State of the real-estate market in Dusseldorf		+	

The Company's assessment of the risk factors above, including the degree of impact of the risk factors on the Group and the spread of the Corona Virus and the Company's strength particularly at this time, is based on information existing in the Company and the world as of the Report date, as well as the estimations and intentions of the Company considering the current situation it is clarified that the Company may be exposed in the future to additional risk factors and/or the risk factors described above will develop differently than the Company's estimates and the impact of each risk factor, if realized, may be different than the estimates of the Company.

Board of Directors Report:

Corporation's State of Affairs

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

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

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

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

In this report:

"The report date" or "the date of the report" refers to December 31, 2019.

"Report signing date" or "the date of signing the report" refers to March 12, 2020.

"The reported quarter" refers to the year of 2019.

Preamble

Below are the Company's principal results for the year ending December 31, 2019.

1. **Profitability** – In 2019, the Company's net income attributed to the Company's shareholders amounted to approximately EUR 18.3 million, compared to income of EUR 100.9 million in 2018. For further details, including the fact that the main decrease in net profit is attributed to the increase rate of investment property, see section 6 in chapter A of this report.

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

   - **Income-producing real estate -** in 2019, the FFO amounted to EUR 32.7million. The contribution of the income producing residential activity amounted to EUR 22.7 million and the contribution of the income producing commercial activity amounted to EUR 10.0 million in 2019[1].
   - **Residential development activity** - In 2019, the contribution of the Grafental project amounted to a profit of EUR 13.0 million (consolidated). In the reported period, the Company recognized the cumulative sale of 89 residential units in Stage E of the project, according to a weighted performance rate of 83.1%, compared to a cumulative sale of all 89 residential units of the stage at a weighted performance rate of 67.8% as of December 31, 2019 and in cumulative sale of 86 residential units in Stage G of the project at a weighted performance rate of 83.6%.

[1] For details on the Company's contractual agreements to sell part of the Company's commercial real estate assets and the Company's strategy in this regard, see sections 1.1.3.1 and 1.20 of Chapter A to this report. The sale of the Company's commercial income producing real estate assets is expected to reduce the Company's rental income in the operating segment, along with further improvement of its cash position and the Company's leverage ratio, as set forth in Section 4 below.

2. Operating segments – key operational data[2]

2.1 Residential development segment – Grafental project[3]

Stage	Number of flats	Expected revenues (EUR in millions)	Expected income (EUR in millions)	Developer's profit [4] (in percentage)	Sales (in percentage)	Revenue recognition % as of the report date
E	89	49.6	12.0	32%	100%	83.1%
G	89	53.7	11.2	26%	95.3%	67.8%
H	96	58.0	10.0	21%	58.5%	0%
Total	**274**	**161.3**	**33.2**	**26%**	**84.6%**	**50.3%**

2.2 Income-producing real estate[5]

Zoning	Area ('000 square meters)	NRI Return[6]	ERV Return[7]	Actual NOI return[8]	NOI return according to ERV[9]	Occupancy rate
Residential	704	5.2%	6.0%	4.5%	5.2%	95%
Commercial	185	7.7%	7.8%	5.4%	5.6%	95%
Total	889	5.6%	6.3%	4.6%	5.3%	95%

* Excluding an asset in associate with an area of 7,000 sqm.

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

In the fourth quarter of 2019, the organic rent growth amounted to 1.9% compared to the corresponding quarter of 2018. As of the date of signing the reports the average rent is 6.37 EUR per Sqm. The ERV in new rentals in the residential market is 17% higher than the average rent.

3 Balance sheet structure and financial solvency -

3.1 **Equity and NAV:** The equity attributed to the Company's shareholders amounted to approximately EUR 712.07 and the NAV[10] amounted to EUR 808.5 million, as of the report date.

[2] As of the report date.
[3] Data according to 100%, the effective corporation's share in the project, is 84.98%.
[4] Represented by the difference between the revenue from sale of flats, minus the total development cost of flats, including land cost.
[5] Assets consolidated in the Company's financial statements, including assets for which binding sale agreements were signed; see immediate report dated June 30, 2019 (Reference number 055230-01-2019) which is included by way of reference.
[6] Data from November 2019 on an annual basis, divided by the carrying value.
[7] Estimated rental value – the expected annual return, provided that all assets are leased in full occupancy in return for the rental fees prevailing in the market.
[8] Data from November 2019 on an annual basis, divided by the carrying value.
[9] Actual NOI plus the difference between actual rental fees and the ERV, divided by the carrying values.
[10] EPRA NAV – for details regarding the index and the calculation manner see section 7.3 of part A below.

3.2 **Debt ratios**: The LTV ratio[11] is 44.30% as of the report date compared to LTV ratio of 48.03% as if December 31, 2018. The EBITDA ratio to interest expenses (from only the income producing portfolio, excluding operating income from development activity) was 4.33% in the fourth quarter of 2019.

3.3 **Liquidity**: Cash balances (consolidated) amounted to approximately EUR 44.4 million as of the report date.

3.4 **Financing**: The Company (consolidated) has bank loans with a total balance of EUR 628.0 million, at an average annual interest of 1.68%[12] and duration of 3.89 years. The Company has bonds at a total balance of EUR 100.4million at an average annual interest of 3.53% and duration of 3.41 years. For additional details regarding the Company's bonds see Part B, "Specific Disclosure for Bond Holders. For details regarding the loan from the controlling shareholder, see material events in the reported period.

4 Concise description of the Corporation and its business environment

As of the report date, the Company, its subsidiaries and associates (hereinafter, collectively: ("**the Group"**) have been operating in the field of real-estate in Germany across four primary activity sectors: residential income producing real estate, commercial income producing real estate, (collectively: the income producing segment); development residential real estate in Dusseldorf, and the betterment of land in Dusseldorf (collectively: the group's areas of activity).

Further to that what is stated in the Company's previous reports[13], in connection with the Company's refocusing of its strategy, entry into agreements and completion of transactions for the sale of a certain portion of its business, the Company, as of the report date, also continues to examine options for refocusing its business strategy in the area of income producing real estate and residential development. Thus, the Company took action during 2019 and it continues to carry out activities to sell additional assets of its commercial real estate portfolio. For further details regarding the Company's such activities, and in relation to the Company's strategy, see sections 1.1.3.1 and 1.20 of Chapter A of this report.

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

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[11] Net debt to total real estate assets.

[12] The average annual interest of the Company was calculated while neutralizing the bank loan that financed Gerresheim following the expected sale transaction. See Note 1.1.3.1 C of Chapter A regarding the agreement for the sale of parcel of land in Gerresheim.

[13] In the special tender specification published by ADLER, the controlling shareholder of the Company on February 19, 2018, as amended on March 20, 2018 (Reference No. 2018-09-016558 and 2018-09-026776, respectively); of the Company's periodic report for 2018 (Reference No. 2019-01-021453); of the Company's immediate reports of March 23, 2019, June 2, June 30, and September 23, 2019 (Reference No. 2019-01-023952, 2019-01-054682, and 2019-01-

4.1 Income Producing Real Estate

4.1.1 **Residential income-producing real-estate -** As of the report signing date, the Group owns 11,956 apartments with a total leasing area of approximately 704,000 m^2**.**

4.2 **Commercial income-producing real-estate -** As of the report signing date, the Group owns 18 commercial income-producing properties in the commercial segment (commercial and offices) with an overall leasing area of approximately 216,000 m^2, including assets for which the company has entered into a binding sale contract dated June 30, 2019, as specified in section 1.1.3.1 to Chapter A of this report (excluding an asset in a partnership with an area of 7,000 square meters). The annual rental is EUR 13.5 million

For details regarding the income-producing real estate, see section 1.6 of Chapter A of this periodic report.

4.2 Residential Real Estate Under Development - For details regarding the marketing, sales, handovers and performance of Stage E (89 units), Stage F (112 units), stage G (89 units) in the Grafental project and Stage H (96 units) in Dusseldorf, as well as the Company's additional projects, see Chapter A of this periodic report.

For further details regarding the marketing and performance status of the project's stages under construction, see the tables below.

055230, respectively); and the Company's Board of Directors' Report for the third quarter for 2019 (Reference No. 2019-01-110464); all of which are hereby included by way of reference.

		Project marketing										
		STAGE E							STAGE F			
		2019					2019					
	As of the report signing date	**Q4**	**Q3**	**Q2**	**Q1**	**2018**	**As of the report signing date**	**Q4**	**Q3**	**Q2**	**Q1**	**2018**
Flats (#)	89	89	89	89	89	86	89	86	83	66	51	27
Flats – total monetary consideration (including for parking, EUR in thousands)	49,563	49,563	49,563	49,563	49,563	47,961	53,689	51,169	48,696	38,559	28,553	14,301
Flats (square meters)	9,999	9,999	9,999	9,999	9,999	9,688	9,534	9,103	8,666	6,865	5,089	2,536
Average price per sqm (EUR) (including consideration for parking)	4,957	4,957	4,957	4,957	4,957	4,951	5,631	5,621	5,620	5,616	5,607	5,639
		Reservations (reservations) *as of the report signing date										
Flats (#)	Marketing concluded	0					Marketing concluded					
Flats – total monetary consideration (including for parking, EUR in thousands)		0										
Flats (square meters)		0										
Average price per sqm (EUR)		0										
		Signed agreements and cumulative reservations up to the report signing date:										
Flats (#)	89						89					
Flats – total monetary consideration (including for parking, EUR in thousands)	49,563						53,689					
Flats (square meters)	9,999						9,534					
Average price per sqm (EUR)	4,957						5,631					
		Marketing rate of the project %										
	As of the report signing date	31.12.19	30.9.19	30.6.19	31.3.19	31.12.18	As of the report signing date	31.12.19	30.9.19	30.6.19	31.3.19	31.12.18
Marketing rate on the last date of the period - signed agreements	100%	100%	100%	100%	100%	96.8%	100%	95.3%	90.7%	71.8%	53.1%	21.2%
Marketing rate on the last date of the period - signed agreements and reservations	100%						100%					

		Advances from customers										
	As of the report signing date	31.12.19	30.9.19	30.6.19	31.3.19	31.12.18	As of the report signing date	31.12.19	30.9.19	30.6.19	31.3.19	31.12.18
Advances from tenants (EUR in thousands)	42,338	40,648	35,814	27,619	14,142	11,657	40,713	34,150	18,089	0	0	0
Rate of Advances from tenants (%)	%85.4	60.1%	53.0%	40.8%	20.9%	17.8%	75.8%	63.6%	26.8%	0.0%		

Spaces for which agreements and reservations were not yet signed, as of the report signing date									
Flats (#)	-					-			
Flats – total expected monetary consideration (including parking, EUR in thousands)	-					-			
Flats (square meters)	-					-			
Average price per sqm (EUR)	-					-			
Total cumulative cost attributed to spaces, in respect of which binding agreements were not yet signed in the statement of financial position (consolidated) (EUR in thousands)	-					-			

	Project marketing		
	Stage H		
		2019	
	As of the report signing date	Q4	Q3
Flats (#)	65	58	33
Flats – total monetary consideration (including for parking, EUR in thousands)	37,940	33,957	19,071
Flats (square meters)	6,311	5,786	3,297
Average price per sqm (EUR) (including consideration for parking)	6,012	5,869	5,784
	Reservations (reservations) *as of the report signing date		
Flats (#)	-		
Flats – total monetary consideration (including for parking, EUR in thousands)	-		
Flats (square meters)	-		
Average price per sqm (EUR)	-		
	Signed agreements and cumulative reservations up to the report signing date:		
Flats (#)	89		
Flats – total monetary consideration (including for parking, EUR in thousands)	51,231		
Flats (square meters)	8,900		
Average price per sqm (EUR)	5,756		
	Marketing rate of the project %		
	As of the report signing date	Q4	Q3
Marketing rate on the last date of the period - signed agreements	%88.3	58.5%	32.9%
Marketing rate on the last date of the period - signed agreements and reservations	%88.3	58.5%	32.9%
	Advances from customers		
	As of the report signing date	Q4	Q3
Advances from tenants[14] (EUR in thousands)	11,232	-	-
Rate of Advances from tenants (%)	%19.4	-	-
	Spaces for which agreements and reservations were not yet signed, as of the report signing date		
Flats (#)	7	61	
Flats – total expected monetary consideration (including parking, EUR in thousands)	6,798	37,422	
Flats (square meters)	893	6,238	
Average price per sqm (EUR)	7,613	5,999	
Total cumulative cost attributed to spaces, in respect of which binding agreements were not yet signed in the statement of financial position (consolidated) (EUR in thousands)	2,589	14,253	

[14] The Company is expected to start charging apartment purchasers in the coming weeks after condo registration is complete.

4.2.1 Projected revenues, costs and developer's profits for the stages in progress and stages under the approved urban planning scheme, performance of which has not yet commenced in the Grafental residential project (EUR in thousands):

	Stage E	Stage F	Stage G	Stage H
Total expected revenues	49,563	28,925	53,689	58,029
Advances from apartment purchasers, as of the report date	40,648	0	34,150	0
Total expected cost, including land (EUR in thousands)	37,560	25,445	42,457	48,063
Completion rate (engineering/monetary), excluding land (%)	%83.1	%89.4	%83.6	23.5%
Total expected developer's profit[15]	12,004	3,480	11,232	9,965
Total developer's profit recognized in the Company's financial statements (consolidated) cumulatively, as of the report date	9,030	-	8,084	-
Rate of expected developer's profit (%)	%32	%13.7	%26.5	%20.7
Expected completion date	Q1 2020	Q2 2020	Q2 2020	Second half of 2021

[15] with respect to Stage F, it represents the expected value of the stage, designated for rental, as an income-producing asset after its completion.

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

It should be stressed that the expected developer's profitability in respect to Stage F is the expected profitability assuming that the asset (subsidized rental apartments and affordable housing under controlled rental) will be sold as an income producing property upon the completion of construction, and therefore cannot be compared to the developer's profitability in stages in which Condo apartments are being built for free sale in the market.

4.2.2 The following is a tabular summary of expected revenue, cash flow and developer's profit, not yet recognized in the Company's financial statements, from stages in progress and from stages under the approved urban scheme, in the Grafental project:

From sold apartments (EUR in thousands)

Data according to 100%. The corporation's effective portion in the project – 84.98%	Revenue not yet recognized	Cash flow not yet recognized	Developer's profit not yet recognized
Stages in progress (stages E, G and H)	54,554	20,775	11,559

From apartments not yet sold (EUR in thousands)

Data according to 100%. The corporation's effective portion in the project – 84.98%	Revenue not yet recognized	Cash flow not yet recognized	Developer's profit not yet recognized
Stage in progress G and H	26,592	10,032	4,529

4.3 Land in Dusseldorf for development - The Company owns 3 land complexes in Dusseldorf, Germany, undergoing advanced procedures to change the zoning from offices/industry to residential. For details regarding the Company's progress in the land zoning changes in Dusseldorf, and for additional details, see Chapter A of this periodic report.

4.3.1 The following is a tabular summary of expected revenue, cash flow and developer's profit expected from the land in Dusseldorf [16], real estate inventory in Dusseldorf, and inventory of buildings under construction without the asset in a joint venture in Aachen without a parcel of land in the Gerresheim neighbourhood[17]:

Data according to 100%. The corporation's effective portion in Grafental project 84.98% (EUR in thousands)	Revenue not yet recognized	Cash flow not yet recognized	Developer's profit not yet recognized
Apartments for rental, under rent control, in planning stages under urban schemes of Grafental Mitte/Ost	126,081	73,985	26,952
Condo apartments for free sale in planning stages under the urban schemes of Grafental Mitte/Ost and Grafenberg	270,682	141,441	60,120
Total	**396,763**	**215,426**	**87,072**

The information described above in connection with (1) stages E G and H in progress and (2) the land development in Dusseldorf, inventory of buildings under construction under the urban schemes of Grafental Mitte/Grafental Ost Grafenberg and the change of their zoning (including the expected dates of completion of Grafental Ost) regarding the total expected sales, the expected developer's profit and expected cash flow before taxes is forward looking information, not fully under the Company's control, and the actual materialization of such change of zoning, either in whole or in part, is uncertain.

The information is based on that which is held by the Company as of the report date, regarding: 1) demand for residential spaces in Dusseldorf; 2) market prices of residential spaces in Dusseldorf, both generally and in the area of the projects (including comparable competing projects)); 3) accumulated knowledge and experience of the Company's management and project managers in the segment; 4) the Company's forecasts and estimated costs of construction, development, and marketing of projects, based on the costs of the stages that, as of the report date, are in progress; and other estimates of the Company.

It is uncertain whether the change of zoning will take place and/or be consummated, as said consummation is subject to the planning and construction procedures required under German law, the consummation of

[16] It should be noted that a decision has not yet been made regarding the use of the land under the change of zoning from offices to residence in Grafenberg, including the development of the land complex. The decision to develop the aforementioned land complex is subject to consummating the relevant approval procedures of an urban scheme, the market conditions that shall prevail upon completion of said scheme, the ability to obtain financing for developing the project, the availability of equity resources required to realize said development plans, meeting financial ratios, and more. The data shown in the table were calculated on the assumption that the Company will elect to develop the parcel of land, and the land complex in Grafenberg, and that the rates of the developer's profit and cash flow in future stages in Grafental shall be similar to the rates of the Grafental project that is in progress as of the report date representing the best indication held by the Company for the purpose of this forecast and the profitability rates and cash flows in Grafenberg were based in accordance with the assumptions underlying the valuation of the asset.

[17] For details regarding the Company's agreement for selling 75% of its holdings in a company that holds the Gerresheim asset see section 1.1.3.1 C of Chapter A.

which is not controlled by the Company. In addition, in the event that approvals are received and the Company decides to establish the projects independently, leading to project execution, changes in circumstances (including - without derogating from the generality of the foregoing – a decrease in demand for flats in Dusseldorf and/or a decrease in market prices of flats in Dusseldorf, or increase in construction (or other) costs and/or the creation of special conditions) may significantly change the Company's estimates detailed above, which may have a material impact on the expected revenues from the projects, including their overall profitability.

It should be stressed that the expected developer's profitability in respect of rent-controlled apartments is the expected profitability assuming that the asset (subsidized rental apartments and affordable housing under rent control) will be sold as an income producing asset upon completion of construction and is not comparable to the developer's profitability in stages in which the Condo apartments are being built for free sale in the market.

5. Financial Position:

Assets	**December 31, 2019**	**December 31, 2018**	**Explanation for the change**
	EUR in thousands		
Current assets			
Cash and cash equivalents	44,409	27,138	See details in the statement of cash flow as part of the Company's financial statements, attached to this report.
Balances receivable from banks	-	414	The decrease is due to expiration of derivatives and turning them into cash
Restricted deposits, financial assets, and other receivables	68,356	21,249	The increase is mainly due to restricted cash amounting to approximately € 37 million received as a result loan refinancing as part of an agreement to sell the land in Gerresheim. See section 1.1.3.1 C of Chapter A.
Income receivable from the sale of apartments	7,464	4,474	The change is due to apartments sale rate and income recognition rate.
Tenants and trade receivables, net	505	1,523	
Inventory of buildings under construction	29,311	25,496	
Total current assets	**150,045**	**80,294**	
Assets of disposal groups held for sale	**199,426**	-	The increase in the reported period stems from the Company's agreements to sell assets. For additional details, see section 1.1.3.1 C of Chapter A.
Non-current assets:			
Investments and loans measured at equity	7,699	7,698	
Investments in financial assets, measured at fair value through profit or loss	42,149	37,019	The increase derives from classification of holding balance (10.1%) in companies that were sold in 2019. See section 1.1.3.1 C of Chapter A.
Inventory of real estate	71,768	216,061	The decrease in the reported period derives mainly from classification of asset held for sale. For additional details, see section 1.1.3.1 C of Chapter A.
Investment property – real estate rights	62,218	64,683	

Investment property – income-producing assets	1,123,350	1,410,282	The decrease in the reported period derives mainly from the sale and classification of investment property for which the Company entered into a sale agreement as assets held for sale.
Restricted deposits for investments in assets	6,168	5,381	
Other accounts receivable, fixed assets and other financial assets	328	426	
Deferred taxes	33	1,231	
Total non-current assets	1,313,713	**1,742,781**	
Total assets	1,663,184	**1,823,075**	

Liabilities	December 31, 2019	December 31, 2018	Explanation for the change
	EUR in thousands		
Current liabilities:			
Current maturities of loans from banking corporations	57,275	101,485	Classification of current maturities in accordance with the original loan amortization schedule
Current maturities of debentures	25,780	17,066	Classification of current maturities in accordance with the original bond amortization schedule
Loans for financing inventory of buildings under construction	5,747	2,098	
Accounts payable and other financial liabilities	23,963	30,066	
Advances from apartment purchasers	1,143	841	
Total current liabilities	**113,908**	**151,556**	
Liabilities of disposal groups held for sale	**148,211**	-	
Non-current liabilities:			
Loans from banks and others	415,904	659,614	The decrease in the reported period derives mainly from the repayment of loans that financed, or were related to, assets that were sold, and from reclassification of loans that financed assets for which the Company entered

			into a sale agreement, as liabilities held for sale.
Loans from the controlling shareholder	44,762	-	Loan received from the controlling shareholder. Loan balance as of the report signing date is EUR 3.2 million For further details, see Note 12 of the Company's financial statements.
Debentures	74,639	90,349	The decrease in the reported period derives from principal payment.
Leasing liabilities	3,010	3,041	
Other financial liabilities	404	384	
Deferred taxes	108,909	117,671	
Total noncurrent liabilities	**647,628**	**871,059**	
Total liabilities	**909,747**	**1,022,615**	
Equity			
Equity attributable to equity holders of the company	712,034	694,644	
Non-controlling interests	41,403	105,816	The decrease in the reported period derives from purchasing the rights of the partners in some of the company's investees.
Total equity	**753,437**	**800,460**	
Total liabilities and equity	**1,663,184**	**1,823,075**	

6. Activity Results:

	Year ended December 31 2019	Year ended December 31 2018	Year ended December 31 2017	Explanation for the change
	EUR in thousands			
Revenues from rental of properties	73,771	79,168	74,124	Decrease in scope of revenues derives from the sale of assets
Revenues from property management and others	25,904	26,980	27,022	
Property management expenses	(25,899)	(27,870)	(26,513)	
Cost of maintenance of rental properties	(12,296)	(12,717)	(9,689)	
Rental and management revenues, net	**61,480**	**65,561**	**64,944**	
Revenues from sale of apartments	70,029	62,753	58,958	
Cost of sale of apartments	(56,999)	(47,771)	(47,203)	
Income from the sale of apartments	**13,030**	**14,982**	**11,755**	
Other income	-	-	2,008	
General and administrative expenses	(16,138)	(12,520)	(11,499)	The increase in the reported period derives mainly from costs of transactions that did not actually materialize in the amount of EUR 4.0 million.
General and administrative expenses attributed to inventory of apartments under construction and inventory of real estate	(1,986)	(2,329)	(2,141)	
selling and marketing expenses	(375)	(365)	(389)	
Increase in the value of investment property, net	13,338	95,499	108,736	Updating the value of the Company's assets
Operating profit	**69,349**	**160,828**	**172,543**	Decrease in operating income derives mainly from decrease in the appreciation rate of investment property
Financing expenses excluding the effect of exchange rate differences, CPI, and hedging transactions, net	(19,090)	(19,646)	(19,490)	
Effect of exchange rate differences, CPI, and currency hedging transactions, net	(8,976)	6,509	(3,005)	
Change in fair value of financial instruments, loans and other (including early repayment costs of loans)	(11,291)	1,580	685	Mostly due to the cost of breaking loans that were repaid concurrently with the sale of assets.
Equity in earnings (losses) of companies accounted at equity	(107)	(723)	-	
Income before taxes on income	**29,885**	**148,548**	**150,733**	
Taxes on income	(12,258)	(29,505)	(31,689)	
Net and comprehensive	**17,627**	**119,043**	**119,044**	

Net and comprehensive income attributed to:				
Company shareholders	18,318	100,919	**101,124**	
Non-controlling interests	(691)	18,124	17,920	

7. Financing sources, liquidity and Cash flows:

	Year ended December 31	Year ended December 31	Year ended December 31	Explanation for the change
	2019	2018	2017	
	EUR in thousands			
Cash flows provided by operating activities (Cash flows used in operating activities)	37,508	(68,059)	74,076	In 2018, real estate inventory purchase costs were included.
Cash flows provided by investing activities (Cash flows used in investing activities)	89,948	(56,394)	(114,264)	See cash flow statement.
Cash flows provided by financing activities (Cash flows used in financing activities)	(110,185)	38,462	64,039	See cash flow statement

7.1 Access to financing sources:

7.1.1 As of the report date, the Company finances its current operations mainly from cash flows received from the Company's subsidiaries from their current activities, and from bank financing and debentures raised by the Company. In addition, the Company has the right to withdraw a loan extended to the Company by the Company's controlling shareholder, ADLER Real Estate ("ADLER"). For further details, see section 1.13.2 of Chapter A of this periodic report as well as the immediate report of the Company dated May 11, 2019 and July 14, 2019 (Reference: 040008-01-2019 and 060426-01-2019, respectively) which are hereby included by way of reference (the "**Qualifying Credit Facility**"). As of the report date and the report publication date, the Company has withdrawn EUR 44.2 million from the qualifying credit facility and paid EUR 41.0 million after the report date under early repayment such that, as of the report publication date, the Company's debt balance is EUR 3.2 million.

7.1.2 For details regarding the transactions for sale of part of its income-producing and development real estate assets, see section 1.1.3.1 of Chapter A of this report.

7.1.3 For additional details regarding the Company's loan refinancing, see section 1.13.2 of Chapter A of this periodic report.

7.1.4 For additional details regarding the Company's compliance with financial covenants and liabilities, see section 1.13.9 of Chapter A of this periodic report.

The Company evaluates its accessibility to financing sources as very high, in light of its financial strength, the stability of its core activity, and the good relationships it has created with the banks financing real-estate projects in Germany, as well as excellent accessibility to the capital market in Israel and the Company's high debt rating taking into account the possible implications of the continued spread of the Corona Virus on the availability of credit sources.

For additional details regarding the Group's financial sources see Note ___of the Group's consolidated financial statements for 2019 which are attached as Chapter C of this report.

7.2 Examination of warning signs

In view of the Group's financial structure and on the basis of the financial data specified in the Company's consolidated financial statements as reviewed by the Company's management, the considerable decrease in the Company's leverage level in the recent year and taking into account the fact that if the Company had a cash flow need, the Company could have withdrawn management fees or dividends from its subsidiaries, the Board of Directors has determined that the fact that the Company's solo statements indicate ongoing negative cash flow from operating activities and negative working capital does not indicate a liquidity problem and as of the date of this report, no warning signs are present.

The main considerations underlying the Board of Directors' decision were, among other things, as per the estimate of the Company's Board of Directors the fact that the Company, if required, has high access to additional sources of financing, including the ability to increase credit lines and use the unutilized credit lines and borrowings, raise capital (while paying attention to the Company's high access to capital markets) refinancing options under favorable terms, the right to receive proceeds in considerable scope from asset sale transaction that were not yet completed, the option of sale of assets (including as part of the Company's actions to sell a certain portion of the Company's assets and business within the refocusing of the Company's strategy in accordance with section 1.1.3.1 of Chapter A of this report, collateral release and more. In addition, the Company holds shares of a publicly-traded company incorporated in Germany whose shares are traded on the Regulated Unofficial Frankfurt Stock Exchange, which is one of the leaders in German residential real estate development market, the value of which on the report date was EUR 35.6 million, which the Company estimates that such shares can be sold or otherwise utilized as the Company may be required (it is indicated that as of the report publication date, the value of these shares has declined materially in view of the decline in the global capital markets as a result of the Corona Virus.

After considering all of the above matters, the Company's Board of Directors has determined that, while taking into account the various financing options outlined above and the refocusing actions of the Company's businesses and the Company's commitments in asset sale agreements as described in Sections 1.1.3.1 of Chapter A of this report, the existence of warning signs do not indicate a liquidity problem in the corporation.

The Company's estimates are forward-looking information, as defined in this Securities Law, based on the Company's estimates. The factors that may have an effect that such estimates may not be materialized, in whole or in part, or materialize differently than anticipated, are numerous and include, among others, changes in the relevant markets, continued decline in capital markets and the materialization of any of the risk factors stated in this report.

7.3 FFO (Funds from Operations):

Calculating FFO: The FFO index is calculated as the net profit (loss) attributed to the Company's shareholders **from the income generating activity, only excluding the income from the sale of apartments in the Grafental project** (for further details on this project, see section 1.2.8 of Chapter A in this periodic report), with certain adjustments for non-operating items, affected by the revaluation of the fair value of assets and liabilities. The main adjustments include the fair value of investment properties, miscellaneous capital profits and losses, miscellaneous amortizations, adjustment of management and marketing expenses for the residential project in Grafental (as the revenues in respects to this project are not taken into account in the FFO), changes in fair value recognized for financial instruments, deferred taxes, and non-controlling interests for the above items.

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

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

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

	Three months ending December 31, 2019	Three months ending December 31, 2018	Year ending December 31, 2019	Year ending December 31, 2018
Net profit attributed to the Company's shareholders	18,378	54,786	18,318	100,919
Adjustments for net profit				
A. Adjustments for revaluations				
Increase in the value of investment property and adjustments of liability value relating to investment property	(11,708)	(54,274)	(16,388)	(81,055)
Revaluation of loans and interest swap transactions at fair value	(3,186)	3,095	8,914	(1,438)
b. Adjustments for non-cash items				
Revaluation of loans, indexing, and non-cash exchange rate differences and hedging transactions	(504)	(2,618)	10,667	(4,640)
Interest component in hedging transactions	829	138	1,451	1,055
Deferred tax expenses and taxes for prior years	6,771	10,284	10,927	23,895
B. Unique items / new activities / ceased activities / other				
Professional services, one-off expenses, and others	1,755	2,931	5,271	5,119
Adjustments related to associates and non-controlling interests	(493)	(1,792)	378	1,292
Expenses relating to project management and marketing, in connection with the establishment of the residential project in Düsseldorf, and adjustments in respect of current leasing activity in the project	840	1,095	4,211	4,651
Adjustments for sale of apartments	(4,930)	(4,416)	(11,073)	(12,731)
Total of adjustments to net profit	(10,626)	(45,557)	14,358	(63,852)
F.F.O	**7,752**	**9,229**	**32,676**	**37,067**

As aforementioned, the FFO in the three-month period ending December 31, 2019 amounted to approximately EUR 7.8 million grossing up annual FFO of EUR 31.2 million.

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

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

The Company believes that this index more accurately reflects the net asset value of the Company and its publication will allow a comparison with other real estate companies in Israel and Europe.

The Company clarifies that the EPRA NAV index data does not represent a valuation, nor does it represent a substitute of the data contained in the financial statements. It is further clarified that this data is not audited by the Company's auditors.

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

	December 31, 2019	**December 31, 2018**
Equity attributed to the Company's shareholders	712.0	694.6
Plus deferred taxes for EPRA adjustments (net of non-controlling interest)	89.7	104.9
Net of the fair value of derivative financial instruments, net (net of non-controlling interest)	0.1	0.2
Plus profits that were not yet recognized in regards to apartments that were sold and are under construction	6.7	7.1
EPRA NAV –Net Asset Value	**808.5**	**806.8**

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

For details regarding material events and changes in the reporting period and thereafter see Chapter A of this periodic report and particularly section 1.1.3.1 of Chapter A of this periodic report

9. Exposure to Market Risks and Management Methods

Currency Rate Effect - As of the report date, the Company's currency exposure, net of liabilities for which the Company has made currency hedging transactions, is 4.2% of the total of its assets due to the Company's liability for debentures (Series A, B and C), which were Issued to the public in Israel denominated in NIS. In addition, the Company is not exposed to significant changes in currency exchange rates because most of its activities, assets and liabilities are denominated in the Euro. The Company periodically examines the possibility and hedges all or part of its liabilities against future changes in the Euro/NIS exchange rate.

9.1 Fair value of the Company's main financial instruments

As of the report date, most financial instruments are presented at fair value.

9.2 Sensitivity tests

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

The basic interest is 3-month Euribor.

December 31, 2019:

	10%	5%	Fair Value	10%	5%
Bonds *)	439	419	(111,429)	(419)	(439)
Fixed-interest loans	1,708	854	(393,773)	(854)	(1,708)
Interest rate swap transactions which are not recognized as accounting hedging	40	20	(682)	(20)	(40)
Total	2,187	1,293	(505,884)	(1,293)	(2,187)

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

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

December 31, 2019:

	10%	5%	Fair Value	10%	5%
Bonds (net of cash held in NIS)	11,143	5,571	(111,429)	(5,571)	(11,143)

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

December 31, 2019:

	10%	5%	Fair Value	10%	5%
Currency hedging transactions	(3,000)	(1,500)	1,635	1,500	3,000

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

December 31, 2019:

	4%	3%	Fair Value	3%-	4%-
Bonds	(4,635)	(3,519)	(111,429)	1,564	1,728

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

9.7 Linkage basis report

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

Part C – Corporate Governance Aspects

10. General

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

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

Further to the aforesaid and according to the directive of the Securities Authority (ISA) for foreign companies, which section 39a is applicable to them, to update the incorporation documents such that they reflect the provisions of the fourth addendum, and according to the Company's obligation toward ISA the Company acted so as to formally prescribe the provisions of the Companies Law in the Company's articles to reflect the fourth addendum.

The special general meeting of the Company's shareholders approved on July 3, 2017 (following the approval of the Company's Board of Directors on May 18, 2017) that since the Company's shares were first offered to the public in Israel and listed for trading 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 apply to the Company, in addition to the Company's articles of association and Dutch law. In addition, the shareholders approved the revised articles accordingly.

It is further indicated since the sections of the derivative claim and answer (sections 194 – 205a of the companies law) and the sections of imposing monetary sanction (sections 363a(a) and (b)(2) to (12), 363b and 363c of the companies law) cannot be prescribed explicitly in the Company's articles since they are not in line with the absolute law applicable to the Company in Holland, the Company included in the revised articles as approved by the meeting of the Company's shareholders on July 3, 2017 provisions that relate to jurisdiction and application of law including the derivative claim and answer and imposing administrative enforcement measures by ISA. It should also be noted that on August 16, 2018, the Company's shareholders meeting approved an additional amendment to the Company's articles of association, which is a clearer distinction between "Executive Director" and "Non-Executive Director" (reference no.: 2017-01-069852 and - 2018-01-076657, respectively).

In addition to the aforesaid, on January 29, 2017, the deeds of trust were amended between the Company, on one hand and Reznik Paz Nevo Trusts Ltd. on the other hand as the trustee for the bondholders (Series A – C) such that the deeds of trust contained the obligations of the Company/officers in connection with imposing monetary sanctions and/or administrative enforcement measures on the Company and/or its officers[18] as well as the obligations of the Company and its officers not to raise any allegations against the right of the bondholders to file a derivative claim (**the obligations of the Company and officers**).

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

11. Directors with accounting and financial expertise and independent directors

For details regarding the qualifications, education and experience of Meir Jacobson (external director), Friedrich Munsberg (external director), Patrick Burke, Jeroen Dorenbos, and Noa Shacham as directors possessing accounting and financial expertise in the Company, see regulation 26 in chapter D "additional details regarding the corporation" which is attached to this periodic report.

The Company did not adopt in its articles a provision on the number of independent directors.

12. Details regarding the Corporation's internal auditor

Name of auditor	Irena Ben Yakar, CPA
Term commencement date	May 25, 2011
Meeting the internal audit conditions	The Internal Auditor meets the conditions prescribed in Sections 146 of the Companies Law and sections 3A and 8 of the Internal Audit Law (5752-1992)(the Internal Audit Law)
Designation of activities	The Internal Auditor does not hold any other position in the company other than serving as an internal auditor. The internal auditor does not hold any other position out of the company that results or may result in conflict of interests with her position as an Internal Auditor of the company.
Personal matter	The internal auditor is not a related party in the company does not hold a position in the company and is not related to any of the above and does not serve as an auditor or anyone on his behalf and does not provide external services to the company, except for internal auditing services.
Holding the company's securities	The internal auditor, as per its notice, does not hold the Company's securities nor it holds securities of an entity related to the Company as defined by this term in the fourth addendum to securities regulations (periodic and immediate reports) – 1970 (the reports' regulations)
Business/material relations with the company	The Internal Auditor does not have any material business relations with the company or other material relations with the company nor does it have such relations with an entity related to the Company as defined by this term in the fourth addendum to reports regulations
The Corporation's employee or external service provider to the Company	The internal auditor is not an employee of the Group or external service provider to the Group.
Appointment of the internal auditor	The internal auditor's appointment was approved by the company's board of directors on May 25, 2011 based on the recommendation of the company's audit committee and based on its professional experience as internal auditor in the area of internal audit.
Organizational supervisor	The chairman of the Company's audit committee
The auditor's qualifications	The auditor holds CPA license from 2003 and is a partner in the CPA firm of Deloitte, Brightman, Almagor Zohar. She possesses an extensive experience in risk management and internal audit alongside rich experience in preparing internal audit in public companies.
The auditor as an external party	The auditor provides internal audit services as an external party, by her team from Brightman *Almagor* Zohar & Co.

Scope of transaction	The company's audit committee approved an audit plan in a scope of 450 hours for 2019. Under this plan, risk survey was carried out and multiannual audit plan was devised, audits were carried out in the area of legal expenses and management agreement with the parent company[19]. In 2019, the scope of the audit plan amounted to 450 hours. The audit plan is multi-annual and its cost is based on a rate of NIS 250 per hour (on average) and to the Company's best understanding, the scope of remuneration does not affect the discretion of the auditor.
The audit plan	The audit plan is part of a multi-annual plan. The planning of the audit tasks, setting priorities and audit frequency are affected by the following: The likelihood of managerial and administrative flaws, the exposure to risks of activities, issues requiring an audit by the managing bodies, issues required by law, pursuant to internal or external procedures, the need to maintain cyclicality in issues that were tested previously. Setting the annual work plan of the internal audit in the corporation was done in collaboration with the 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 fiscal year. The plan is determined in accordance with the recommendation of the internal auditor, after consultation with 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, by her notice, prepares the audit according to International Audit Standards of the International Institute of Auditors (IIA)
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 activity and work plan of the internal auditor are reasonable in the circumstances and they are serving the purpose of fulfilling the internal audit objectives in the company.
Free access for the internal auditor	The internal auditor shall have free access as aforesaid in the above section 9 of the internal audit law, including continuous and direct access to the company's information systems including financial data.
The internal auditor report	The internal auditor shall submit her reports in writing to the audit committee and the Company's management. The findings of the audit for 2019 were delivered to the Company's management and the audit committee on various dates during 2019 and the first quarter of 2020. On such dates discussions were held in the audit committee and the internal auditor shared the findings of the audit.
	Professional fees for internal audit services were determined to the amount equivalent to NIS 250 per

[19] audit in the area of management agreement with the parent company was reviewed as part of the agreement approval process but in view of the voting results of the shareholders' meeting, the service agreement did not come into effect.

Remuneration	hour on average amounting to NIS 112 thousand in total. In the Company's estimation, such remuneration does not affect the professional discretion of the internal auditor.

13. Information on the external auditor

Name: PKF Amit, Halfon

Professional fees of the auditor:

Year	For audit services	
	Amount (EUR in thousands)	**Hours**
2018	285	4,650
2019	303	4,700

The principles for determining the fees and the approving parties: The fees of the auditors were determined in negotiations between the Company's management and the external auditor, and in the opinion of the Company's management it is reasonable and acceptable according to the nature of the Company and the scope of its activity. The remuneration of the auditor was approved by the Company's Board of Directors. The principles for determining the auditor's remuneration are based on the estimated work hours required for the audit of the Company, based on the scope and complexity of the audited activity. It should be indicated that the shareholders appoint the auditor.

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

14. Disclosure on material and very material valuations and material appraisers

The valuation of a very material investment property (Leipzig Residential Portfolio) is attached to this periodic report as a very material valuation. The valuations of "material" real estate (Kiel residential portfolio) and of "material real estate" "(Residential Portfolio in Bremen) are not attached to this report as they are "material" but not "very material". Below is the summary of the data regarding these valuations

Identification of the valuation subject	Valuation timing (validation date)	The value of the valuation subject before the valuation date (assuming the accepted accounting principles, including depreciation and amortizations would not have required the change of its value according to the valuation) (EUR in thousands)	Value of the valuation subject as determined according to its value (Euro in thousands)	Identification of the appraiser and its characteristics including education, experience in performing valuations for accounting purposes in reporting corporations in scopes similar to the reported valuation or exceeding these scopes and the dependency upon the party who ordered the valuation including reference to indemnification agreements with the appraiser	The valuation model used by the appraiser	The assumptions under which the appraiser performed the valuatio according to the valuation model				
						Capitalization rate – Exit Cap rate	long term inflation rate	Terminal rate	Prices used as a basis for comparison	Number c comparisc bases.
Leipzig Residential portfolio [20]	Signing – March 17, 2020 Effective date – December 31, 2019	223,411	230,860	Savills Eric Matthes (MRICS/HypZert) Independent appraisers with experience in appraising assets of similar scale. No indemnification agreement, except indemnification with respect to liabilities arising from incorrect or inaccurate information provided by the Company.	**DCF**	4.4%	2.0%	284,602	Comparison transactions, including price per square meter, for properties with similar characteristics	Savills Researcl and 87 indicatior for renta prices wit similar use in the asse environme
Bremen Residential portfolio	Signing – March 17, 2020 Effective date – December 31, 2019	68,897	70,280	Savills Eric Matthes (MRICS/HypZert) Independent appraisers with experience in appraising assets of similar scale. No indemnification agreement, except indemnification with respect to liabilities arising from incorrect or inaccurate information provided by the Company.	**DCF**	4.6%	2.0%	**69,622**	Comparison transactions, including price per square meter, for properties with similar characteristics	Savills Researcl and 87 indicatior for renta prices wit similar use in the asse environme
Kiel Residential portfolio	Signing – March 17, 2020 Effective date – December 31, 2019	65,076	69,800	Savills Eric Matthes (MRICS/HypZert)Independent appraisers with experience in appraising assets of similar scale. No indemnification agreement, except indemnification with respect to liabilities arising from incorrect or inaccurate information provided by the Company.	**DCF**	**4.7%**	**2.0%**	**84,203**	Comparison transactions, including price per square meter, for properties with similar characteristics	Savills Researcl and 87 indicatior for renta prices wit similar use in the asse environme

[20] it is indicated that the Company's share in the asset is 89.5%.

It should be noted that the appraisers of the Company's assets are Savills and Nai Apollo. As of December 31, 2019 , the rate of assets appraised by Savills constitutes approximately 95% of the rate of the assets revalued in the Company's balance sheet. The rate of the assets appraised by Nai Apollo constitutes 5% of the assets revalued in the balance sheet. The organ that decided to enter into such agreement is the Company's board of directors. Savills are not dependent on the Company. It should be noted that, to the best of the Company's knowledge, Savills has performed prior valuations for ADLER, the Company's controlling shareholder, for all of the Company's assets, and for ADLER's assets not held by the Company.

Part E – Specific Disclosure for Bond Holders

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

	Bonds (Series A)	Bonds (Series B)	Bonds (Series C)
Is the series material as this term is defined in Regulation 10(B)(13)(a) of the Reports' Regulations?	Yes	Yes	Yes
Date of issue	March 1, 2011	May 21, 2013	July 22, 2014
Date of expanding series	June 19, 2012; November 6, 2012	February 4, 2014	April 4, 2016
Par value on the date of issue (thousands NIS)	200,000	175,000	102,165
Par value on the date of expanding series (thousands NIS)	240,000; 400,000	240,000	160,180
Par value as at 31.12.2019 (thousands NIS)	57,280	180,000	147,104
Linked par value as at 31.12.2019 (thousands NIS)	60,673	183,209	147,682
Sum of cumulative interest plus linkage differentials (thousands NIS) as at 31.12.2019	1,345	-	2,172
Value in financial statements as at 31.12.2019 including interest payable (thousands NIS)	61,803	182,148	149,013

Value at the stock exchange as at 31.12.2019 (thousands NIS)	63,512	199,800	168,831
Type and rate of interest	4.8% (annual, linked, fixed rate), subject to adjustments in case of changes in the rating of the bonds (Series A) and/or non-compliance with the financial covenants as specified in Sections 2.7.12.8 and 2.7.12.9 of the shelf prospectus dated May 24, 2012 as amended on May 9, 2013 and as amended on July 14, 2014 (the shelf prospectus)	3.29% (annual, linked, fixed rate), subject to adjustments in case of changes in the rating of the bonds (Series B) and/or non-compliance with the financial covenants as specified in Sections 2.8.4.12 and 2.8.4.13 of the shelf prospectus	3.30% (annual, linked, fixed rate), subject to adjustments in case of changes in the rating of the bonds (Series C) and/or non-compliance with the financial covenants as specified in Sections 2.8.4.12 and 2.8.4.13 of the shelf prospectus
Dates of paying principal	Payable in 7 annual instalments on July 14 of each year 2014 to 2020 (inclusive,) as such that each of the first six instalments will constitute 14.28% of the principal of the total par value of the bonds (Series A), and the last instalment will constitute 14.32% of the total par value of bonds (Series A).	Payable in 12 unequal annual instalments on December 31 of each year 2013 to 2024 (inclusive), as such that each of the first seven instalments will constitute 4% of the principal of the total par value of the bonds (Series B), and each of the last five instalments will constitute 14.4% of the principal of the total par value of bonds (Series B); the first principal payment on December 31, 2013.	Payable in 12 unequal annual instalments on July 20 of each year 2015 to 2026 (inclusive), as such that each of the first nine instalments will constitute 2% of the principal of the total par value of the bonds (Series C), the tenth payment will constitute 17% of the principal of the total par value of bonds (Series C), and each of the final two instalments will constitute 32.5% of the principal of the total par value of bonds (Series C); the first principal payment on July 20, 2015.
Dates of paying interest	Payable on July 14 and January 14 of each year 2011 to 2020 (inclusive).	Payable on December 31 and June 30 of each year 2013 to 2024 (inclusive), effective from December 31, 2013. The last interest instalment will be paid on December 31, 2024.	Payable on January 20 and July 20 of each year 2015 to 2026 (inclusive), effective from January 20, 2015. The last interest instalment will be paid on July 20, 2026.

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

16. Details on the trustee

Bonds (Series A)

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

Bonds (Series B)

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

Bonds (Series C)

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

17. Rating:

On March 25, 2019, Maalot S & P announced the ratification of the rating (ilAA- / stable). For the updated rating report see immediate reports dated March 25, 2019 (reference no: 024789- 01- 2019 and 02612-15-2019) which are included by way of reference.

Bond series	**A**	
Name of rating company	Maalot	
	Bonds' rating	**Issuer's rating**
Rating of the issuer and bonds on the date of initial issue (March 2011)	A3 (Midroog)	
Rating of the issuer and bonds – April 2012	ilA	ilA, stable
Rating of the issuer and bonds on the date of expanding the series – June 2012	ilA	ilA, stable
Rating of the issuer and bonds on the date of expanding the series – November 2012	ilA	ilA, stable
Rating of the issuer and bonds – April 2013	ilA+	ilA+, stable
Rating of the issuer and bonds – June 2014	ilA+	ilA+, stable
July 2015	ilA+	ilA+, stable
March 2016	ilAA-	ilAA-, stable
March 2017	ilAA-	ilAA-, stable
March 2018	ilAA-	ilAA-, stable
March 2019	ilAA-	ilAA-, stable
Rating of the issuer and bonds as of the date of the report	ilAA-	ilAA-, stable

Bond series	**B**	
Name of rating company	**Maalot**	
	Bonds' rating	**Issuer's rating**
Rating of the issuer and bonds on the date of initial issue (May 2013)	ilA+	ilA+, stable
Rating of the issuer and bonds on the date of expanding the series – February 2014	ilA+	ilA+, stable
Rating of the issuer and bonds – June 2014	ilA+	ilA+, stable
July 2015	ilA+	ilA+, stable
March 2016	ilAA-	ilAA-, stable
March 2017	ilAA-	ilAA-, stable
March 2018	ilAA-	ilAA-, stable
March 2019	ilAA-	ilAA-, stable
Rating of the issuer and bonds as of the date of the report	ilAA-	ilAA-, stable

Bond series	**C**	
Name of rating company	Maalot	
	Bonds' rating	**Issuer's rating**
Rating of the issuer and bonds on the date of initial issue (July 2014)	ilA+	ilA+, stable
July 2015	ilA+	ilA+, stable
March 2016	ilAA-	ilAA-, stable
March 2017	ilAA-	ilAA-, stable
March 2018	ilAA-	ilAA-, stable
March 2019	ilAA-	ilAA-, stable
Rating of the issuer and bonds as of the date of the report	ilAA-	ilAA-, stable

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

To the Company's best knowledge, as of the report date and over the reported year, the Company has complied with all terms and liabilities according to the deeds of trust[21], including at the end of the Report Period, when the Company complied with all the financial covenants prescribed in the deed of trust of February 24, 2011 (as amended on October 30, 2012 and January 29, 2017) between the Company and Reznik Paz Nevo Trust Ltd, the trustee for the bond holders (series A) and in the deed of trust dated May 9, 2013 (as amended on January 29, 2017 and July 3, 2017) between the Company and Reznik Paz Nevo Trust Ltd, the trustee for the bond holders (series B), and in the deed of trust for bond holders dated July 14, 2014 (as amended on January 29, 2017 and July 3, 2017) between the Company and Reznik Paz Nevo Trust Ltd, the trustee for the bond holders (Series C), (below and respectively: the trustee and the deeds of trust) including the following financial covenants:

A. At the end of each quarter the ratio of the Company's equity to its financial debt, net, according to solo reports for that date, will not be under 187.5%[22]:

The Company's equity, which is attributed to the majority shareholders at the Report Period, namely, as of December 31, 2019, is EUR 712.0 million.

The financial debt, net, according to solo reports of the Company, as of the same date, is EUR 141.4 thousand.

Therefore, the ratio of the Company's equity to the financial debt, net, according to solo reports as of the end of the Report Period, namely, as of December 31, 2019, is approximately 504.71%.

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

With respect to the bond holders (Series A):

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

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

The number of charged shares of Brack Capital German Properties B.V., a subsidiary (100%) of the Company (hereinafter: "**BGP**") as of December 31, 2019: 943,804 shares.

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

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

BGP's equity attributed to its shareholders, as appears in the Company's financial statements as of December 31, 2019: EUR 815,976 thousand.

[21] As for the issue of the existence of grounds for calling for immediate repayment of the bonds (Series A, B, and C) due to a change in control of the Company and the resolution of the bondholders (Series A, B, and C) to grant a waiver regarding such grounds which were established, see section 19 of the Board of Directors report for 2018 which was attached as Chapter B to the periodic report of the Company for 2018 (Ref no. 2019-01-021450) which is included by way of reference.

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

The EUR/NIS representative exchange rate known, published by the Bank of Israel, on the signing date of the report: NIS 3.8681.

The value of the charged shares: NIS 1,477,307 thousand.

Net debt: NIS 61,019 thousand.

Accordingly, the ratio between the charged shares' value to net debt, as of the end of the Report Period, is approximately 2,406%, therefore the Company meets this ratio as well.

With respect to the bond holders (Series B):

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

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

The number of charged shares of BGP as of December 31, 2019: 640,027.

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

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

BGP's equity, attributed to its shareholders, as appears in the Company's financial statements as of December 31, 2019: EUR 815,976 thousand.

The EUR/NIS representative exchange rate known, published by the Bank of Israel, as of the signing date of the report: NIS 3.8681.

The value of the charged shares: NIS 1,001,814 thousand.

Net debt: NIS 183,209 thousand.

Accordingly, the ratio between the charged shares' value to net debt, as of the end of the Report Period, is approximately 513%, therefore the Company meets this ratio as well.

With respect to the bond holders (Series C):

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

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

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

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

The rate of charged shares out of the issued capital share of BGP as of December 31, 2019: 19.9%.

BGP's equity, attributed to its shareholders, as appears in the Company's financial statements as of December 31, 2019: EUR 815,976 thousand.

The EUR/NIS representative exchange rate known, published by the Bank of Israel, as of the signing date of the report: NIS 3.8681

The value of the charged shares: NIS 617,389 thousand.

Net debt: NIS 152,785 thousand.

Accordingly, the ratio between the charged shares' value to net debt, as at the end of the Report Period, is approximately 407%, therefore the Company meets this ratio as well.

In addition, the Company committed under the financial covenants set forth in the deeds of trust that:

a. **Minimum equity:** Pursuant to the Series A deed of trust - the equity attributed to the majority shareholders shall not fall below EUR 80 million; and pursuant to Series' B and C deeds of trust – the equity shall not fall below EUR 150 million and EUR 190 million, respectively. As of the report date, the equity attributed to the majority shareholders is EUR 712.0 million.

b. **Restrictions on dividend distribution:** Under the Series A deed of trust not to distribute dividends and/or distribute equity to its shareholders, and/or repurchase its treasury shares or its convertible securities if it will result in equity attributed to the majority shareholders that is lower than EUR 80 million, pursuant to the Series A deed of trust. As of the report date, the equity attributed to the majority shareholders is EUR 712.0 million.

   Under Series' B and C deeds of trust -not to distribute dividends and/or distribute equity to its shareholders, and/or repurchase its treasury shares or its convertible securities if it will result in equity attributed to the majority shareholders that is lower than EUR 160 million and EUR 200 million, respectively, and/or the debt ratio to CAP (as defined below) that will exceed 70%. As of the report date, the equity attributed to the majority shareholders is EUR 712.0 million and the debt ratio to CAP is 46.13% (as detailed below).

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

	EUR in Thousands
Financial liabilities according to solo reports	100,419
Financial liabilities of the subsidiaries	44,762
Other liabilities according to solo reports	627,137
Net of cash, cash equivalents and deposits	83,117
Net of debt in respect of inventory of apartments under construction	5,747
Net financial debt – consolidated	683,454
CAP[23]	
Equity including non-controlling interests	753,437
Net financial debt, consolidated	683,454
Deferred loans of the Company	44,762
CAP	1,481,653

Therefore, **this ratio is 46.13%**, whereas according to the deeds of trust such a ratio should be lower than 90% for Series A and lower than 75% for Series B and C.

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

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

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

20. Attaching the financial statements of BGP:

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

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

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

Data as of December 31, 2019 (EUR in thousands)	The Company Consolidated	Assets/liabilities In the pledged investee company	Assets/liabilities In unpledged companies
Total assets	1,663,184	1,620,678	42,506
Current assets and held for sale	349,471	342,620	6,851 *
ncurrent assets	1,313,713	1,278,058	35,655
Total liabilities	909,747	763,299	146,448
Current liabilities and held for sale	262,119	235,072	27,047 **
ncurrent liabilities	647,628	528,227	119,401 ***
Non- controlling interests	41,403	41,403	-
Total equity	712,034	815,976	(103,942)
Rate of assets out of the total assets in the balance sheet	100%	97%	3%
Rate of liabilities out of the total liabilities in the balance sheet	100%	84%	16%
Rate of equity out of the total equity in the balance sheet	100%	115%	(15%)

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

*** Mainly balance of bonds principal (Series A – C) issued by the Company and the loan received from the controlling shareholder.

Data as of December 31, 2018 (EUR in thousands)	The Company Consolidated	Assets/liabilities In the pledged investee company	Assets/liabilities In unpledged companies
Total assets	1,823,075	1,773,142	49,933
Current assets and held for sale	80,294	67,380	12,914 *
ncurrent assets	1,742,781	1,705,762	37,019
Total liabilities	1,022,615	911,409	111,206
Current liabilities and held for sale	151,556	130,866	20,690 **
ncurrent liabilities	871,059	780,543	90,516 ***
Non- controlling interests	105,816	105,816	-
Total equity	694,644	755,917	(61,273)
Rate of assets out of the total assets in the balance sheet	100%	97%	3%
Rate of liabilities out of the total liabilities in the balance sheet	100%	89%	11%
Rate of equity out of the total equity in the balance sheet	100%	109%	(9%)

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

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

March 17, 2020

BRACK CAPITAL PROPERTIES NV

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2019

IN THOUSANDS OF EUROS

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AUDITORS' REPORT
To the Shareholders of
BRACK CAPITAL PROPERTIES NV

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

We have audited the components of internal control over financial reporting of Brack Capital Properties NV ("the Company") and its subsidiaries (collectively, "the Company") as of December 31, 2019. These control components were determined as explained in the following paragraph. The Company's board of directors and management are responsible for maintaining effective internal control over financial reporting, and for their assessment of the effectiveness of the components of internal control over financial reporting included in the accompanying periodic report for said date. Our responsibility is to express an opinion on the Company's components of internal control over financial reporting based on our audit.

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

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

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

In our opinion, based on our audit, the Company effectively maintained, in all material respects, the audited control components as of December 31, 2019.

We have also audited, in accordance with generally accepted auditing standards in Israel, the consolidated financial statements of the Company as of December 31, 2019 and 2018 and each of the three years ended December 31, 2019 and our report dated March 17, 2020 expressed an unqualified opinion thereon.

Amit, Halfon CPA	Givataim March 17, 2020

רח' אריאל שרון 4, מגדל השחר, גבעתיים 53200047 טל: 03-6123939 פקס: 03-6125030 e-mail: office@ahcpa.co.il
www.ahcpa.co.il

AUDITORS' REPORT
To the Shareholders of
BRACK CAPITAL PROPERTIES NV

We have audited the accompanying consolidated statements of financial position of Brack Capital Properties NV ("the Company") as of December 31, 2019 and 2018 and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2019. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, based on our audits, the financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2019 and 2018, and the results of their operations, changes in their equity and cash flows for each of the three years in the period ended December 31, 2019, in conformity with International Financial Reporting Standards ("IFRS") and with the provisions of the Israeli Securities Regulations (Annual Financial Statements), 2010.

We have also conducted an audit in accordance with Auditing Standard 104 of the Institute of Certified Public Accountants in Israel "Audit of Components of Internal Control over Financial Reporting" internal control components over the financial reporting of the Company as of December 31, 2019 and our report dated March 17, 2020 included an unqualified opinion on the existence of those components effectively.

Amit, Halfon
CPA

Givataim
March 17, 2020

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www.ahcpa.co.il

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31, 2019	December 31, 2018
		Euros in thousands	
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	3	44,409	27,138
Balances receivable from banks	3	-	414
Restricted deposits, financial assets and other receivables	4	68,356	21,249
Income receivable in respect of sale of apartments		7,464	4,474
Tenants and trade receivables, net	5	505	1,523
Inventory of buildings under construction	6	29,311	25,496
		150,045	80,294
Assets of disposal groups held for sale	8(f) 6b(2)	199,426	-
NON-CURRENT ASSETS:			
Investments and loans in companies accounted at equity	7	7,699	7,698
Investment in financial assets measured at fair value through profit or loss	14a	42,149	37,019
Inventory of real estate	6	71,768	216,061
Investment property – real estate rights	8	62,218	64,683
Investment property – income generating assets	8	1,123,350	1,410,282
Restricted deposits for investments in assets		6,168	5,381
Other accounts receivable, fixed assets and other financial assets	9,14	328	426
Deferred taxes	17	33	1,231
		1,313,713	1,742,781
		1,663,184	1,823,075

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31, 2019	December 31, 2018
		Euros in thousands	
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Current maturities of loans from banks	11	57,275	101,485
Current maturities of debentures	11	25,780	17,066
Loans for financing inventory of buildings under construction	11	5,747	2,098
Accounts payable and other financial liabilities	14b, 10	23,963	30,066
Advances from apartment purchasers	6	1,143	841
		113,908	151,556
Liabilities of disposal groups held for sale	8(f)	148,211	-
NON-CURRENT LIABILITIES:			
Loans from banks and others	11	415,904	659,614
Loans from controlling shareholder	12	44,762	-
Debentures	11	74,639	90,349
Leasing liabilities	13	3,010	3,041
Other financial liabilities	14b	404	384
Deferred taxes	17	108,909	117,671
		647,628	871,059
Contingent liabilities, commitments and liens	18		
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:	19		
Share capital		77	77
Share premium		144,237	144,237
Treasury shares		(746)	(746)
Other capital reserves		584	1,512
Statutory capital reserve		359,944	378,756
Retained earnings		207,938	170,808
Total equity attributable to equity holders of the company		712,034	694,644
Non-controlling interests		41,403	105,816
Total equity		753,437	800,460
		1,663,184	1,823,075

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

March 17, 2020			
Date of approval of the financial statements	Patrick Burke Chairman of the Board of Directors	Tomas de Vargas Machuca CEO	Thomas Stienlet CFO

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2019	2018	2017
		Year ended December 31, Euros in thousands (except net earnings per share data)		
Revenues from rental of properties		73,771	79,168	74,124
Revenues from property management and others		25,904	26,980	27,022
Property management expenses		(25,899)	(27,870)	(26,513)
Cost of maintenance of rental properties	20a	(12,296)	(12,717)	(9,689)
Rental and management revenues, net		61,480	65,561	64,944
Revenues from sale of apartments	6	70,029	62,753	58,958
Cost of sale of apartments	6	(56,999)	(47,771)	(47,203)
Gain from sale of apartments		13,030	14,982	11,755
Other income	20g	-	-	2,008
General and administrative expenses	20b	(16,138)	(12,520)	(11,499)
General and administrative expenses relating to inventory of buildings under construction and real estate inventory		(1,986)	(2,329)	(2,141)
Selling and marketing expenses		(375)	(365)	(389)
Cost of share based payment (general and administrative)		-	-	(871)
Operating profit before change in value of investment property		56,011	65,329	63,807
Appreciation of investment property, net	8	15,338	95,499	108,736
Operating income		71,349	160,828	172,543
Finance income	20c	-	-	39
Finance expenses net of exchange rate effect and currency hedging transactions	20d	(19,090)	(19,646)	(19,529)
Exchange rate effect, CPI and currency hedging transactions, net	20e	(8,976)	6,509	(3,005)
Change in value of financial instruments, loans and others (including loan early repayment costs)	20f	(11,291)	1,580	685
Equity in losses of companies accounted at equity		(107)	(723)	-
Income before taxes on income		29,885	148,548	150,733
Taxes on income	17e	(12,258)	(29,505)	(31,689)
Net income		17,627	119,043	119,044
Other comprehensive income:		-	-	-
Total comprehensive income		17,627	119,043	119,044
Net and comprehensive income attributable to:				
Equity holders of the Company		18,318	100,919	101,124
Non-controlling interests		(691)	18,124	17,920
		17,627	119,043	119,044
Net earnings per share attributable to equity holders of the Company (in Euro):	21			
Basic and diluted net earnings		2.37	13.05	13.70

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium	Treasury shares	Other capital reserves	Statutory capital reserve (1)	Retained earnings	Total	Non-controlling interests	Total equity
	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY								
	Euros in thousands								
Balance as of January 1, 2017	67	69,221	(883)	6,614	233,463	110,691	419,173	100,890	520,063
Total net income and comprehensive income	-	-	-	-	-	101,124	101,124	17,920	119,044
Total comprehensive income	-	-	-	-	-	101,124	101,124	17,920	119,044
Classification in accordance with Dutch law	-	-	-	-	85,874	(85,874)	-	-	-
Cost of share-based payment	-	-	-	871	-	-	871	-	871
Adjustment of capital reserve in respect of transactions with controlling shareholder	-	-	-	432	-	-	432	-	432
Increase of share capital, net	5	46,369	-	-	-	-	46,374	-	46,374
Exercise of options and warrants to shares	5	28,647	137	(5,595)	-	-	23,194	-	23,194
Distribution and payment to non-controlling interests	-	-	-	-	-	-	-	(11,408)	(11,408)
Balance as of December 31, 2017	77	144,237	(746)	2,322	319,337	125,941	591,168	107,402	698,570

(1) See Note 19f.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY								
	Share capital	Share premium	Treasury shares	Other capital reserves	Statutory capital reserve (1)	Retained earnings	Total	Non-controlling interests	Total equity
	Euros in thousands								
Balance as of January 1, 2018	77	144,237	(746)	2,322	319,337	125,941	591,168	107,402	698,570
Effect of initial adoption of new IFRS standard						3,367	3,367	690	4,057
	77	144,237	(746)	2,322	319,337	129,308	594,535	108,092	702,627
Total net income and comprehensive income	-	-	-	-	-	100,919	100,919	18,124	119,043
Total comprehensive income	-	-	-	-	-	100,919	100,919	18,124	119,043
Classification in accordance with Dutch law	-	-	-	-	59,419	(59,419)	-	-	-
Purchase of rights from non-controlling interests	-	-	-	(810)	-	-	(810)	(2,489)	(3,299)
Distribution and payment to non-controlling interests	-	-	-	-	-	-	-	(17,911)	(17,911)
Balance as of December 31, 2018	77	144,237	(746)	1,512	378,756	170,808	694,644	105,816	800,460
Total net income and comprehensive income	-	-	-	-	-	18,318	18,318	(691)	17,627
Total comprehensive income	-	-	-	-	-	18,318	18,318	(691)	17,627
Classification in accordance with Dutch law	-	-	-	-	(18,812)	18,812	-	-	-
Purchase of rights from non-controlling interests	-	-	-	(928)	-	-	(928)	(63,722)	(64,650)
Balance as of December 31, 2019	77	144,237	(746)	584	359,944	207,938	712,034	41,403	753,437

(1) See Note 19f.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2019	2018	2017
	Euros in thousands		
Cash flows from operating activities:			
Net income	17,627	119,043	119,044
Adjustments to reconcile net income to net cash provided by operating activities:			
Adjustments to profit and loss:			
Depreciation	100	75	289
Finance expenses, net	38,062	16,322	20,817
Decrease (increase) in fair value of financial instruments	(832)	(5,693)	
Appreciation of investment property, net	(13,338)	(96,912)	(106,505)
Deferred taxes, net	7,685	18,491	24,413
Cost of share-based payment	-	-	871
Equity in losses of companies accounted at equity	107	723	-
Adjustment of capital reserve in respect of transactions with controlling shareholder	-	-	432
	31,784	(66,994)	(59,683)
Cash flows from operating activities before changes in asset and liability items	43,411	52,049	59,361
Changes in operating asset and liability items:			
Decrease in tenants, restricted deposits and other receivables and related parties	(1,055)	(1,294)	(1,266)
Increase in accounts payable	(2,673)	6,769	369
	(3,728)	5,475	(897)
Net cash provided by operating activities before activity in real estate assets and liabilities	45,683	57,524	58,464
Change in advances from apartment purchasers	(2,688)	2,635	7,045
Decrease (increase) in inventory of buildings under construction and real estate inventory	(5,487)	405	8,567
Net cash provided by operating activities before purchase of long term inventory	37,508	60,564	74,076
Purchase of long term real estate inventory (*)	-	(128,623)	-
Net cash provided by (used in) operating activities	37,508	(68,059)	74,076

(*) see Note 6b(3) regarding the purchase of land in Dusseldorf.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2019	2018	2017
	Euros in thousands		
Cash flows from investing activities:			
Investment in investment property	(18,115)	(23,446)	(91,948)
Investment in companies measured at equity	(109)	(103)	-
Investment in marketable financial asset measured at fair value through profit or loss	-	(35,000)	-
Proceeds from sale of investment property (***)	89,714	11,900	14,272
Proceeds from sale of subsidiaries, net (a)	64,094	-	-
Purchase of newly consolidated subsidiaries, net (b)	-	-	(17,279)
Withdrawal (placement) of restricted deposits ,prepaid transaction costs and withdrawal (placement) of long-term deposits in banks ,net(**)	(46,576)	(9,982)	(20,392)
Sale of derivatives	940	237	1,083
Net cash provided by (used in) investing activities	89,948	(56,394)	(114,264)
Cash flows from financing activities:			
Interest paid	(17,069)	(17,701)	(16,708)
Exercise of options	-	-	22,645
Distribution and payment to non-controlling interests	-	(17,911)	(11,408)
Purchase of rights from non-controlling interests	(64,650)	(3,299)	-
Receipt of long-term bank loans, net (*)	339,279	197,772	108,052
Receipt of long term loans from controlling shareholder, net	44,200	-	-
Repayment of debentures	(18,679)	(17,309)	(18,101)
Repayment of long-term loans (*)	(393,266)	(103,090)	(67,357)
Issuance of shares and stock options, net	-	-	46,916
Net cash provided by (used in) financing activities	(110,185)	38,462	64,039
Change in cash and cash equivalents	17,271	(85,991)	23,851
Balance of cash and cash equivalents at the beginning of the year	27,138	113,129	89,278
Balance of cash and cash equivalents at the end of the year	44,409	27,138	113,129

(*) see Note 11c.

(**) (***) see Note 8f.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended December 31,	
	2019	2018	2017
		Euros in thousands	
(a) Proceeds from sale of previously consolidated subsidiaries			
Assets and liabilities of consolidated subsidiaries as of date of sale:			
Investment property	180,603	-	-
Working capital (excluding cash and cash equivalents)	663	-	-
Loans from banks, net	(97,754)	-	-
Gain from sale of subsidiaries	(6,494)	-	-
Deferred taxes, net	(12,924)	-	-
	64,094	-	-
(b) Purchase of newly consolidated subsidiaries			
Assets and liabilities of consolidated subsidiaries as of date of sale:			
Investment property	-	-	(46,950)
Working capital	-	-	(1,905)
Loans from banks, net	-	-	34,250
Loss in respect of transaction costs	-	-	(2,674)
	-	-	(17,279)
(c) Additional information			
Taxes paid	9,010	4,357	2,407

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

NOTE 1: - GENERAL

a. General description of the Company and its activity

Brack Capital Properties NV ("the Company") was incorporated in June 2006 and is a real estate corporation residing in the Netherlands, which is engaged via investees in the acquisition and management of investment properties in Germany, mainly in the area of income-generating commercial and income-generating residential real estate. The Company is also engaged in real estate betterment and development of residential complex in Düsseldorf, Germany. Regarding the Company's operating segments, see Note 22.

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

In April 2018, the the control in the Company was purchased by ADLER Real Estate AG (ADLER). ADLER intends to use its effect as a controlling shareholder subject to the provisions of any law to review the refocus of the Company's strategy including the possibility of selling a certain portion of the Company's assets and business. As of the approval date of the financial statements, the Company continues to review the possibilities of focusing its business strategy including the commencement of selling part of its business.

b. Definitions

In these financial statements -

The Company	-	Brack Capital Properties NV.
The Group	-	Brack Capital Properties NV and its investees
Subsidiaries	-	Companies controlled by the Company (as defined in the IFRS 10) and the accounts of which are consolidated with those of the Company.
Jointly controlled entities	-	Companies owned by various entities that have a contractual arrangement for joint control and the Company's investment therein is included in the consolidated statements of the Company using the equity method. (see Note 2d)
Investees	-	Subsidiaries, jointly controlled entities.
Interested parties and controlling shareholder	-	As defined in the Israeli Securities Regulations (Annual Financial Statements), 2010.
Related parties	-	As defined in IAS 24 (revised)

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES

a. Basis of presentation of the financial statements

1. Basis of measurement

The Company's financial statements have been compiled based on cost, with the exception of investment property and marketable financial instruments and derivatives which are measured at fair value through profit or loss.

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

2. Preparation format of the financial statements

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

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

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

3. Consistent accounting policies

The accounting policies applied in the financial statements are consistent with those of all periods presented. (See also sections L, V and AE)

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

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

1. Acquisition of subsidiaries that are not business combinations:

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

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

2. The timing of fulfilling performance obligations

The Company is examining the date of transfer of control over the asset or service in order to identify the timing of revenue recognition from contracts with customers at a point in time or over time. Among other things, the Company examines whether the customer gains control over an asset at a specific point in time or consumes the economic benefits simultaneously 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.

3. Estimates and assumptions

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

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

4. Investment property:

Investment property that can be reliably measured is presented at fair value at the end of the reporting period. Changes in their fair value are recognized in profit or loss. Fair value is determined by independent valuation experts using economic valuations that involve valuation techniques and assumptions as to estimates of projected future cash flows from the property and estimate of the suitable discount rate for these cash flows. If applicable, the fair value is determined based on recent real estate transactions with similar characteristics and location of the valued asset.

The fair value measurement of investment property requires valuation experts and the Company's management to use certain assumptions regarding rates of return on the Group's assets, future lease prices, occupancy rates, contract renewal terms, the probability of leasing vacant areas, asset operating expenses, the tenants' financial stability and the implications of any investments made for future development purposes in order to assess the future expected cash flows from the assets. Any change in the assumptions used to measure the investment property is liable to affect fair value.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

5. Inventories of real estate and apartments under construction:

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

6. Deferred tax assets:

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

c. Consolidated financial statements:

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

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

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

Losses are attributed to non-controlling interests even if they result in a negative balance of non-controlling interests in the consolidated statement of financial position.

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 remaining non-controlling interests against the equity attributable to equity holders of the Company less / with the addition of any consideration paid or received.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Upon the disposal of a subsidiary resulting in loss of control, the Company:

- derecognizes the subsidiary's assets (including goodwill) and liabilities.
- derecognizes the carrying amount of non-controlling interests.
- derecognizes the adjustments arising from translating financial statements carried to equity.
- recognizes the fair value of the consideration received.
- recognizes the fair value of any remaining investment.
- reclassifies the components previously recognized in other comprehensive income (loss) on the same basis as would be required if the subsidiary had directly disposed of the related assets or liabilities.
- recognizes any resulting difference (surplus or deficit) as gain or loss.

d. Investment in joint arrangements:

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

e. Joint ventures:

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

f. Investments accounted for using the equity method:

The Group's investments in companies under joint control are accounted for using the equity method.

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

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

Upon the acquisition of an associate or a joint venture achieved in stages when the former investment in the acquiree was accounted for pursuant to the provisions of IFRS 9, the Group adopts the principles of IFRS 3 regarding business combinations achieved in stages. Consequently, equity interests in the acquiree that had been held by the Group prior to achieving significant influence or joint control are measured at fair value on the acquisition date and are included in the acquisition consideration while recognizing a gain or loss resulting from the fair value measurement.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

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

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

g. Functional currency and presentation currency:

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

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

2. Transactions, assets and liabilities in foreign currency:

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

3. Index-linked monetary items:

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

h. Cash equivalents and balances receivable from banks:

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

i. Short-term deposits:

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

j. Allowance for doubtful accounts: (the accounting policies implemented until December 31, 2017)

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

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

Cost of inventories of apartments under construction and inventories of real estate comprises identifiable direct costs of land such as taxes, fees and duties and construction costs.
Inventories of apartments under construction and inventories of real estate are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated selling costs.

l. The operating cycle:

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

l. Financial instruments:

Until December 31, 2017, the Company adopted IAS 39 Financial Instruments". Effective from January 1, 2018, the Company adopts IFRS 9 – "Financial Instruments". The adoption of the new standard did not have a material impact on the financial statements including classification and presentation of financial instruments. On January 1, 2018, the Company initially adopted IFRS 9 – financial instruments (the Standard) the Company chose to retrospectively adopt the standard without comparative figures.

The accounting policies adopted effective from January 1, 2018 for financial instruments are as follows :

1. Financial assets

Financial assets are measured at the date of initial recognition at their fair value plus transaction costs that can be directly attributed to the acquisition of the financial asset, except in case of a financial asset measured at fair value through profit or loss in respect of which transaction costs are recognized in profit or loss.

The Company classifies and measures debt instruments in its financial statements on the basis of the following criteria:

(A) The business model of the Company for the management of financial assets, and
(B) The contractual cash flow characteristics of the financial asset.

1a. <u>The Company measures debt instruments at amortized cost when</u>:

The Company's business model is holding the financial assets in order to collect contractual cash flows; and the contractual terms of the financial asset provide entitlement to cash flows on defined dates that are only principal and interest payments in respect of the principal that has not yet been repaid.

After initial recognition, instruments in this group shall be presented at their terms at amortized cost using the effective interest method and net of 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.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

1b. The Company measures debt instruments at fair value through other comprehensive income when:

The Company's business model is holding financial assets in order to collect contractual cash flows and the sale of the financial assets as well as selling the financial assets; and the contractual terms provide entitlement to cash flows on defined dates that are only principal and interest payments in respect of the principal that has not yet been repaid.

After initial recognition, instruments of this group are measured at fair value. Gains or losses from fair value adjustments, other than interest and exchange rate differences are recognized in other comprehensive income.

1c. 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.

1d. 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, including embedded derivatives that are separated from a host contract, 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 commencement date for the entitlement to a dividend in the statement of profit or loss.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

2. Impairment of financial assets

The Company examines at each reporting date the provision for loss in respect of financial debt instruments that are not measured at fair value through profit or loss.

The Company distinguishes between two situations of recognition of a provision for loss;

a) Debt instruments for which there has been no significant deterioration in their credit quality since the initial recognition or in cases where the credit risk is low - the provision for loss recognized for this debt instrument will take into account projected credit losses in a period of 12 months after the reporting date; or

b) Debt instruments whose credit quality has deteriorated significantly since their initial recognition and for which the credit risk is not low; the provision for loss to be recognized will take into account projected credit losses - over the remaining life of the instrument.

The company has financial assets with short credit periods such as customers, for which it applies the benefit provided in the model, i.e. the company measures the provision for a loss in the amount equal to the expected credit losses throughout the life of the instrument.

The impairment of debt instruments measured at reduced cost will be carried in profit or loss against the provision, while the impairment of debt instruments measured at fair value through other comprehensive income will be carried against a capital reserve and will not reduce the carrying amount of the financial asset in the statement of financial position.

The Company applies the benefit determined in the standard under which it assumes that the credit risk of debt instrument did not increase significantly from the initial recognition date if it was determined on the reporting date that the instrument is of low credit risk for example when the instrument has external rating of "investment level".

In addition, the Company estimates that when lease payments from tenants are in arrears of more than 30 days, there is a significant increase in credit risk and the Company recognizes an impairment as follows:

- For payments in arrears of more than 30 days but less than 60 days, the provision for impairment is 20% of the balance.
- For payments in arrears of more than 60 days but less than 180 days, the provision for impairment is 50% of the balance.
- For payments in arrears of more than 180 days, the company makes a provision for the entire balance.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

3. Derecognition of financial instruments:

The Company derecognized financial asset only when:

(a) The contractual rights to the cash flows from the financial asset expire; or
(b) The Company transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.
(c) The Company retains the contractual rights to receive the cash flows deriving from the financial asset, but assumes a contractual obligation to pay these cash flows in full to a third party, without material delay.

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 financial liability.

After initial recognition, the Company measures all financial liabilities at amortized cost using the effective interest method, other than: financial liabilities at fair value through profit or loss such as derivatives.

4b) Financial liabilities 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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

5. Derecognition of financial liabilities and change in the terms of liabilities

The Company derecognises a financial liability only when it is extinguished - that is, when the liability defined in the contract is discharged or canceled or expires.

A financial liability is extinguished when the debtor repays the liability by paying cash, by other financial assets, goods or services, or is legally released from the liability.
In the event of a change in the terms of an existing financial liability, the Company examines whether the terms of the liability are materially different from the existing conditions and takes into account qualitative and quantitative considerations.

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

If the exchange or modification is not substantial, the Company updates the amount of the liability, i.e. capitalizing the new cash flows at the original effective interest rate, with the differences 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 realize the asset and settle the liability simultaneously.

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

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

The Group enters into contracts for derivative financial instruments such as forward currency contracts (Forward) in respect of foreign currency and interest rate swaps (SWAP) and CAP transactions to hedge risks associated with foreign exchange rates and interest rate fluctuations.

Any gains or losses arising from changes in the fair values of derivatives that do not qualify for hedge accounting are recorded immediately in profit or loss.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

o. Leases:

As detailed in Note 2gg regarding initial adoption of IFRS 16 - Leases ("the Standard"), the Company has chosen to partially apply the Standard's provisions retrospectively (without restating the comparative figures).

The accounting policies applied as of January 1, 2019 in respect of leases are as follows:

The Company treats a contract as a lease when, under the terms of the contract, the right to control an identified asset is transferred for a period of time for consideration.

1. The Group as lessee:

For transactions in which the Company is a lessee, it recognizes on the lease commencement date the right of use asset against a lease liability other than lease transactions for a period of up to 12 months and leases for which the underlying asset is with a low value, in which the Company chose to recognize the lease payments as expense in the profit or loss using the straight line method over the lease term. As part of the measurement of the lease liabilities, the Company chose to apply the practical expedient in the Standard and does not separate the lease components from the non-lease components such as: management services, maintenance services and more, which are included in the same transaction.

At the commencement date, lease liability includes all unpaid lease payments discounted at the interest rate grossed up in the lease when it is easily determinable or at the Company's additional interest rate. After the effective date, the Company measures the lease liability using the effective interest method.

The right-of-use asset in the commencement date is recognized at the lease liability amount plus lease payments paid on or before the commencement date plus incurred transaction costs.

The right of use asset is measured using the cost model and amortized over its useful life, or the lease term, whichever is shorter.

When indicators of impairment are present, the Company tests impairment of right of use asset in accordance with IAS 36.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

2. CPI linked lease payments

At the commencement date, the Company uses the existing CPI rate to calculate future lease payments.

In transactions in which the Company is a lessee, changes in the amount of future lease payments as a result of a change in the CPI (no change in the discount rate applicable to the lease liability) are discounted to the balance of the right of use asset and are recognized as an adjustment to the balance of the lease liability only when there is a change in the cash flows resulting from the change in the CPI (i.e. on the date lease payments adjustment comes into effect).

3. Variable lease payments

Variable lease payments, which are based on performance or use and do not depend on CPI or interest, are recognized as an expense in transactions in which the company is a lessee and as income in transactions in which the company is a lessor, as incurred.

4. Options to extend and cancel a lease period

The non-cancellable lease period also includes periods covered by an option to extend the lease when the extension option is reasonably certain to be exercised and periods covered by an option to cancel the lease when the cancellation option is reasonably unlikely to be exercised.

In the event that there is a change in the forecasted exercise of an extension option or non-exercising a cancellation option, the Company re-measures the remaining lease liability according to the updated lease period, based on the updated discount rate on the day of the change in the forecast, when the total change is attributed to the balance of the right of use asset until its reversal and to profit or loss.

5. Lease amendments

When an amendment is made to the terms of the lease that does not reduce the scope of the lease and is not treated as a separate lease, the Company re-measures the balance of the lease liability in accordance with the amended lease terms, based on the updated discount rate on the amendment date, and recognizes the total change in the lease liability balance to the balance of the right of use asset.

When an amendment is made to the terms of the lease which results in a reduction in the scope of the lease, the Company recognizes a gain or loss arising from the partial or full derecognition of the balance of the right of use asset and liability in respect of the lease. The Company then re-measures the balance of the lease liability in accordance with the amended lease terms, based on the updated discount rate at the amendment time, and recognizes the total change in the balance of the lease liability to the balance of the right of use asset.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The accounting policies applied as of December 31, 2018 for leases are as follows:

The tests for classifying a lease as finance or operating are based on the nature of the agreements and are assessed at the date of the contract in accordance with the rules prescribed in IAS 17:

1. Finance leases:

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

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

2. Operating leases:

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

p. 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 addition of non-controlling interests in the acquiree. In each business combination, the Company chooses whether to measure the non-controlling interests in the acquiree based on their fair value on the acquisition date or at their proportionate share in the fair value of the acquiree's net identifiable assets.

Direct acquisition costs are carried to the statement of profit or loss as incurred.

In a business combination achieved in stages, equity interests in the acquiree that had been held by the acquirer prior to obtaining control are measured at the acquisition date fair value while recognizing a gain or loss resulting from the revaluation of the prior investment on the date of achieving control.

Contingent consideration is recognized at fair value on the acquisition date and classified as a financial asset or liability in accordance with IFRS 9. Subsequent changes in the fair value of the contingent consideration are recognized in profit or loss. If the contingent consideration is classified as an equity instrument, it is measured at fair value on the acquisition date without subsequent remeasurement.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Goodwill is initially measured at cost which represents the excess of the acquisition consideration and the amount of non-controlling interests over the net identifiable assets acquired and liabilities assumed. If the resulting amount is negative, the acquirer recognizes the resulting gain on the acquisition date.

q. Investment property:

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

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

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

Transfer of a property from investment property to inventories is made at the inception of development with the intention of selling the property. The cost considered for accounting treatment on the transition date is the fair value at the time of change on realization.

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

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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. When fair value cannot be measured reliably due to the nature and scope of the project's risks, it is measured at cost net of impairment losses, if any, until fair value can be measured reliably or construction completion, whichever is earlier. 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 in respect of agreements for its rental.

The Group determines the fair value of investment property on the basis of valuations by independent appraisers who hold recognized and relevant professional qualifications and the necessary knowledge and experience

r. Property, plant and equipment:

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

Depreciation is calculated on a straight-line basis over the useful life of the assets which is usually three years.

s. Borrowing costs in respect of qualifying assets:

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

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

The capitalization of borrowing costs commences when expenditures for the asset are being incurred, borrowing costs are being incurred and the activities to prepare the asset are in progress and ceases when substantially all the activities to prepare the qualifying asset for its intended use or sale are complete. 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 qualified for sale. The amount of borrowing costs capitalized in the reporting period includes specific borrowing costs and general borrowing costs based on a weighted capitalization rate.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

t. Asset or group of assets and liabilities held for sale

Asset or group of assets and liabilities are classified as held for sale if 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 for selling these assets. From the date of such initial classification ,these assets are no longer depreciated and are presented separately as current assets at the lower of their carrying amount and fair value less costs to sell other than investment property presented at fair value.

When an entity no longer plans to sell an asset in a sale transaction ,it ceases the classification of 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.

u. Taxes on income:

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

1. Current taxes:

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

2. Deferred taxes:

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

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).

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Deferred taxes are measured at the tax rates that are expected to apply when the asset is disposed or the liability is extinguished, based on tax laws that have been enacted or substantively enacted by the end of the reporting period.

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

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

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.

v. Share-based payment transactions:

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Equity-settled transactions:

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

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

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

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

w. Revenue recognition:

Effective from January 1, 2018, the Company applies IFRS 15 - – revenues from contracts with customers (the standard), the Company elected to apply the provisions of the standard retroactively without restating comparative figures.

The accounting policies applied until December 31, 2017 in respect of revenue recognition are as follows:

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

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

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

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

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Revenues from the sale of residential apartments:

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

Revenue recognition:

The accounting policies adopted effective from January 1, 2018 on revenue recognition are as follows:

Revenues from contracts with customers are recognized in profit or loss when the control over the asset or service is passed to the customer.

The transaction price is the consideration amount that is expected to be received under the terms of the contract net of the amounts collected in favor of third parties (such as taxes).

Revenues from rendering of services (including management fees of assets):

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

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Revenues from sale of residential apartments

The Company recognizes the residential apartment as performance obligation. The Company estimates that in the framework of the contracts with its customers no asset with alternative use was resulted to the Company, and also has a payment right which is enforceable for the performance completed until that date. Therefore, in accordance with the new standard, the Company recognizes revenue from these contracts over time, according to the contract performance pace.

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

1. Measurement unit – the Company determined that the measurement unit will be a residential apartment the object of the sale contract with the customer.

2. Determining the transaction price - the company is required to determine the transaction price separately for each contract with a customer. Upon exercising such judgment, the Company estimates the impact of any variable consideration in the contract, taking into account discounts, fines, changes, claims, and the existence of a significant financing component of the contract as well as non-cash consideration.

3. Measurement of performance progress - for the purpose of measuring performance progress, the company implements the input method (Input Method), irrespective of the costs that do not reflect the progress of such performance, such as land surcharges and credit costs. Usually, delivery of a specific residential apartment cannot be made before the construction of the entire building is completed. Therefore, the Company will determine the performance progress rate under which revenue for each specific sale contract is recognized according to the progress rate of the building.

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

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

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

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

5. Warranty – as part of the Company's contracts with its customers, it provides its customers with warranty services, in accordance with the provisions of the law and in accordance with the accepted practice in the sector. Warranty services are provided to ensure the quality of the work performed and not as additional service provided to the customer. Accordingly, the Company recognizes in its financial statements a provision for warranty in accordance with the provisions of IAS 37, similar to the current treatment used until December 31, 2017.

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

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

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

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

y. Finance income and expenses:

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

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

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

z. Operating segments:

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

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

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

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

3. for which separate financial information is available.

aa. Earnings (loss) per share:

Earnings per share are calculated by dividing the net income attributable to equity holders of the Company by the weighted number of Ordinary shares outstanding during the period. Basic earnings per share only include shares that were actually outstanding during the period (treasury shares are not included). Potential Ordinary shares are only included in the computation of diluted earnings per share when their conversion decreases earnings per share or increases loss per share from continuing operations. Further, potential Ordinary shares that are converted during the period are included in diluted earnings per share only until the conversion date and from that date in basic earnings per share.

bb. Provisions

A provision in accordance with IAS 37 is recognized when the group has present legal or constructive obligation as a result of a past event, it is expected that the use of economic resources will be required to settle this obligation and a reliable estimate can be made of the amount of the obligation. In case the effect is material, provisions are measured with capitalized expected future cash flows using pre-tax interest rate reflecting market estimates regarding the time value of money and in certain cases, the risks specific to the obligation.

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

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

cc. Marketing expenses:

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

dd. Treasury shares:

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

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

ee. Impairment of non-financial assets

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

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

Investment in associate or joint venture:

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

ff. Fair value measurement:

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

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

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

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

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

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

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

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

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

gg. Initial adoption of new financial reporting standards and amendments to existing accounting principles:

1. Initial adoption of IFRS 16, "Leases":

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

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

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

The accounting treatment by lessors remains substantially unchanged.

The new Standard is effective for annual periods beginning on or after January 1, 2019. As a rule, the standard will be applied retrospectively; however, entities may choose certain adjustments under the transition provisions of the standard as to its application for prior reporting periods.

For details regarding the accounting policies applied effective from initial adoption see note o above.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The adoption of the standard had no material impact on the financial statements.

2. IFRIC 23, "Uncertainty over Income Tax Treatments":

In June 2017, the IASB issued IFRIC 23, "Uncertainty over Income Tax Treatments" ("the Interpretation"). The Interpretation clarifies the rules of recognition and measurement of assets or liabilities in keeping with the provisions of IAS 12, "Taxes on Income", in situations of uncertainty involving taxes on income. The Interpretation provides guidance for determining whether some tax treatments should be considered collectively, addresses the position of the tax authorities, measures the implications of uncertainty involving income taxes on the financial statements and prescribes the accounting treatment of changes in facts and circumstances underlying the uncertainty.

The Interpretation is initially adopted in the financial statements.

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

hh. Disclosure of new IFRS in the period prior to adoption:

IFRS 3 – Business combinations

In October 2018, the IASB published an amendment for the definition of "Business" in IFRS 3 business combinations (the amendment). The purpose of the amendment is to assist companies in determining whether a purchase transaction will be accounted for as business combination or purchase transaction of assets.

The amendment includes:

1. Clarification that in order to be considered "a business" a system of purchased activities and assets will include at least an input and material process which collectively contribute significantly to the capability to produce outputs.

2. Omission of reference to the estimate whether a market participant can continue operating an acquired business by exchanging inputs and processes.

3. Other guidelines and examples which will assist companies in estimating whether acquired processes are material.

4. Changing the definition of "output" and "business" such that the definitions will be more focused and minimized.

5. Optional test under which the Company can determine that a purchase of a business is not involved without the need for additional examinations.

The amendment will be adopted for business combinations and asset purchase transactions where purchase date starts effective from the annual period commencing January 1, 2020 or thereafter. Early adoption permitted.

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

	December 31, 2019	December 31, 2018
	Euros in thousands	
Cash on hand (1)	36,391	20,050
Short-term deposits (2)	8,018	7,088
Balances receivable from banks (3)	-	414
	44,409	27,552

(1) As of December 31, 2019, the Company's balance is approximately € 933 thousand denominated in NIS (2018- approximately € 5,704 thousand denominated in NIS). A balance of about € 283 thousand is presented as cash and cash equivalents, while a balance of about € 650 thousand is presented as restricted bank accounts The remaining deposits are denominated in Euro.

(2) As of December, 2019, short-term deposits do not bear annual interest

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

NOTE 4: - RESTRICTED DEPOSITS AND OTHER RECEIVABLES

	December 31, 2019	December 31, 2018
	Euros in thousands	
Deposits and restricted bank accounts (1)	60,900	17,834
Prepaid expenses	385	1,060
Financial assets - currency hedging transactions (see Note 14)	1,635	-
Government authorities	2,025	1,365
Receivables in respect of sale of investment property	2,276	-
Other receivables and debit balances	1,135	990
	68,356	21,249

As of December 31, 2019, balances do not bear interest. A total of € 37.5 million was received under refinancing as part of the agreement for the sale of real estate as described in Note 6B (2).

NOTE 5: - TENANTS AND TRADE RECEIVABLES, NET

	December 31, 2019	December 31, 2018
	Euros in thousands	
Open debts and accrued income	9,067	8,936
Less - allowance for impairment	(8,562)	(7,413)
Tenants and trade receivables, net	505	1,523

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

The following is the movement in allowance for doubtful accounts:

	Euros in thousands
Balance as of December 31, 2018	7,413
Allowance during the year	2,672
Recognition of bad debts that were written off	(1,523)
Balance as of December 31, 2019	8,562

As of December 31, 2019, out of total tenants and trade receivables while taking into account trade receivables for which no provision was made the amount of € 157 thousand (€ 105 thousand as of December 31, 2018) is in arrears.

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

Inventory of apartments under construction and inventory of real estate consists of two projects in Düsseldorf, Germany.

a. Composition of inventory of buildings under construction – current assets

	December 31,	
	2019	2018
	Euros in thousands	
Cost of real estate	35,267	20,148
Cost of local business tax	174	978
Cost of construction	57,346	12,845
Cost of sale in respect of income recognized cumulatively (as a result of the adoption of IFRS 15)	(63,476)	(8,475)
	29,311	25,496

Grafental project in Dusseldorf for constructing residential neighborhood: the development of the neighborhood is carried out in several stages. As of the approval date of the financial statements, the construction of stages A-D was completed. The balance as of December 31, 2019 refers to stages E-H which are in various construction stages. In 2018, following the initial adoption of IFRS 15 in the reported period, the Company recognized revenues from sale of apartments not yet handed over to purchasers.

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

b. Composition of inventory of real estate and inventory of real estate under construction – noncurrent assets

	December 31,	
	2019	2018
	Euros in thousands	
Cost of real estate	42,693	199,136
Cost of local business tax	6,002	10,014
Cost capitalized to real estate	23,073	6,911
	71,768	216,061

1) Grafental project in Dusseldorf - as of December 31, 2019, EUR 25,613 thousand represents inventory of real estate under construction – stage F of Grafental project (see a above) inventory of buildings under construction in current assets in respect of 112 residential units the Company develops which are under rent control, intended to be rented by the Company at the beginning of 2020 and as a result classify them as investment property. Inventory balance as of December 31, 2019 classified in long term noncurrent assets is for future stages in the project the Company commenced its construction.

2) Gerresheim project - land in an area of approximately 193 thousand square meters in the city of Düsseldorf - On December 28, 2017, the Company entered into a notarized sale agreement through a sub subsidiary with a third party unrelated to the Company and or its controlling shareholder, for the acquisition of all ownership rights in a land with an area of 193 thousand square meters in the Gerresheim neighborhood in Dusseldorf, Germany, for a total consideration of € 141.9 million (including related transaction costs). On the land, 1,500 residential units and 30,000 square meters of commercial spaces, offices and kindergartens and school are planned to be constructed. It should be indicated that the Company's intention was to develop the complex as a residential neighborhood. In order to finance the acquisition ,the Company (through its wholly-owned sub-subsidiary) entered into an agreement with a German bank to obtain a loan in the amount of approximately EUR 90 million under non-recourse terms (for the Company) the final repayment date of which is 3 years from the date of receiving the loan ,bearing interest at a margin of 2% per annum above 3 month Euribor. The remaining purchase cost plus related costs were financed from the Company's own resources. On February 28, 2018, the transaction was completed. On September 22, 2019, the Company entered into an agreement with a third-party buyer who is unrelated to the Company and/or to the controlling shareholder of the Company and real estate investor focusing on real estate projects in Germany to sell 75% of its holding in the sub-subsidiary, which holds the Gerresheim development project, for a consideration reflecting a value of € 375 million. On December 26, 2019, an amended agreement was signed, whereby the consideration payment mechanism was adjusted as follows:

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

On December 26, 2019, an amended agreement was signed, whereby the consideration payment mechanism was adjusted as follows: at the signing date of the amended agreement, the sub-subsidiary was paid EUR 132 million, originating from a new bank loan the sub-subsidiary has taken, of which EUR 90 million was used to repay the existing bank loan taken in connection with the development of the project and the balance of the transaction, less transaction costs, was paid to the Company in cash and held in a restricted account until the approval of the German competition authorities is received. After the approval of the German competition authorities is received, this amount is expected to be released to the Company. The loan taken on the date of amending the agreement, bears annual interest of 4% above 3 month Euribor and is payable on June 27, 2020.

The consideration balance will be paid to the Company in accordance with the fulfillment of the transaction terms (the main of which is the publication of a zoning plan and obtaining building permits as detailed in the agreement.) since the payment of the consideration balance to the Company is contingent upon events that are not under the full control of the Company (such as obtaining building permits etc) the Company has not yet recognized a profit from the sale transaction.

In accordance with the aforesaid, the assets and liabilities of the sub-subsidiary were classified and presented in the financial statements as a disposal group held for sale:

	EUR in thousands
Assets classified as held for sale	
Inventory held for sale	142,546
Deferred tax asset	2,037
	144,583
Liabilities classified as held for sale	
Loans from banks	127,506
	127,506

NOTE 7: - INVESTMENTS ACCOUNTED AT EQUITY

Information on jointly controlled company measured at equity

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

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

(2) The Company has a joint control agreement with the partner. The Company holds 50% of the shares of the partnership and 50% of the rights of the partnership. The partnership holds a land for residential development in Germany. On October 1, 2019, the jointly controlled company entered into a loan agreement with a German bank against charging the land in the amount of EUR 3.9 million. The loan was paid to the owners pro rata.

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

a. Composition and movement

	December 31,	
	2019	2018
	Euros in thousands	
Balance as of January 1	1,474,965	1,350,643
changes during the year		
Purchases and additions during the year (f)	18,111	27,409
Classification to inventory	-	-
Realization of investment property (f)	(275,787)	-
Classification of asset as held for sale (f)	(54,155)	-
Fair value adjustment	22,434	96,913
Balance as of December 31	1,185,568	1,474,965

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

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

Presentation in the statement of financial position

	December 31,	
	2019	2018
	Euros in thousands	
Investment property – real estate rights	62,218	64,683
Investment property - income generating assets	1,123,350	1,410,282
Balance as of December 31	1,185,568	1,474,965

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

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

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

Income-generating residential real estate

	December 31, 2019	December 31, 2018
Discount rate (%) **	4.65	4.65
Cap rate (%) **	5.07	5.25
Long-term vacancy rate (%)	3.17	3.28
Representative monthly rental fees per sq. m. (in Euros)	8.28	8.31

Income-generating commercial real estate

	December 31, 2019	December 31, 2018
Discount rate (%) **	5.25	4.89
Cap rate (%)**	5.47	5.69

Lands for betterment, Düsseldorf, Germany *

	December 31, 2019	December 31, 2018
Expected sale price per sq.m (in Euro)	10,592	9,113
Expected construction costs per sq.m (in Euro)	4,456	3,357

*) Represents the valuation data of the land, on which the Company plans to build luxury apartments. Land value as of December 31, 2019 amounted to € 46.7 million. In addition, the Company has a land valued at € 13.7 million as of December 31, 2019, the planned use of which will be subject to rent control.

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

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

d. Fair value adjustment of investment property (level 3 in the fair value hierarchy):

All investment properties – rights to real estate and income generating assets are classified in level 3 of the fair value hierarchy.

Sensitivity analysis

The following is a sensitivity analysis of investment property at capitalization rate based on standardized NOI:
Based on NOI of € 56.3 million (standardized NOI) any change of 25 points at the capitalization rate over fair value adjustment is € 56.1 million.

e. Regarding charges see Note 18a.

f. Sales of investment property during the year

1. On March 22, 2019, the Company entered into an agreement with a third party unrelated to the Company or its controlling shareholder which to the best of the Company's knowledge is a leading global venture capital fund, for the sale of 89.9% of its holdings in three companies (indirectly held by the Company through certain subsidiaries of the Company), which own commercial properties in the cities of Rostock, Celle and Castrop. The consideration of the transaction represents the value of assets, gross, of EUR 175 million with certain adjustments as defined in the sale agreement. On May 31, 2019, the Company completed the sale transaction. As a result, the Company recognized a loss of EUR 2.3 million due to the difference between the proceeds of the sale, net of transaction costs, (transaction costs amounted to EUR 6.4 million) and the value of the net assets and liabilities presented in the Company's financial statements; the loss was recognized in the Company's financial statements as part of changes in fair value of investment property, net. In addition, the Company recognized a loss of EUR 7.2 million as part of financial expenses as a result of the costs for the early repayment of the bank loans that were repaid upon the completion of the transaction. The remaining investment of the Company in these subsidiaries amounts to EUR 6.5 million (10.1% of the equity of the subsidiaries), and is presented in the financial statements as investment in financial assets measured at fair value through profit or loss.

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

2. On June 28, 2019, the Company entered into an agreement for selling additional assets from the Company's commercial income producing real estate portfolio. As a result of the agreement, the Company recognized a loss of EUR 9 million deriving from the adjustment of the value of the net assets and liabilities presented in the Company's financial statements to sale proceeds (net of transaction costs) and an additional loss of EUR 4 million, net of tax for costs the Company is expected to bear mainly for estimated repair costs agreed with the purchaser. On December 31, 2019, the sale of certain assets included in the transaction was finally completed. The remaining assets included in the transaction are expected to be sold in 2020.

   Accordingly, the assets and liabilities of the subsidiaries the sale of which was not yet completed finally were classified in the statement of financial position as of December 31, 2019 as assets and liabilities of disposal group held for sale as follows:

Assets classified as held for sale	EUR in thousands
Investment property held for sale	54,155
Trade receivables and other receivables	688
	54,843
Liabilities classified as held for sale	
Loans from banks	14,886
Accounts payable	4,482
Provision for deferred tax	1,337
	20,705

3. On November 29, 2019, the Company sold an additional asset of the Company's commercial income generating portfolio, totaling approximately € 16.6 million. The sale transaction was completed on the same date.

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

4. The Company owns an income generating residential real estate where all of its lease agreements are shorter than one year. As of December 31, 2019, the Company has residential lease agreements reflecting an annual rental income of € 51.9 million. In addition, the Company has an income generating commercial real estate consisting of assets leased to third parties. The future minimum rental fees receivable from existing tenants in the income generating commercial real estate are as follows:

	December31	
	2019	2018
	Euros in thousands	
First year	10,809	27,765
Second to the fifth year	28,551	74,184
Sixth year and thereafter	20,331	85,044
	59,691	186,993

NOTE 9: - OTHER ACCOUNTS RECEIVABLE AND OTHER FINANCIAL ASSETS

	December31	
	2019	2018
	Euros in thousands	
Financial assets – currency hedging transactions (*)	-	110
Restricted bank accounts and other receivables	84	92
Fixed assets and others	244	224
	328	426

(*) see Note 14

NOTE 10: - OTHER ACCOUNTS PAYABLE

	December,31	
	2019	2018
	Euros in thousands	
Expenses payable	2,001	2,187
Interest payable	1,496	1,891
Trade payables	1,391	1,152
Deposits from tenants	7,616	7,962
Government authorities	609	411
Tax provision, net	4,243	9,995
Expenses payable for completion of project under development	1,817	5,236
Payables in respect of purchase of real estate	3,881	-
Prepaid income	691	763
Other payables	218	30
	23,963	29,627

NOTE 11: - LOANS FROM BANKS AND DEBENTURES

a. Composition

	interest rate as of December 31, 2019	December 31, 2019	December 31, 2018
	%	Euros in thousands	
Loans from banks presented at amortized cost	(*) (**)	478,926	763,197
Debentures linked to CPI (d) (e) (f) – amortized cost	(***)	100,419	107,415
		579,345	870,612
Less - current maturities for bank loans		(57,275)	(118,551)
Less- current maturities for bonds		(25,780)	
Less – loans from banks for financing inventory of buildings under construction		(5,747)	(2,098)
		490,543	749,963

(*) interest rate for loans at variable interest: Euribor+1%-Euribor+4.00% where the base interest is determined at 0.
(**) interest rate for loans at fixed interest: 1.22% - 1.88%.
(***) interest rate on bonds: 3.29%-4.80%. Principal and interest are linked to Israeli CPI. Debentures are traded on TASE.

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

b. Movement:

	December 31, 2019	December 31, 2018
	Euros in thousands	
Balance as of January 1	870,612	788,268
Receipt of loan, net	339,279	197,771
Repayment of debentures	(18,679)	(17,309)
Repayment of loans	(393,266)	(96,825)
Classification to liabilities held for sale	(142,396)	-
Deconsolidation (see note 8f)	(97,754)	
Cost of receiving loans amortizations and others	11,439	2,421
Exchange differences	10,110	(3,714)
Balance as of December 31	579,345	870,612

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

Refinancing:

During January 2019, the Company through subsidiaries entered into a refinancing transaction with a German bank for 16 non-recourse loans taken from the same German banking corporation entered into force on April 1, 2019 under the following conditions:

	New conditions	Previous conditions
Loan amount	EUR 205 million	EUR 205 million
Final repayment date	9.84 years	3.78 weighted average
Weighted interest rate per year	1.84% where all loans are at fixed interest	1.29% - weighted, according to the previous conditions a loan of EUR 157 million bore fixed interest and a loan of EUR 48 million bore variable interest
Current principal payment rate per year	2.5%	2% - 2.5%

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

The loans are not subject to financial covenants and the remaining asset balance used as collateral for these loans as of the day of the refinance completion amounted to EUR 498.8 million. The Company accounted for the financing transaction as derecognition of existing loans and taking new loans. Other than changes in rates of current interest, the swap transaction had no material effect on the operating results.

d. In 2011 and 2012, the Company issued NIS 400 million of debentures (Series A) par value NIS1 each by 2 IPOs and 1 private issuance .The debentures bear a yearly average interest denominated at 4.8% linked to the Consumer Price Index and paid every six months (effective interest of 5.53%). The debentures are payable in 7 equal annual principal payments on July 14 of each of the years between 2014 and 2020 (inclusive) .The Company has undertaken that so long as the debentures (Series A) are still outstanding:

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

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

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

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

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

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

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

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

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

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

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

   c. Reductions in value listed pursuant to the Consolidated Financial Statements (if any) for the assets pledged to guarantee loans of sums exceeding the borrower's recourse right. Shall not exceed 90%.

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

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

As of December 31, 2019, the Company is in compliance with said financial covenants.

e. On May 21, 2013, the Company issued to the public in Israel new series (series B) of non-convertible to shares debentures in a total amount of NIS 175 million par value by way of uniform offer according to a shelf prospectus report dated May 19, 2013 by virtue of the Company's shelf prospectus dated May 24, 2012 (as amended in the modified prospectus dated May 9, 2013). The debentures bear annual interest of 3.29% (payable in semiannual payments in June and December effective December 2013) and are linked to the CPI as of April 2013. The debentures (series B) will be payable (principal) in unequal annual 12 installments on December 31 in each of the years 2013 through 2024 (inclusive) such that each payment of the first 7 payments will constitute 4% of the principal of the total par value of the debentures (series B) and each payment of the last 5 payments will constitute 14.4% of the principal of the total par value of the debentures (series B). In addition, on January 27, 2014, the Company's Board of Directors approved a private placement of 72 million debentures (Series B) of NIS 1 par value, listed for trade, to 10 institutional investors (the offerees) by expanding the existing debenture series of the Company (Series B) listed for trade ("the offered securities" and "the private placement"). The Company has undertaken that so long as the debentures (Series B) are still outstanding:

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

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

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

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

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

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

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

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

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

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

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

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

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

As of December 31, 2019, the Company is in compliance with said financial covenants.

In July 2014, the Company completed the issuance to the public in Israel new series (series C) of debentures par value NIS 102,165,000 under the shelf prospectus report dated July 20, 2014 (July 2014 shelf prospectus report) by virtue of the shelf prospectus dated May 24, 2012 (as amended in the modified prospectus dated May 9, 2013 and the modified prospectus dated July 14, 2014 (collectively: the prospectus). The annual interest rate determined in the tender, which was held on July 21, 2014, is 3.3%.

The interest on the debentures (series C) will be paid in two semiannual installments on January 20 and July 20 of each of the years 2015 – 2026 (inclusive) effective January 20, 2015. In addition, on April 4, 2016, the Company completed an issuance to the public in Israel of 60,058,000 debentures (series C) of NIS 1 listed for trade by expanding existing series of debentures (series C). The debentures (series C) will be linked to the CPI and payable (principal) in unequal annual 12 installments on July 20 in each of the years 2015 through 2026 (inclusive) such that each payment of the first 9 payments will constitute 2% of the principal of the total par value of the debentures (series C), the tenth payment will constitute 17% of the principal of the total par value of the debentures (series C) and each payment of the last 2 payments will constitute 32.5% of the principal of the total par value of the debentures (series C). The Company has undertaken that so long as the debentures (Series C) are still outstanding:

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

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

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

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

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

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

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

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

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

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

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

   c. Reductions in value listed pursuant to the Consolidated Financial Statements (if any) for the assets pledged to guarantee loans of sums exceeding the borrower’s recourse right. Shall not exceed 75%.

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

As of December 31, 2019, the Company is in compliance with said financial covenants.

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

f. Financial covenants

In the context of credit framework agreements with banking corporations, subsidiaries undertook to comply with a number of financial covenants, including a loan to value (LTV) ratio between 65% and 80% and debt service coverage ratio (DSCR) (must be higher than the range between 120% to 160%). All loans are non-recourse and therefore failure to comply with the terms of one of the frameworks does not constitute violation of the other frameworks.

The Company undertook, as part of the recourse loan, as stated in Note 6 (B)3 to the lending bank that:

If the Company's credit rating is lower than the investment rating (i.e. lower than BBBil rating), the Company will have to make a deposit of € 10 million in addition to additional amounts that may have been made/to be made in the deposit as detailed below. It should be noted that the Company's credit rating as of the signing date of the report is il-AA.

In addition, the Company undertook in relation to the Development Plan (the "Development Stipulations") that:

1. If, by March 31, 2019, the infrastructure agreement with the municipality of Dusseldorf is not signed ,and the Urban Planning scheme will not be published for public comments, the Company will deposit € 24 million in an account to be pledged in favor of the lender (above and below: "the deposit").

2. If ,by September 30, 2019, the Urban Planning Scheme has not been approved ,the Company will deposit an additional € 15 million in the deposit.

3. If ,by March 31, 2020, the Urban Planning Scheme has not been approved ,the Company will deposit an additional € 15 million in the deposit.

4. If ,by September 30, 2020 the Urban Planning Scheme has not been approved ,the Company will deposit an additional €15 million in the deposit.

If the relevant condition was met after the funds have been deposited in the deposit, then the amount in the deposit will be returned to the Company. Upon the approval of the Urban Planning Scheme, the Company's guarantee to fulfill the obligations of the purchaser under the loan agreement will be limited to EUR 50 million. Upon commencement of the project construction and if the construction loan is taken from the lender, the Company will cease to be a guarantor/debtor under the loan agreement.

As to the financial covenants on debentures (Series A, B and C), see e. f. and g above.

As of December 31, 2019, the Company complies with all of the financial covenants as set forth. It should be noted that as of the report signing date, the Company expects that it will not comply with the development stipulations specified above, and as a result, if there are no other agreements with the lending bank, the Company will be required to make such deposit. In March 2019, the bank notified the Company regarding the deposit that until the discussion in the credit committee in the matter, the bank will not demand the deposit.

NOTE 12: - LOANS FROM CONTROLLING SHAREHOLDER

On May 9, 2019, the Company's audit committee and Board of directors approved to obtain a credit facility of EUR 100 million from ADLER, the controlling shareholder of the Company. From this facility as of December 31, 2019 EUR 44.2 million were withdrawn. In January and March 2020, the Company repaid most of the debt to the controlling shareholder such that as of the approval date of the financial statements, the Company has a debt balance of approximately EUR 3.2 million. The facility was granted for a two-year period at an interest of 2.58% per annum and the Company has early repayment right of the withdrawn funds without penalty. No financial covenants were set for the loan and no collaterals were provided by the Company.

NOTE 13: - OTHER NON-CURRENT LIABILITIES

	December 31,	
	2019	2018
	Euros in thousands	
Lease liability(1)	3,041	3,072
Less - current maturities	(31)	(31)
	3,010	3,041

(1) The Company leased an asset from a local authority until 2047.

NOTE 14 : - OTHER FINANCIAL ASSETS AND LIABILITIES

a. Composition of other financial assets

	December 31	
	2019	2018
	Euros in thousands	
Financial assets in respect of currency exchange transactions see Notes 4 and)	1,635	110
Marketable financial asset measured at fair value through profit or loss (*)	35,655	37,019
Financial assets measured at fair value through profit or loss (**)	6,494	-
	43,784	37,129

b. Composition of other financial liabilities

	December 31	
	2019	2018
	Euros in thousands	
Financial liabilities in respect of interest swap transactions ***)	683	460
Financial liabilities in respect of interest swap transactions * ***)	-	363
	683	823

NOTE 14 : -OTHER FINANCIAL ASSETS AND LIABILITIES (Cont.)

(*) On July 23, 2018, the Company acquired shares in a public company incorporated in Germany, whose shares are traded on the unofficial supervised Frankfurt Stock Exchange and in the German residential real estate development market, which is unrelated to the Company or its controlling shareholder and the purchased shares representing 4.1% of the issued and outstanding share capital of the target company, for a total consideration of € 35 million. The Company classified the investment as financial asset presented at fair value through profit or loss.

(**) see Note 8f (1) with respect to the investment balance in the subsidiaries which were sold has sold in the amount of € 6.5 million (10.1%) of the companies' capital.

(***) A total of € 279 thousand and € 243 thousand as of December 31, 2019 and 2018, respectively, are presented as current maturities.

(****) A total of € 196 thousand as of December 31, 2018 is presented as a current maturity.

c. Subsidiaries in Germany that own investment properties took loans and signed interest rate swap agreements. In these agreements, the subsidiaries hedge their exposure to future changes in variable interest rates on cash flows, by swapping it for a fixed interest rate. These transactions are not recognized as hedging transactions for accounting purposes. The change in the fair value of the hedging instrument was recognized in profit or loss.

As of December 31, 2019, the fixed interest rate (with no margin) is 0.235% on total funds of € 44,553 thousand.

NOTE 15 : -FAIR VALUE MEASUREMENT

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

Quantitative disclosures of the fair value measurement hierarchy of the Group's assets and liabilities as of December 31, 2019:

	Fair value hierarchy			
	Level 1	**Level 2**	**Level 3**	**Total**
	Euros in thousands			
Assets measured at fair value: Investment property (Note 8):				
Income generating commercial real estate	-	-	127,596	127,596
Income generating residential real estate	-	-	995,754	995,754
Land for betterment and real estate right	-	-	62,218	62,218
Other financial assets: (Note 14a)				
Derivative financial assets	1,635	-	-	1,635
Marketable financial asset measured at fair value through profit or loss	35,655			35,655
Financial assets measured at fair value through profit or loss			6,494	6,494

NOTE 15 : - FAIR VALUE MEASUREMENT (Cont.)

	Fair value hierarchy			
	Level 1	Level 2	Level 3	Total
	Euros in thousands			
Liabilities measured at fair value:				
Derivative financial liabilities (Note 14b):				
Interest swap contracts	-	(683)	-	(683)

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

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

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

	Valuation technique	unobservable data material	Range weighted) (average	fair of Sensitivity in change to value data
Interest swap transactions	DCF	Payment curve	Euribor curve for transaction period	2% increase/decrease in Euribor curve will result in increase/decrease in fair value up to € 3.0 million

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

NOTE 15 : - FAIR VALUE MEASUREMENT (Cont.)

Derivatives and hedging

	December 31, 2019		December 31, 2018	
	Asset	Liability	Asset	Liability
	Euros in thousands			
Fair value of swap agreements (1)	-	(683)	-	(460)
Fair value of currency exchange transactions (2)	1,635	-	110	(363)

(1) Cash flow hedges:

As of December 31, 2019, the Group has interest rate swap agreements (SWAP) in the sum of € 44,553 thousand according to which the Group pays a fixed interest rate of 0.235% and receives variable interest at a rate equal to Euribor for three months.

(2) Currency exchange transactions:

As of December 31, 2019, the Group has various agreements for a future sale of EURO against future purchases of U.S dollar in the total amount of € 30 million and at average forward rate of € 1.195 to the dollar.

NOTE 16: - FINANCIAL INSTRUMENTS

a. Classification of financial assets and financial liabilities

	December 31,	
	2019	2018
	Euros in thousands	
Cash, loans and receivables at amortized cost		
Cash and cash equivalents	44,409	27,138
Balances receivable from banks	-	414
Restricted deposits and receivables (1)	66,336	20,189
Tenants and trade receivables, net	505	1,523
Other non-current receivables and restricted deposits	84	92
	111,334	49,356
Financial instruments (fair value)		
Investments in financial assets measured at fair value through profit or loss	42,149	37,019
Financial assets	1,635	110
Financial liabilities for hedging purposes	(683)	(823)
	43,101	36,306

NOTE 16: - FINANCIAL INSTRUMENTS (Cont.)

	December 31,	
	2019	2018
	Euros in thousands	
Financial liabilities at amortized cost		
Debentures	(100,419)	(107,415)
Credit from banks	(478,925)	(763,197)
Other accounts payable (2)	(15,656)	(20,902)
Lease liability	(3,010)	(3,041)
Loans from controlling shareholder	(44,762)	-
	(642,772)	(894,555)

(1) Excluding prepaid expenses.
(2) Excluding deposits from tenants and prepaid income.

b. Market risk

1. Foreign currency risk

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

2. CPI risk

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

3. Interest rate risk

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

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

The interest swap contract conditions are suited to the base loans. As of the report date, approximately 74% of the Company's loans and debentures are hedged.

NOTE 16: - FINANCIAL INSTRUMENTS (Cont.)

c. Credit risk

Credit risk could arise from cash and cash equivalents, derivatives and deposits with banking corporations and financial institutions, as well as from receivables, including tenants' debit balances.

Management has a credit policy and credit exposure is examined on a regular basis. In principle, the Company does not provide credit to tenants. In cases in which tenants request credit, the Company carries out a credit assessment for those customers. The Group holds all or part of the tenants' deposits that are refundable until the tenants will settle their payments or in other cases of breach of contract.

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

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

The Company estimates that when lease payments from tenants are in arrears of more than 30 days, there is a significant increase in credit risk and the Company recognizes an impairment as follows:

- For payments in arrears of more than 30 days but less than 60 days, the provision for impairment is 20% of the balance.
- For payments that are over 60 days but less than 180 days in arrears, the provision for impairment is 50% of the balance.
- For payments that are more than 180 days in arrears, the Company provides the full balance for impairment.

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

d. Liquidity risk

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

NOTE 16: - FINANCIAL INSTRUMENTS (Cont.)

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

As of December 31, 2019, 32.60% of the Group's debt will be redeemed within under a year (2018 – 17.12%) (See also Note 11).

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

December 31, 2019

	Up to one year	From one to two years	From two to three years	From three to four years	From four to five years	Over five years	Total
	Euros in thousands						
Accounts payable	22,833	-	-	-	-	-	22,833
Loans from banking corporations (1)	210,540	136,634	98,548	8,995	20,760	188,967	664,444
Loans from controlling shareholder	44,762	-	-	-	-	-	44,762
Debentures (1)	29,499	12,765	12,426	12,087	11,383	35,560	113,720
Lease liability	215	215	215	215	215	4,850	5,925
	307,849	149,614	111,189	21,297	32,358	229,377	851,684

December 31, 2018

	Up to one year	From one to two years	From two to three years	From three to four years	From four to five years	Over five years	Total
	Euros in thousands						
Accounts payable	27,736	-	-	-	-	-	27,736
Loans from banking corporations (1)	115,110	51,323	254,867	143,553	237,200	-	802,053
Debentures (1)	21,174	26,572	11,501	11,196	10,287	42,859	123,589
Lease liability	215	215	215	215	215	5,063	6,138
	164,235	78,110	266,583	154,964	247,702	47,922	959,516

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

NOTE 16: - FINANCIAL INSTRUMENTS (Cont.)

e. Fair value

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

As of December 31, 2019

	Carrying amount in the statement of financial position	Fair value
	Euros in thousands	
Financial liabilities		
Debentures and interest payable on debentures	101,326	111,429

As of December 31, 2018

	Carrying amount in the statement of financial position	Fair value
	Euros in thousands	
Financial liabilities		
Debentures and interest payable on debentures	108,555	115,940

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

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

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

NOTE 16: - FINANCIAL INSTRUMENTS (Cont.)

f. Sensitivity tests relating to changes in market factors

	December 31, 2019	December 31, 2018
	Euros in thousands	
Sensitivity test to changes in interest rates		
Effect on profit and loss and other comprehensive income		
For loans		
Interest increase of 200 base points	(3,796)	(6,105)
Interest decrease of 200 base points *)	(*) -	(*) -
For Swap		
Interest increase of 200 base points	1,420	2,483
Interest decrease of 200 base points *)	(2,968)	(3,714)
For debentures		
CPI increase of 3%	(3,519)	(3,512)
CPI decrease of 3%	1,564	1,641
EURO/NIS exchange rate increase of 5%	(4,974)	(5,086)
EURO/NIS exchange rate decrease of 5%	4,974	5,086
For currency hedging transactions		
EURO/Dollar exchange rate increase of 5%	1,500	2,750
EURO/ Dollar exchange rate decrease of 5%	(1,500)	(2,750)

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

Sensitivity tests and principal working assumptions

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

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

The sensitivity tests present the profit or loss and/or the comprehensive income with respect to each financial instrument for the relevant risk variable chosen for that instrument as of each reporting date. The test of risk factors was determined based on the materiality of the exposure of the operating results or financial condition of each risk with reference to the functional currency and assuming that all the other variables are constant. The Group is not exposed to changes in profit/loss due to interest risk with respect to long-term loans at fixed interest.
In non-current variable-interest loans measured at amortized cost, the sensitivity test for interest risk was only performed on the variable component of interest.

NOTE 16: - FINANCIAL INSTRUMENTS (Cont.)

g. Changes in liabilities deriving from financing activity

	Loans from banks	Loans from controlling shareholder	Bonds	Lease liability	Total liabilities deriving from financing activity
Balance as of January 1, 2017	(591,320)	-	(147,919)	(3,149)	(742,388)
Cash flow	(74,942)	-	18,101	54	(56,787)
Classification to liabilities for disposal group held for sale	6,157	-	-	-	6,157
Effect of exchange rate changes	-	-	2,347	-	2,347
Other changes	(692)	-	-	-	(692)
Balance as of December 31, 2017	(660,797)	-	(127,471)	(3,095)	(791,363)
Cash flow	(94,790)	-	17,309	54	(77,427)
Classification to liabilities for disposal group held for sale	(6,157)	-	-	-	(6,157)
Effect of exchange rate changes		-	2,746	-	2,746
Other changes	(1,454)	-		-	(1,454)
Balance as of December 31, 2018	(763,197)	-	(107,416)	(3,041)	(873,654)
Cash flow	151,743	(44,200)	18,679	54	126,276
Classification to liabilities for disposal group held for sale	142,398	-	-	-	142,398
Effect of exchange rate changes		-	(11,683)	-	(11,683)
Other changes	(9,870)	(562)	-	(23)	(10,455)
Balance as of December 31, 2019	478,926	(44,762)	(100,420)	(3,010)	(627,118)

NOTE 17: - TAXES ON INCOME

a. Tax laws applicable to the Group companies

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

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

State	%
The Netherlands	25
Germany (*)	15.825 – 31.225
Luxemburg	24.94

*) Earnings from the sale of apartments are subject to a local business tax in Germany. The corporate tax and the local business tax rate amount to 33%.

3. Earnings from the sale of the shares of a Dutch company, Luxembourgian company or by a Dutch company are tax-exempt in the Netherlands subject to meeting the terms of exemption from participation set forth in Dutch law. Earnings from the sale of a German company, owning real estate assets of 50% of the Company's total assets by a German company are taxable at a 5% corporate tax rate on the taxable income. As of 2019, as a result of changes in the German law, earnings deriving from the sale of shares of a limited company that holds assets in Germany will be taxed at 5% of the taxable income.

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

b. Tax assessments

Final tax assessments

The Company was issued final tax assessments in the Netherlands until and including 2016. Some subsidiaries that are tax assessed in the Netherlands were issued final tax assessments until and including 2018 and some were issued final tax assessment from their establishment date.

Most of the companies that are tax assessed in Germany were issued tax assessments until and including 2017. The assessments that were issued to the Company until and including 2014 are deemed final due to the statute of limitations.

NOTE 17: - TAXES ON INCOME (Cont.)

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

The Group has business losses and capital losses for tax purposes carried forward for tax purposes on the coming years, totaling as of December 31, 2019 approximately € 49,771 thousand. In respect of these losses, deferred tax assets have been recognized in the financial statements in the amount of approximately € 7,876 thousand. In addition, the Group has business losses and capital losses for tax purposes carried forward for tax purposes on the coming years, totaling as of December 31, 2019 approximately € 32,048 thousand for which the Company did not recognize deferred tax assets.

d. Deferred taxes

	December 31,	
	2019	**2018**
	Euros in thousands	
Deferred tax liabilities		
Inventory of buildings under construction, inventory of real estate and investment property	(114,926)	(122,931)
Non-current liabilities	(1,158)	(1,116)
Debentures	(368)	(286)
Revaluation of financial derivatives	(300)	
	(116,752)	(124,333)
Deferred tax assets		
Losses carried forward for tax purposes	7,876	7,861
Revaluation of financial derivatives	-	32
Accounts receivable	-	-
	7,876	7,893
Deferred tax liabilities, net	(108,876)	(116,440)
Deferred taxes are presented in the statement of financial position as follows:		
Non-current assets	33	1,231
Non-current liabilities	(108,909)	(117,671)
	(108,876)	(116,440)

NOTE 17: - TAXES ON INCOME (Cont.)

The change in deferred taxes in the reported periods is composed as follows:

	December 31, 2019	December 31, 2018
	Euros in thousands	
Deferred tax liabilities		
Inventory of buildings under construction, inventory of real estate and investment property	(8,005)	20,040
Non-current liabilities	42	148
Revaluation of financial derivatives	333	860
	(7,630)	21,048
Deferred tax assets		
Losses carried forward for tax purposes	(16)	(2,654)
Debentures	81	126
	65	(2,528)
Deferred tax expenses, net	(7,565)	18,520

The deferred taxes are computed at an average tax rate of 15.825% (2017 and 2016 - 15.825%) based on the tax rates expected to apply on realization. Deferred taxes in respect of inventory of apartments under construction and inventory of real estate are calculated at a tax rate of 31.225%. Deferred taxes in respect of carryforward tax losses in the Netherlands are calculated at a tax rate the Company expects that these losses will be utilized.

NOTE 17: - TAXES ON INCOME (Cont.)

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

	Statement of profit or loss		
	Year ended December 31,		
	2019	2018	2017
	Euros in thousands		
Deferred taxes, see also d. above	(7,565)	18,520	24,413
Current taxes and taxes in respect of previous years and others	19,823	10,985	7,276
Tax expenses	12,258	29,505	31,689

f. Theoretical tax

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

	Year ended December 31,		
	2019	2018	2017
	Euros in thousands		
Income before taxes on income	29,885	148,548	150,733
Statutory tax rate in the Netherlands	25%	25%	25%
Tax calculated using statutory tax rate	7,471	37,137	37,683
Deferred tax assets created in other tax rate	5,111	(11,752)	(7,399)
Taxes for previous periods and others, net	(324)	4,120	1,405
Taxes on income	12,258	29,505	31,689

NOTE 18: - CONTINGENT LIABILITIES, COMMITMENTS AND LIENS

a. Commitments, liens and collaterals

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

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

2. As part of a loan agreement signed during November 2013 with a banking corporation to receive € 101.4 million to finance Stage B of the Düsseldorf project, the Company provided a € 12.4 million guarantee, of which € 8.9 million is an autonomous guarantee for the local authority to secure liabilities of the project companies pursuant to the development agreement with the local authority. The guarantee balance of € 3.5 million will be used to issue guarantees to contractors. The annual interest rate on the guarantee is 1.25% and is calculated only for the amount that was actually granted as a guarantee. The balance of the guarantee as of December 31, 2019 was EUR 3.7 million.

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

4. The balance of secured liabilities is EUR 585 thousand (2018 – EUR 877 thousand)

NOTE 18: - CONTINGENT LIABILITIES, COMMITMENTS AND LIENS

5. As part of developing the inventory of buildings under construction for Stage A (see Note 6), the Company entered into a contract with the contractor. As of December 31, 2017 the construction work was finalized by the contractor. In the final settlement of accounts, the contractor requested additional payment from the Company in the amount of € 12.5 million. The Company rejected the arguments of the contractor and demanded that the contractor will compensate the Company for an amount (which is still not final) of € 4 million due to various breaches of the contract by the contractor. In June 2019, the Company reached with the contractor an interim agreement under which it provided an additional amount of € 1.6 million. In addition, the contractor has additional monetary claims of € 3 million against which the Company has counter claims. As per the Company and based on the opinion of its legal counsel the likelihood that the Company will be required to bear any extra payment to the contractor is low

b. <u>Claims</u>

1. Lawsuits have been filed against the Group totaling some € 229 thousand. In the estimation of Group management, relying *inter alia* on the opinions of its legal counsel, the provisions contained in the financial statements are sufficient to cover the possible exposure, if any, as a result of these lawsuits.

2. On April 8, 2018, a motion to approve a class action ("the motion") was filed against ADLER, Redzone Empire Holding (the former controlling shareholder in the Company) and former officers in the Company with the Tel Aviv District Court by a shareholder in the Company regarding the alleged violations of the provisions of the Companies Law-1999 (above and below – the companies' law) as well as Tender Offer Regulations with regard to the special tender offer submitted by ADLER to the shareholders of the Company on February 19, 2018 (which was amended on March 20, 2018).

c. <u>Commitments</u>

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

In January and February 2019, as part of the exercise of the refusal right/offer to acquire the rights of the investors, the Company notified the investors of the exercise of the refusal right and consequently the Company and the holders of rights began negotiations for the acquisition of the investors' rights. In order to carry out the transaction and to improve the transaction structure, the Company entered into agreement with ADLER such that a subsidiary of ADLER will purchase 10.1% of the rights in the relevant asset companies. Accordingly, on July 1, 2019, the Company completed the above purchase of rights (except for the rights at a rate of 10.1% that were purchased by ADLER) in a total consideration of € 64.7 million.

NOTE 19: - EQUITY

a. Composition of share capital

	December 31, 2019		December 31, 2018	
	Authorized	Issued and paid-up	Authorized	Issued and paid-up
Ordinary shares of € 0.01par value each	22,500,000	7,730,875	22,500,000	7,730,875

b. Capital management in the Company

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

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

The holding of the Company in the Company's shares includes 31,688 treasury shares constituting 0.4% of the Company's issued and outstanding share capital.

d. Employee options

In 2017, the vesting period of all the options granted to the Company's employees as part of the allotment plans approved by the Company's organs in previous years has ended. As of December 31, 2019, there is no option plan in effect. In addition, in 2017, the remaining outstanding 426,274 options were exercised to 251,386 shares of the Company using Cashless mechanism such that the exercise increment amounted to 10 Agorot for each share.

e. Classifications according to Dutch law - statutory capital reserve

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

In the reported period, the Company classified the distributable earnings out of the statutory capital reserve. Accordingly, the balance of distributable earnings as of December 31, 2019 is EUR 207,938 thousand.

NOTE 20: - SUPPLEMENTARY INFORMATION TO ITEMS OF STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended December 31,		
		2019	2018	2017
		Euros in thousands		
a.	Cost of maintenance of rental properties:			
	Salaries, electricity, water and gas	1,737	2,301	2,456
	Maintenance and repairs	6,054	4,397	3,876
	Land taxes	661	691	748
	Insurance	125	110	91
	Doubtful accounts and bad debts	2,672	3,945	1,579
	Marketing	685	1,059	939
	Others	362	213	-
		12,296	12,717	9,689
b.	general and administrative expenses			
	Property management, salary expenses and others	6,091	7,742	7,428
	Expenses for sale transactions of assets not yet realized	3,992	-	-
	Legal and other professional services	3,560	2,767	2,755
	Travel expenses, rent and office maintenance and others	2,495	2,011	1,316
		16,138	12,520	11,499
c.	Interest income, deposits and others	-	-	39

NOTE 20: - SUPPLEMENTARY INFORMATION TO ITEMS OF STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Cont.)

	Year ended December 31,		
	2019	2018	2017
	Euros in thousands		
d. Financial expenses, net			
(1) Interest, bank charges and others			
Interest expenses on loans and debentures	(16,859)	(17,333)	(16,222)
Bank charges, guarantee commission and others	(166)	(151)	(163)
Leasing finance expenses	(215)	(215)	(206)
	(17,240)	(17,699)	(16,591)
(2) Amortization of finance costs and others			
Amortization of financial costs on loans and debentures	(1,850)	(1,947)	(2,938)
	(19,090)	(19,646)	(19,529)
e Effect of exchange rate differences and currency hedging transactions, net			
Gain (Loss) from exchange rate differences in respect of debentures and cash, net	(10,821)	3,887	4,047
Linkage differences in respect of debentures	(574)	(1,062)	(483)
Gain (loss) from currency hedging transactions	2,419	3,684	(6,569)
	(8,976)	6,509	(3,005)
f. Change in value of loans and interest rate swap transactions, net			
Gain (loss) from revaluation of interest rate swap, net	(284)	(80)	421
Gain (loss) from revaluation of marketable financial asset measured at fair value through profit or loss	(1,364)	2,019	-
Gain (Loss) from revaluation of loans according to fair value, net and others	-	(359)	264
Loan early repayment costs	(9,643)		
	(11,291)	1,580	685

g. Other income

In 2017, the Company received EUR 2 million in respect of early evacuation of a tenant in one of its assets.

NOTE 21: - NET EARNINGS PER SHARE

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

	Year ended December 31,					
	2019		2018		2017	
	Weighted number of shares	Net income attributable to equity holders of the Company	Weighted number of shares	Net income attributable to equity holders of the Company	Weighted number of shares	Net income attributable to equity holders of the Company
	In thousands	Euros in thousands	In thousands	Euros in thousands	In thousands	Euros in thousands
For the purpose of calculating basic net earnings	7,731	18,318	7,731	100,919	7,379	101,124

NOTE 22: - OPERATING SEGMENTS

General

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

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

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

Segment revenues include rental revenues and revenues from property management.

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

NOTE 22: - OPERATING SEGMENTS (Cont.)

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

a. Operating segment report

	Income-generating commercial real estate	Income-generating residential real estate	Land for betterment *	Residential development	Total
	Euros in thousands				
For the year ended December 31, 2019					
Revenues from sale of apartments	-	-	-	70,029	70,029
Cost of sale of apartments	-	-	-	(56,999)	(56,999)
Gain from sale of apartments	-	-	-	13,030	13,030
Revenues from property rental	23,414	50,083	274	-	73,771
Revenues from property management and others	4,866	20,985	53	-	25,904
Property management expenses	(4,897)	(20,963)	(39)	-	(25,899)
Rental property maintenance expenses	(4,102)	(8,080)	(114)	-	(12,296)
Total rental and management revenues (expenses), net	19,281	42,025	174	-	61,480
General and administrative expenses					(16,138)
Selling and marketing and general and administrative expenses attributed to inventory of buildings under construction and inventory of real estate	-	-	-	(2,361)	(2,361)
Appreciation of investment property, net	(37,293)	54,810	(4,179)	-	13,338
Financial expenses, net					(39,357)
Group's share in losses of companies accounted at equity	(107)	-	-	-	(107)
Income before taxes on income					29,885

* as to assets designated for sale and realized assets in the reported period, see Note 8f.

NOTE 22:- OPERATING SEGMENTS (Cont.)

	Income-generating commercial real estate	Income-generating residential real estate	Land for betterment	Residential development	Total
	Euros in thousands				
For the year ended December 31, 2018					
Revenues from sale of apartments	-	-	-	62,753	62,753
Cost of sale of apartments	-	-	-	(47,771)	(47,771)
Gain from sale of apartments	-	-	-	14,982	14,982
Revenues from property rental	30,067	48,918	183		
Revenues from property management and others	5,146	21,762	72	-	79,168
Property management expenses	(6,130)	(21,669)	(71)	-	26,980
Rental property maintenance expenses	(3,692)	(8,906)	(119)	-	(12,717)
Total rental and management revenues, net	25,391	40,105	65	-	65,561
General and administrative expenses					(12,520)
Selling and marketing and general and administrative expenses attributed to inventory of buildings under construction and inventory of real estate	-	-	-	(2,694)	(2,694)
Appreciation of investment property, net	14,360	83,333	(2,694)	-	95,499
Financial expenses, net					(11,557)
Equity in losses of companies accounted at equity	(723)	-	-	-	(723)
Income before taxes on income					148,548

NOTE 22: - OPERATING SEGMENTS (Cont.)

	Income-generating commercial real estate	Income-generating residential real estate	Land for betterment	Residential development	Total
	Euros in thousands				
For the year ended December 31, 2017					
Revenues from sale of apartments	-	-	-	58,958	58,958
Cost of sale of apartments	-	-	-	(47,203)	(47,203)
Gain from sale of apartments	-	-	-	11,755	11,755
Revenues from property rental	30,821	43,105	198	-	74,124
Revenues from property management and others	6,045	20,879	98	-	27,022
Property management expenses	(6,031)	(20,386)	(96)	-	(26,513)
Rental property maintenance expenses	(3,326)	(5,823)	(540)	-	(9,689)
Total rental and management revenues (expenses), net	27,509	37,775	(340)	-	64,944
Other income	2,008	-	-	-	2,008
General and administrative expenses					(11,499)
Selling and marketing and general and administrative expenses attributed to inventory of buildings under construction and inventory of real estate	-	-	-	(2,530)	(2,530)
Cost of share based payment					(871)
Appreciation of investment property, net	3,486	76,748	28,502	-	108,736
Financial expenses, net					(21,810)
Income before taxes on income					150,733

NOTE 21: - OPERATING SEGMENTS (Cont.)

b. Additional information

	Income-generating commercial real estate	Income-generating residential real estate	Land for betterment	Residential development	Total
			Euros in thousands		
For the year ended December 31, 2019					
Capital investments	2,525	13,422	2,164	-	18,111
For the year ended December 31, 2018					
Capital investments	5,043	21,328	1,357	-	27,728
For the year ended December 31, 2017					
Capital investments	1,695	139,186	450	-	141,331
As of December 31, 2019					
Segment assets	155,192	1,013,710	66,000	105,455	1,340,357
Unallocated assets					123,401
Segment liabilities	54,659	495,999	20,795	23,129	594,582
Unallocated liabilities					166,954
As of December 31, 2018					
Segment assets	483,451	933,268	64,683	249,289	1,730,691
Unallocated assets					92,384
Segment liabilities	244,307	423,480	7,812	91,942	767,541
Unallocated liabilities					255,074

NOTE 23: - TRANSACTIONS WITH INTERESTED AND RELATED PARTIES

a. Transactions with interested and related parties

	Year ended December 31,		
	2019	2018	2017
	Euros in thousands		
Interest expenses for loan to controlling shareholder	562	-	-
Others	-	-	50

b. Benefits for key management personnel (including directors):

	Year ended December 31,					
	2019		2018		2017	
	No. of people	Amount - Euros in thousands	No. of people	Amount - Euros in thousands	No. of people	Amount - Euros in thousands
Cost of share-based payment and capital attribution in respect of transactions with controlling shareholder (excluding directors)	- -	-	-	-	7	871
Short-term employee benefits (excluding directors)	-	-	8	2,039	7	3,717
	-	-				
Total benefits for directors	8	482	14	390	11	451

For information regarding the agreement with the controlling shareholder for the acquisition of non-controlling interests, see Note 18c.

NOTE 24: - DISCLOSURE ACCORDING TO IAS 1 FOR AMOUNTS EXPECTED TO BE SETTLED OR EXTINGUISHED 12 MONTHS AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

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

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

	December 31,	
	2019	2018
	EUR in thousands	
Assets that are expected to be settled, at the most, before12 months after the date of statement of financial position	327,371	54,969
Assets that are expected to be settled, at the most, after12 months after the date of statement of financial position	1,335,813	1,768,106
Total assets	1,663,184	1,823,075
Liabilities that are expected to be extinguished, at the most, before 12 months after the date of statement of financial position	262,119	151,555
Liabilities that are expected to be extinguished, at the most, after12 months after the date of statement of financial position	647,628	871,060
Total liabilities	909,747	1,022,615

NOTE 25: - EVENTS AFTER THE REPORTING PERIOD

1. On January 30, 2020, the Company sold an additional asset of its commercial income generating portfolio, totaling approximately EUR 4.1 million. As part of the Company's strategy of leverage reduction, the sale consideration balance was used to repay controlling shareholders' loan. Accordingly, this asset is presented in the statement of financial position as of December 31, 2019 as an asset of disposal group held for sale.

2. Regarding the repayment of loan from the controlling shareholders see Note 12.

3. Regarding the progress in the sale transaction in Gerresheim project see Note 6b(2).

4. The spread of the Corona virus has macroeconomic implications for all countries of the world, including Germany. The countries of the world are taking various steps to prevent the spread of the virus as well as its impact on global markets. The German government has also taken a number of steps to eradicate the spread of the virus and its impact on the German economy. At this early stage, the Company is unable to assess the exact effect of the spread of the aforementioned virus on its operations, but taking into account that the Company has focused its residential real estate activities and reduced its commercial real estate portfolio, the Company believes the impact of the spread of the Corona virus on the Company's activities and its results will be moderate. In addition, the significant improvement that has taken place in the Company's leverage level in the past year, its access to financing sources including a line of credit from the Company's owner and the right to receive significant amounts of proceeds for uncompleted transactions, may help maintaining the stability and solvency of the Company at this period

Appendix of holdings

Material subsidiaries and partnerships

Name of entity	Country of incorporation	December 31, 2019	December 31, 2018
		% in equity	
Brack German Properties BV	The Netherlands	100	100
Brack European Ingatlankezelö KFT	Hungary	100	100
Brack Capital (Remscheid) BV	The Netherlands	100	100
Brack Capital (Neubrandenburg) BV	The Netherlands	100	100
Brack Capital (Chemnitz) BV (1)	The Netherlands	60	60
Brack Capital (Hamburg) BV	The Netherlands	100	100
Brack Capital (D-Rosssatrasse) BV	The Netherlands	100	100
Brack Capital (D-Schanzenstrasse) BV	The Netherlands	100	100
Brack Capital (Gelsenkirchen) BV	The Netherlands	100	100
Brack Capital (Ludiwgsfelde) BV	The Netherlands	100	100
Brack Capital (Bad Kreuznach) BV	The Netherlands	100	100
Brack Capital Germany (Netherlands) XIX BV	The Netherlands	100	100
Brack Capital Beta BV	The Netherlands	84.98	84.98
Brack Capital Germany XXVI BV (Netherlands)	The Netherlands	84.98	84.98
Grafental Mitte B.V	The Netherlands	84.98	84.98
Brack Capital Germany XXX BV (Netherlands)	The Netherlands	100	100
Brack Capital Germany XXI BV (Netherlands)	The Netherlands	100	100
Brack Capital Germany (Netherlands) XII B.V.	The Netherlands	100	100
Brack Capital Germany (Netherlands) XLIX B.V.	The Netherlands	100	100
Brack Capital Alfa B.V.	The Netherlands	89.6	52.3
Brack Capital Delta B.V.	The Netherlands	89.6	52.3
Brack Capital Epsilon B.V.	The Netherlands	100	100
Brack Capital Kaufland S.a.r.l.	Luxemburg	100	100
TPL Augsburg S.a.r.l.	Luxemburg	92	92
TPL Bad Aibling S.a.r.l.	Luxemburg	92	92
TPL Borken S.a.r.l.	Luxemburg	92	92
TPL Erlangen S.a.r.l.	Luxemburg	92	92
TPL Geislingen S.a.r.l.	Luxemburg	92	92
TPL Vilshofen S.a.r.l.	Luxemburg	92	92
TPL Biberach S.a.r.l.	Luxemburg	92	92
TPL Ludwigsburg S.a.r.l.	Luxemburg	92	92
TPL Neckarsulm S.a.r.l.	Luxemburg	92	92
BCP Leipzig B.V.	The Netherlands	100	100
BCRE Leipzig Wohnen Nord B.V.	The Netherlands	100	100
BCRE Leipzig Wohnen Ost B.V.	The Netherlands	100	100

(1) jointly controlled

Appendix of holdings (Cont.)

	Country of incorporation	December 31, 2019	December 31, 2018
		% in equity	
BCRE Leipzig Wohnen West B.V.	The Netherlands	100	100
Investpartner Gmbh	Germany	94.9	94.9
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	100	100
BCRE Duisburg Wohnen B.V.	The Netherlands	100	100
BCRE Essen Wohnen B.V.	The Netherlands	100	100
Brack Capital Germany (Netherlands) XXXVI B.V.	The Netherlands	100	100
Brack Capital Germany (Netherlands) XVII B.V.	The Netherlands	100	100
Brack Capital Germany (Netherlands) XVIII B.V.	The Netherlands	100	100
Brack Capital Germany (Netherlands) XXIII B.V.	The Netherlands	100	100
Brack Capital Germany (Netherlands) XXV B.V.	The Netherlands	100	100
Admiralty Holdings Ltd	Gibraltar	10.1	94.9
BCRE Eta B.V.	The Netherlands	100	100
Brack Capital Labda B.V.	The Netherlands	100	100
Hanse Holdings S.á r.l.	Luxemburg	10.1	94.9
Graniak Leipzig Real Estate GmbH & Co. KG	Germany	100	100
Brack Capital Germany (Netherlands) XXIV B.V	The Netherlands	10.1	100
Brack Capital Germany (Netherlands) XXXV BV	The Netherlands	100	100
Brack Capital Germany (Netherlands) XXXVII BV	The Netherlands	100	100
Brack Capital Germany (Netherlands) XXXVIII BV	The Netherlands	100	100
Brack Capital Germany (Netherlands) XL BV	The Netherlands	100	100
Parkblick Gmbh & Co. KG	Germany	100	100
Capital Germany (Netherlands) XXXIX BV	The Netherlands	100	100
Brack Capital Germany (Netherlands) XLI BV	The Netherlands	100	100
Brack Capital Germany (Netherlands) XLII BV	The Netherlands	100	100
Brack Capital Germany (Netherlands) XLV BV	The Netherlands	100	100
Brack Capital Theta B.V.	The Netherlands	100	100
Brack Capital Germany (Netherlands) XLIII BV	The Netherlands	100	100
Brack Capital Germany (Netherlands) XLIV BV	The Netherlands	100	100
Brack Capital Germany (Netherlands) XXXI BV	The Netherlands	100	100
Brack Capital Germany (Netherlands) XLVI BV	The Netherlands	100	100
NFB SÜD GmbH & Co. KG (2)	Germany	50	50
Brack Capital Germany (Netherlands) L B.V.	The Netherlands	100	100
Brack Capital Germany (Netherlands) LI B.V.	The Netherlands	100	100
Brack Capital Germany (Netherlands) LII B.V.	The Netherlands	100	100
Brack Capital Germany (Netherlands) LIII B.V.	The Netherlands	100	100
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	100	100

Brack Capital Germany (Netherlands) XLVIII B.V.	The Netherlands	100	100
SHIB Capital Future 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	94.9	94.9
Brack Capital Halle II GmbH	Germany	94.9	94.9
Brack Capital Halle III GmbH	Germany	94.9	94.9
Brack Capital Halle IV GmbH	Germany	94.9	94.9
Brack Capital Halle V GmbH	Germany	94.9	94.9
Brack Capital Leipzig I GmbH	Germany	94.9	94.9
Brack Capital Leipzig II GmbH	Germany	94.9	94.9
Brack Capital Leipzig III GmbH	Germany	94.9	94.9
Brack Capital Leipzig IV GmbH	Germany	94.9	94.9
Brack Capital Leipzig V GmbH	Germany	94.9	94.9
Brack Capital Leipzig VI GmbH	Germany	94.9	94.9
Brack Capital Magdeburg II GmbH	Germany	94.9	94.9
Brack Capital Magdeburg III GmbH	Germany	94.9	94.9
Brack Capital Magdeburg IV GmbH	Germany	94.9	94.9
Brack Capital Magdeburg V GmbH	Germany	94.9	94.9
Brack Capital Magdeburg VI GmbH	Germany	94.9	94.9
Glasmacherviertel GmbH & Co. KG [1]	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

[1]Regarding the agreement for the sale of 75% of this entity see Note 6b2.
(2) Jointly controlled

BRACK CAPITAL PROPERTIES NV

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

AS OF DECEMBER 31, 2019

IN THOUSANDS OF EUROS

SPECIAL REPORT IN ACCORDANCE WITH REGULATION 9C

FINANCIAL DATA AND FINANCIAL INFORMATION FROM THE CONSOLIDATED FINANCIAL STATEMENTS

ATTRIBUTED TO THE COMPANY ITSELF

The following are financial data and separate financial information attributed to the Company from the consolidated financial statements of the group as of December 31, 2018 published under the periodic reports (consolidated statements) which are presented in accordance with Regulation 9c of the Securities Regulations (Periodic and Immediate Reports), 1970, as the case may be.

The significant accounting policies applied for presenting these financial data were specified in Note 2 of the consolidated financial statements.

Investees are as defined in Note 1b of the consolidated financial statements.

To the Shareholders of Brack Capital Properties NV

Re: special report of the auditor on the separate financial information in accordance with Regulation 9c of the Securities Regulations (Periodic and Immediate Reports), 1970.

We have audited the separate financial information according to regulation 9c of the Securities regulations (Periodic and Immediate Reports), 1970 of Brack Capital Properties NV (hereinafter – the Company), as of December 31, 2019 and 2018 and for the three years ended December 31, 2019 included in the periodic report of the Company. The Board of Directors and Management are responsible for the separate financial information. Our responsibility is to express an opinion on the separate financial information based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Israel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the separate financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the separate financial information. An audit also includes assessing the accounting principles used and significant estimates made by the board of directors and management, as well as evaluating the overall separate financial information presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

Based on our audit, the above separate financial information has been prepared, in all material aspects, in accordance with Regulation 9c of the Securities regulations (Periodic and Immediate Reports), 1970.

Givataim
March 17, 2020

Amit, Halfon, CPAs

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

	December 31,	
	2019	2018
	Euros in thousands	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (1)	1,320	5,686
Cash and cash equivalents in trust (1)	2,784	1,940
Balances receivable from banks	-	414
Restricted deposits, financial assets and other receivables (1)	2,747	4,874
	6,851	12,914
NON-CURRENT ASSETS:		
Investment in investee	815,976	755,917
Investment in marketable financial asset measured at fair value through profit or loss (*)	35,655	37,019
	851,631	792,936
	858,482	805,850
Current Liabilities		
Current maturity of debentures	25,780	17,066
Other payables and other financial liabilities	1,267	3,624
	27,047	20,690
Non-Current Liabilities		
Debentures	74,639	90,349
Loans from controlling shareholder	44,762	-
Other financial liabilities	-	167
	119,401	90,516
Equity		
Share Capital	77	77
Premium on Shares	144,237	144,237
Treasury Shares	(746)	(746)
Other capital reserves	584	1,512
Statutory capital reserve	359,944	378,756
Retained earnings	207,938	170,808
Total equity	712,034	694,644
	858,482	805,850

(1) As of December 31, 2019, the Company has a balance of € 933 thousand (in 2018 - € 5,704 thousand) denominated in NIS

March 17, 2020	Patrick Burke		
Date of approval of the financial statements	Chairman of the Board of Directors	Tomas de Vargas Machuca CEO	Thomas Stienlet CFO

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

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

	Year ended December 31,		
	2019	2018	2017
	Euros in thousands		
Administrative and general expenses	(2,399)	(1,925)	(3,542)
Financial income (expenses), net	(15,284)	3,696	(9,395)
Equity in earnings of investess	36,001	99,148	114,061
Net income	18,318	100,919	101,124
Other comprehensive income	-	-	-
Total comprehensive income	18,318	100,919	101,124

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

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

	Year ended December 31,		
	2019	2018	2017
	Euros in thousands		
Cash flows from operating activities:			
Net income attributed to the Company's shareholders	18,318	100,919	101,124
Adjustments required to present net cash provided by operating activities:			
Adjustments to the profit or loss items:			
Financial expenses (income), net	15,122	(3,049)	9,799
Cost of share-based payment	-	-	871
Capital reserve adjustment in respect of transactions with controlling shareholder	-	-	432
Equity in earnings of investees	(36,001)	(99,148)	(114,061)
	(20,879)	(102,197)	(102,959)
Changes in assets and liabilities items:			
Decrease (increase) in other receivables and related parties	(630)	(15)	8
Increase (decrease) in other accounts payable and related parties	1,927	(2,160)	11
	1,297	(2,175)	19
Net cash used in operating activities	(1,264)	(3,453)	(1,816)
Cash Flows from investing activities			
Change in investment in investees and in cash and cash equivalents in trust, net	(25,835)	29,391	(8,146)
Investment in financial asset measured at fair value through profit or loss	-	(35,000)	-
Decrease (increase) in restricted deposits	431	(4,688)	-
Interest received and exercise of derivatives	940	237	1,083
Net cash provided by (used in) investing activities	(24,464)	(10,060)	(7,063)

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

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

	Year ended December 31,		
	2019	2018	2017
	Euros in thousands		
Cash flows from financing activities			
Interest paid	(4,159)	(4,874)	(5,853)
Receipt of long term loans from controlling shareholder	44,200	-	-
Issuance of shares and stock options, net	-	-	46,916
Repayment of debentures	(18,679)	(17,309)	(18,101)
Exercise of stock options	-	-	22,645
Net cash provided by (used in) financing activities	21,362	(22,183)	45,607
Change in cash and cash equivalents	(4,366)	(35,696)	36,728
Balance of cash and cash equivalents at the beginning of the year	5,686	41,382	4,654
Balance of cash and cash equivalents at the end of the year	1,320	5,686	41,382

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

a. General

This separate financial information has been prepared in a condensed format in accordance with Regulation 9c of the Securities Regulations (Periodic and Immediate Reports), 1970. This separate financial information should be read in conjunction with the annual financial statements as of December 31, 2019 and for the year then ended and the related notes.

b. Material events during the reported period

1. In January and February 2019, as part of the exercise of the refusal right/offer to acquire the rights of the investors, the Company notified the investors of the exercise of the refusal right and consequently the Company and the holders of rights began negotiations for the acquisition of the investors' rights. In order to carry out the transaction and to improve the transaction structure, the Company entered into agreement with ADLER such that a subsidiary of ADLER will purchase 10.1% of the rights in the relevant asset companies. Accordingly, on July 1, 2019, the Company, through 100% held subsidiary, completed the above purchase of rights in a total consideration of € 64.7 million.

2. On May 9, 2019, the Company's audit committee and Board of Directors approved the receipt of a credit facility of EUR 100 million from the controlling shareholder of ADLER. Out of this facility as of December 31, 2019 and as of the date of signing the report, EUR 44.2 million was drawn. In January and March 2020, the Company paid most of the debt to the controlling shareholder such that as of the approval date of the financial statements the Company has a debt balance of EUR 3.2 million. The facility was given for two years at an annual interest of 2.85%. The Company has early repayment right of the funds withdrawn without penalty. No financial covenants were set for the loan and no collaterals were provided by the Company.

3. The spread of the Corona virus has macroeconomic implications for all countries of the world, including Germany. The countries of the world are taking various steps to prevent the spread of the virus as well as its impact on global markets. The German government has also taken a number of steps to eradicate the spread of the virus and its impact on the German economy. At this early stage, the Company is unable to assess the exact effect of the spread of the aforementioned virus on its operations, but taking into account that the Company has focused its residential real estate activities and reduced its commercial real estate portfolio, the Company believes the impact of the spread of the Corona virus on the Company's activities and its results will be moderate. In addition, the significant improvement that has taken place in the Company's leverage level in the past year, its access to financing sources including a line of credit from the Company's owner and the right to receive significant amounts of proceeds for uncompleted transactions, may help maintaining the stability and solvency of the Company at this period.

Brack Capital Properties N.V.
Chapter D - Additional Details about the Corporation

Regulation 10a Quarterly Condensed Consolidated Statements of Profit or Loss (EUR thousands):

	2019				
	Q1	**Q2**	**Q3**	**Q4**	**Total for four quarters**
Revenues from rental of properties	20,017	19,108	17,315	17,331	73,771
Revenues from property management and others	6,520	6,743	6,523	6,118	25,904
Property management expenses	(6,514)	(6,744)	(6,599)	(6,042)	(25,899)
Cost of maintenance of rental properties	(2,987)	(3,083)	(2,847)	(3,379)	(12,296)
Rental and management revenues, net	**17,036**	**16,024**	**14,392**	**14,028**	**61,480**
Revenues from sale of apartments	6,759	6,251	32,461	24,558	70,029
Cost of sale of apartments	(5,147)	(6,987)	(26,108)	(18,757)	(56,999)
Gain from sale of apartments	**1,612**	**(736)**	**6,353**	**5,801**	**13,030**
General and administrative expenses	(3,003)	(4,603)	(4,059)	(4,473)	(16,138)
General and administrative expenses attributed to the Dusseldorf project	(560)	(456)	(564)	(406)	(1,986)
Marketing and selling expenses attributed to the project in Dusseldorf	(85)	(130)	(121)	(39)	(375)
Operating profit before change in value of investment property and other investments, net	15,000	10,099	16,001	14,911	56,011
Appreciation (depreciation) of investment property, net	(394)	4,314	(1,309)	10,727	13,338
Operating profit	**14,606**	**14,413**	**14,692**	**25,638**	**69,349**
Financing income	-	-	-	-	-
Financing expenses without impact of exchange rate, index and currency hedging transactions	(4,413)	(5,151)	(4,910)	(4,616)	(19,090)
Impact of exchange rate, index and currency hedging transactions, net	(3,365)	(2,635)	(3,820)	844	(8,976)
change in fair value of financial instruments, loans and others, net	(13,679)	2,633	(3,431)	3,186	(11,291)

Equity in losses of companies accounted at equity	-	-	-	(107)	(107)
Profit (loss) before taxes on income	**(6,851)**	**9,260**	**2,531**	24,945	29,885
Tax benefit (expenses)	(553)	(3,311)	(1,197)	(7,197)	(12,258)
Net income (loss)	**(7,404)**	**5,949**	**1,334**	**17,748**	**17,627**
Net income (loss) attributable to:					
Shareholders of the Company	(8,352)	7,852	440	18,378	18,318
Non-controlling interests	948	(1,903)	894	(630)	(691)

<u>Regulation 11</u> Investments in Material Subsidiaries and Associated Companies

Company name	Number of shares in registered capital	Issued and paid up capital	Par value	The value of the separate financial statements of December 31, 2019 (EUR thousands)	Equity rate	Voting rate	Rate of authority to appoint directors	Balance of bonds and loans provided (received) in the financial statement as of December 31, 2019 (USD thousands)
Brack German Properties BV	9,000,000	1,978,261	EUR 0.01	818,375	100%	100%	100%	-

<u>Regulation 13</u> Income of Material Subsidiaries and Associated Companies

Company name[1]	As of December 31 2019			
	Dividends and management fees Received by the Company in EUR thousands	Interest revenue received by the Company in EUR thousands	Profit (loss) after tax	Profit (loss) before tax
Brack German Properties BV[2]	2,369	-	3,711	3,711
Brack European KFT	-	-	2	2
Brack Capital Germany (Netherlands) XLV BV[3]	2,713	16,577	19,292	19,292
Brack Capital (Hamburg) B.V	-	-	25	(1)
Brack Capital (Dusseldorf-Rossstrasse) B.V	-	-	513	607
Brack Capital (Dusseldorf-Schanzenstrasse) B.V	-	-	(24)	(22)
Brack Capital (Gelsenkirchen) B.V	-	-	1,178	1,321
Brack Capital (Bad Kreuznach) B.V	-	-	774	768
Brack Capital (Chemnitz) B.V	-	-	-	-
Brack Capital (Neubrandenburg) B.V	-	-	(382)	(460)
Brack Capital (Ludwigsfelde) B.V	-	-	390	430
Brack Capital (Remscheid) B.V	-	-	35	37
Brack Capital Germany (Netherlands) XIX B.V	-	-	1,985	2,321
Brack Capital Beta B.V[4]	-	-	(1,189)	(550)
Brack Capital Germany (Netherlands) XXX B.V	-	-	3,394	3,950
Brack Capital Germany (Netherlands) XXI B.V	-	-	4,582	5,341
Brack Capital Alfa B.V	-	-	(1,643)	(1,733)
Brack Capital Delta B.V	-	-	(5,633)	(6,114)
Brack Capital Epsilon B.V	-	-	(1,400)	(1,529)
Brack Capital Kaufland S.a.r.l[5]	-	-	(13,627)	(16,543)
BCP Leipzig B.V[6]	-	-	36,936	25,605
Invest Partner Gmbh	-	-	1,687	2,090
Object Kassel invest. Gmbh & Co. KG	-	-	(112)	(62)
BCRE Eta B.V. and Admiralty holdings ltd.	-	-	(195)	(1,812)
Brack Capital Theta B.V and Graniak Leipzig Real Estate GmbH & Co. KG	-	-	3,793	4,451
Brack Capital Labda B.V and Hanse Holdings S.a r.l	-	-	(1,654)	(1,190)

[1] Excluding inactive companies in which the investment and operating results are negligible.

[2] Constitutes part of the consolidation of companies for tax purposes; the attribution of taxes is performed on the level of the parent company.

[3] Constitutes part of the consolidation of companies for tax purposes; the attribution of taxes is performed on the level of the parent company.

[4] Including the consolidation of Brack Capital Germany (Netherlands) XXVI B.V, Brack Capital Germany (Netherlands) XXVII B.V.

[5]Including consolidation of the companies TPL Augsburg S.a.r.l., TPL Bad Aibling S.a.r.l, TPL Biberach S.a.r.l., TPL Borken Sar.l, TPL Erlangen S.a.r.l., TPL Geislingen S.a.r.l, TPL Ludwigsburg S.a.r.l., TPL Neckarsulm S.a.r.l, TPL Vilshofen S.a.r.l, Brack Capital Kaufland S.a.r.l .

[6] Including the consolidation of the companies: BCRE Leipzig Wohnen Nord B.V. ,BCRE Leipzig Wohnen Ost B.V. , BCRE Leipzig Wohnen West B.V..

Company name	As of December 31 2019			
	Dividends and management fees Received by the Company in EUR thousands	Interest revenue received by the Company in EUR thousands	Profit (loss) after tax	Profit (loss) before tax
Brack Capital Germany (Netherlands) XXII B.V.[1]	-	-	3,392	3,905
Brack Capital Germany (Netherlands) XXXVI B.V.	-	-	1,377	1,629
Brack Capital Germany (Netherlands) XXIV B.V	-	-	(1,649)	(1,615)
Tethys Nord[2]	-	-	9,472	11,287
Brack Capital Germany (Netherlands) XL BV	-	-	(1,191)	(1,418)
Brack Capital Germany (Netherlands) XLI BV	-	-	1,242	1,487
Brack Capital Germany (Netherlands) XLII BV	-	-	1,838	2,087
Brack Capital Germany (Netherlands) XLIV BV	-	-	5,862	6,932
Brack Capital Germany (Netherlands) XXXI BV	-	-	3,425	3,977
Brack Capital Germany (Netherlands) XLVI BV	-	-	(836)	(1,005)
Brack Capital Germany (Netherlands) XLIX BV	-	-	111	128
Brack Capital Germany (Netherlands) XLVII BV	-	-	1,079	1,254
Brack Capital Germany (Netherlands) LI BV	-	-	823	1,025
Brack Capital Germany (Netherlands) LII BV and LIII BV[3]	-	-	1,382	1,786
SHIB Capital Future Services Ltd.	509	-	188	188
RT Facility Management GmbH & Co. KG	10,883	-	1,060	1,105
Brack Capital Germany (Netherlands) XLVIII BV	-	-	(3,204)	(5,354)

[1] Including the consolidation of BCRE Dortmund Wohnen, Duisburg Wohnen B.V and BCRE Essen Wohnen B.V

[2] Including the consolidation of the companies: Brack Capital Germany (Netherlands) XXXV BV, Brack Capital Germany (Netherlands) XXXVII BV, Brack Capital Germany (Netherlands) XXXVIII BV and Capital Germany (Netherlands) XXXIX BV.

[3] Including the consolidation of the companies: Brack Grundbesitz Magdeburg GmbH, Brack Grundbesitz Halle I GmbH, Brack Grundbesitz Halle II GmbH, Brack Grundbesitz Halle III GmbH, Brack Grundbesitz Halle IV GmbH, Brack Grundbesitz Halle V GmbH, Brack Grundbesitz Leipzig I GmbH, Brack Grundbesitz Leipzig II GmbH, Brack Grundbesitz Leipzig III GmbH, Brack Grundbesitz Leipzig IV GmbH, Brack Grundbesitz Leipzig V GmbH, Brack Grundbesitz Leipzig VI GmbH, Brack Grundbesitz Magdeburg II GmbH, Brack Grundbesitz Magdeburg III GmbH, Brack Grundbesitz Magdeburg IV GmbH, Brack Grundbesitz Magdeburg V GmbH, Brack Grundbesitz Magdeburg VI GmbH

<u>Regulation 21</u> Payments to senior officers:

(1) The following details the amounts paid by the Company in 2019 as recognized in the financial statements for 2019, to each of the five highest compensated individuals among the Group's employees

Details of the recipient of the compensation:				**Compensation for services (EUR thousands)**								
Name	**Position**	**Scope of Position**	**Rate of holdings in the Company's issued share capital (less "dormant shares") (as of the date of signing the Report)**	**Salary**	**Bonus**	**Share-based payment**	**Management Fees**	**Consulting fees**	**Commission**	**Other**	**Comments**	**Total (EUR thousands)**
Thomas Stienlet	CFO	Full	-	178	-	-	-	-	-	-	-	178

2

Claus Dieter Trapp[1]	Former Chief Operating Officer	X	--	16	131	-	-	-	-	-	The grant is for 2018	147

[1] Mr. Claus Dieter Trapp completed his position as the Company's Chief Operating Officer on January 27, 2019 and continued serving as external consultant to the Company – in 2019, as of the report date, his employment in the Company as COO and external consultant was discontinued

Details of the recipient of the compensation:				Compensation for services (EUR thousands)								
Name	**Position**	**Scope of Position**	**Rate of holdings in the Company's issued share capital (less “dormant shares”) (as of the date of signing the Report)**	**Salary**	**Bonus**	**Share-based payment[1]**	**Management Fees**	**Consulting fees**	**Commission**	**Other**	**Comments**	**Total (EUR thousands)**
Ulrich Tappe[1]	External consultant Former CEO of the subsidiary (84%) of the company Brack Capital Beta B.V and a former director of the Company	-	-	18	154	-	-	-	-	-	The grant is for 2018	176

[1]Mr. Ulrich Tappe completed his position as CEO of the Company's subsidiary on January 31, 2019 and as of the date of the report serves as an externasl consultant to the Company -

Jurgen Schroll	engineer	Full	-	162	-	-	-	-	-	-	-	162
Alexandra Zivanovich	Sales	Full	-	24	-	-	-	-	127	-	-	151

The Company's Board members	Directors	-	-	-	-	-	485	-	-	-	-	485

2 Additional details about remuneration terms to senior officers of the Company

2.1 Mr. Thomas Stienlet

2.1.1 Remuneration components: employment cost includes his wages and social provisions as customary.

2.1.2 Performance/target meeting/ event- dependent based remuneration: NA

2.1.3 One-time grant: no such grant was in 2019

2.1.4 Annual Grant: no such grant was in 2019

The remuneration paid to Mr. Stienlet is in accordance with the Company's remuneration policy that was approved by the general meeting of the Company on March 21, 2016 (2016 remuneration policy) and was in effect until the approval of the remuneration terms of Mr. Stienlet.

2.2 Mr. Claus Dieter Trapp

2.2.1 Remuneration components: employment cost includes his wages and social provisions as customary

2.2.2 Performance/target meeting/ event- dependent based remuneration: NA

2.2.3 One time grant: one time grant for his performance in 2018.

2.2.4 Annual grant: no such grant was in 2019.

The remuneration paid to Mr. Claus Dieter Trapp is in accordance with the Company's remuneration policy that was approved by the general meeting of the Company on March 21, 2016 (2016 remuneration policy) and was in effect until the approval of the remuneration terms of Mr. Claus Dieter Trapp.

2.3 Mr. Ulrich Tappe

2.3.1 Remuneration components: employment cost includes his wages and social provisions as customary

2.3.2 Performance/target meeting/ event- dependent based remuneration: NA

2.3.3 One time grant: one time grant for his performance in 2018.

2.3.4 Annual grant: no such grant was in 2019.

The remuneration paid to Mr. Ulrich Tappe is in accordance with the Company's remuneration policy that was approved by the general meeting of the Company on March 21, 2016 (2016 remuneration policy) and was in effect until the approval of the remuneration terms of Mr. Ulrich Tappe.

2.4 Mr. Jurgen Schroll

2.4.1 Remuneration components: employment cost includes his wages and social provisions as customary

2.4.2 Performance/target meeting/ event- dependent based remuneration: NA

2.4.3 One time grant: no such grant was in 2019.

2.4.4 Annual grant: no such grant was in 2019.

The remuneration paid to Mr. Jurgen Schroll is in accordance with the Company's remuneration policy that was approved by the general meeting of the Company on March 21, 2016 (2016 remuneration policy) and was in effect until the approval of the remuneration terms of Mr. Jurgen Schroll.

2.5 Alexandra Zivanovich

2.5.1 Remuneration components: employment cost includes his wages and social provisions as customary

2.5.2 Performance/target meeting/ event- dependent based remuneration: a majority of the wages is composed of commissions calculated based on the percentage of annual sales.

2.5.3 One time grant: no such grant was in 2019.

2.5.4 Annual grant: no such grant was in 2019.

The remuneration paid to Alexandra Zivanovich is in accordance with the Company's remuneration policy that was approved by the general meeting of the Company on March 21, 2016 (2016 remuneration policy) and was in effect until the approval of the remuneration terms of Alexandra Zivanovich.

3. Remuneration to interested parties in the Company

None

Remuneration of directors

The total amount paid to directors of the Company for their service in 2019 was EUR 441 thousand, of which a total of EUR 150 thousand was paid to external directors of the Company and an amount of EUR 291 thousand was paid to directors who are not external directors in accordance with the 2016Remuneration Policy, and in an amount not to exceed the maximum amount specified in the Companies Regulations (Rules on Remuneration and Expenditure to External Director) 2000 ("Remuneration Regulations"), according to the degree in which the Company will periodically be classified, in connection with the annual remuneration and participation remuneration in meetings.

Regulation 21a controlling shareholder of the corporation

As of the date of this report, the controlling shareholder of the Company is ADLER Real Estate AG ("ADLER"). For further information regarding the controlling shareholder, including with respect to the announcement ADLER received on December 20, 2019 from ADO Properties SA ("ADO Properties") whereby ADO Properties holds financial instruments allowing it to obtain control of 52.21% of ADLER's shares - which will be translated into 53.41% of the voting rights in ADLER, less the dormant shares currently held by ADLER, see immediate report of the Company dated January 16, 2020 (Reference: 2020-01-006915), which is hereby included by way of reference.

Regulation 22 Transactions with the controlling shareholders

The following are details, to the best of the Company's knowledge, of any transaction with the Company's controlling shareholder or transactions in which the controlling shareholder of the Company has a personal interest in their approval, which the Company has entered into in 2019 or later at the end of 2019 and up to the date of filing this report, or that are in effect on the date of issuing the report:

1. Insurance broker services - the Company entered into an agreement with ADLER Assekuranzmakler GmbH & Co. KG. ("ADLER GmbH"), a subsidiary of the Company's controlling shareholder, by virtue of which ADLER GmbH will provide insurance broker services to the Company. On January 31, 2019, the Company's Audit Committee classified said engagement as non- exceptional agreement, as defined in the Companies Law. The Audit Committee held that in view of the nature of the Company's activity, said agreement took place in the ordinary course of the Company's business, at market conditions and without material impact on the Company's profits. On February 20, 2019, said agreement was approved and ratified by the Company's Board of Directors as a non-exceptional transaction and for the Company's benefit.

2. Transactions listed in section 270(4) of the Companies' Law

   2.1 Joint Venture engagement - On May 9, 2019, the Audit Committee and the Company's Board of Directors approved the engagement of the Company and its controlling shareholder, in connection with the exercise of the Company's right of refusal/first offer, in which ADLER's subsidiary will acquire 10.1% of the total rights in the relevant asset companies in accordance with Regulation 1 (4) of the Companies Regulations (Relief in Transactions with Interested Parties), 2000 (the "Relief Regulations"). For further details, see Section 1.1.3.2 of Chapter A of this report and the Company's immediate reporting of May 12, 2019 (Reference No. 2019-01-04008), which is hereby included by way of reference.

2.2 Loan from controlling shareholder - On May 9, 2019, the Audit Committee and the Company's Board of Directors approved the receipt of a loan from ADLER, the controlling shareholder in the amount of up to EUR 100 million (the "loan") as a "qualifying transaction" in accordance with Regulation 1 (2) of the Relief Regulations. Following discussions held between the Company and the Securities Authority ("the Authority"), the Company clarified that, while the Authority decided not to interfere with the loan approval by virtue of the relief regulations, given the terms of the loan, it was more appropriate to approve the loan in accordance with the terms of regulation 1 (5) of the Relief Regulations, i.e. as a transaction carried out in the ordinary course of business of the Company, at market conditions and which does not adversely affect the Company, in lieu of its approval in accordance with Regulation 1 (2) of the Relief Regulations. For further details, see the Company's immediate reports of May 12 and July 14, 2019 (Reference No. 2019-01-040008 and 2019-01-060426, respectively), which are included herein by way of reference.

As of the report date, the Company was provided the amount of EUR 44.2 million, of which the Company had repaid EUR 35 million. The Company's debt balance amounts to EUR 9.2 million. For further details, see section 1.13.2 of Chapter A of this report, and Note 12 of the Company's financial statements for 2019 attached as Chapter C of this report.

2.3 Exemption, insurance and indemnification arrangements

For details on exemption, insurance and indemnification arrangements, see Regulation 29A below.

Regulation 24 Holdings of Interested Parties and Senior Officers

For details regarding the holdings of interested parties and senior officers in the Company, see the Company's immediate report dated January 16, 2020 (Ref. No .: 2020-01-006915), which is included herein by way of reference.

Regulation 24a Registered capital, issued capital and convertible securities as at the date of signing this Report

For details regarding the Company's securities, see the Company's immediate report dated February 26, 2020 (reference no: 2020-01-019602), which is included herein by way of reference.

Regulation 24b Register of Shareholders of the Company

For details regarding the Company's shareholders register, see the Company's Immediate Report of February 26, 2020 (Ref. No: 2020-01-019602), which is included herein by way of reference.

Regulation25a Registered address

Company Name:	Brack Capital Properties N.V.
Registered address:	Herengracht 456 , Amsterdam 1017CA , the Netherlands
E-mail:	g.priel@bcp-nv.com
Phone:	0031-20-240-4330
Fax:	0031-20-240-4339

Address in Israel for service of process

Herzog Fox & Neeman Law Offices
Asia House, 4Weizmann, Tel Aviv
Phone: 03-6922020
Fax: 03-6966464

<u>Regulation 26:</u> The Directors of the Company as of the report signing date

Name	Patrick Burke (Chairman of the Board	Daniel Moser	Jeroen Dorenbos	Noa Shacham	Nicolaas van Ommen	Friedrich Munsberg	Claus Jorgensen	Meir Jacobson
English name as it appears on a passport	Patrick Burke	Daniel Moser	Jeroen Dorenbos	Noa Shacham	Nicolaas van Ommen	Friedrich Munsberg	Claus Jorgensen	Meir Jacobson
ID number	520587847	519120696	BR5K9F1R4	488636073	NNDB1J963	620188988	210337573	051181345
Date of Birth	12.02.1974	19.06.1980	23.09.1963	26.09.1964	17.08.1946	30.10.1957	08.04.1965	01.02.1952
Address for service of legal process	17 Dover Park Drive, London SW155BT, UK	City Walk B19, Al Wasl, Dubai, United Arab Emirates	Geschwister-Scholl-Allee 66a, 14532 Berlin-Kleinmachnow, Germany	Emmalaan 19B, 1075 AT Amsterdam, the Netherlands	Beethovenweg 50, 2202 AH Noordwijk, Netherlands	Herzog Fox Neeman & Co-law office 4 Weizman st. Tel Aviv	96Christchurch av.,NW6 7PE London, UK	11a Nitzanim, Ramat Gan 5258727
Citizenship	British	British	Dutch	American and Israeli, Dutch Residence	Dutch	German	Danish	Israeli
Membership of a board of directors' committee or committees	No	Audit committee, Financial statements review committee	Audit committee, Financial statements review committee	Audit Committee, Remuneration Committee, the Financial Statements Review committee	No	Audit Committee, Remuneration Committee	No	Audit Committee, Remuneration Committee, the Financial Statements Review committee

Name	Patrick Burke (Chairman of the Board	Daniel Moser	Jeroen Dorenbos	Noa Shacham	Nicolaas van Ommen	Friedrich Munsberg	Claus Jorgensen	Meir Jacobson
Is he an external director or independent director as defined in the Companies Law	No	Independent director	Independent director	Independent director	No	External director	No	External director
Is the director an employee of the Company, its subsidiary, in its affiliated company or an interested party therein?	No	No	No	No	No	No	No	No

Name	Patrick Burke (Chairman of the Board	Daniel Moser	Jeroen Dorenbos	Noa Shacham	Nicolaas van Ommen	Friedrich Munsberg	Claus Jorgensen	Meir Jacobson
Date of commencement of service	02.07.2018	02.07.2018	02.07.2018	25.07.2017	02.07.2018	16.08.2018	16.08.2018	23.11.2017

Education	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 School, London, UK	Studied in Commercial School; Certificate in Business Administration Vocational College; certificate in Advanced Compliance Studies University of Lucerne Switzerland	Certificate of Technological Business Administration, Technical University Eindhoven, Netherlands	Bachelor in Philosophy (Tel Aviv University) Master in Communications (New York Institute of Technology) MBA (Kellogg School of Management) Certificate in Nonprofit Management / Global Philanthropy (New York University)	MBA, The Netherlands Institute of Marketing; Secondary Dutch Schooling at HBS-B Course in banking and credit and several international management and credit courses Fellow of the Royal Institute of Surveyors, FRICS	Graduate of Business Administration majoring in Marketing and Statistics University of Muenster And Apprenticeship as a banker at Deutsche Bank AG, Osnabrueck, Germany	Bachelor of Business (Copenhagen Business School); MBA in Business Economics and audit (Copenhagen Business School); MBA in finance Graduate of Kellogg School of Management	Bachelor in Economics and Accounting (Tel Aviv University) Law school (Law School College of Management)

Name	Patrick Burke (Chairman of the Board	Daniel Moser	Jeroen Dorenbos	Noa Shacham	Nicolaas van Ommen	Friedrich Munsberg	Claus Jorgensen	Meir Jacobson
Employment in the past 5 years	Co-Founder, Managing Director, Compliance Officer of Consortium Capital Group since 2009	Director and senior compliance officer at Falcon Private Bank Ltd in 2012-2015; Director and Head of Financial Intelligence Unit at Falcon Private Bank Ltd. Since 2016	Hesdo BV / Telgo SA in the years 2012-2014; Initiation of real estate projects throughout Europe in collaboration with Ed Zublin AG / Strabag AG since 2014	Board Member Lumos Global BV (from November 2017) Trustee in Seret International Limited (from March 2016) Managing Partner Catalyst Ventures BV (from June 2015)	Member of the Audit Committee and the Investment Committee since 2013; WP. Carey Inc; Member of the Strategy Committee from 2008 Immofinanz AG; Chairman of the Audit Committee of Allianz Benelux N.V.; Member of the Audit Committee from 2018 and chairman of the Supervisory board from 2019 of Allianz Netherland Group	Managing Director of Sincerum Financial GmbH from 2020.	Managing Director, and Head of Joint segment of Trading in Credit cash flows HSBC Bank plc, London, 2008-2015; Independent in the field of transactions in capital markets acquisition strategies from 2015; Managing Director and Head of credit training EMEA at Mizuho international Ltd from 2019.	Manager and owner Equity M.I - Investment banking (mergers, acquisitions and financial consulting)

Name	Patrick Burke (Chairman of the Board	Daniel Moser	Jeroen Dorenbos	Noa Shacham	Nicolaas van Ommen	Friedrich Munsberg	Claus Jorgensen	Meir Jacobson
Director of the following companies	Delcap Asset Management Ltd., Consortium Capital Ltd. , Consortium Maritime Trading Ltd., HERO Club Ltd., HERO events Ltd. and HERO Partners Ltd	Juna Holdings (FZE), United Arab Emirates; Lion Value Partners Ltd., Switzerland; Lion Value Investments (FZC), United Arab Emirates; Lion Value Investments PTE, Singapore	M2AC Limited, SpAd Holding GmbH, SpAd Immobilien GmbH, Adore Holding GmbH, HPH Real Estate consulting GmbH, Werdauer Weg 3 Immobilien GmbH, Werdauer Weg 3 Immobilien Projektentwicklungs GmbH, AEIOU 101. GmbH, AEIOU 103. GmbH, AEIOU 104. GmbH, AEIOU 105. GmbH, AEIOU 106. GmbH, Furstenbrunner Weg Immobilien GmbH, ADORE I Immobilien GmbH, Worthersee Hotel & Betriebs GmbH	Catalyst Ventures B.V Lumos Global B.V Seret International Limited Stichting Seret Netherlands Seret International e.V.	W.P. Carey Inc; Immofinanz AG; Allianz Benelux; Allianz Netherland Group	Dexia Kommunalbank Deutschland AG, Berlin, Germany	ASLER Real Estate AG	Karau Ltd. (Chairman since 2000), Discount Investments Ltd. (external director since 2016) and Solgreen Ltd. (external director since 2013).

Name	Patrick Burke (Chairman of the Board	Daniel Moser	Jeroen Dorenbos	Noa Shacham	Nicolaas van Ommen	Friedrich Munsberg	Claus Jorgensen	Meir Jacobson
Family relationship with another interested party in the Company	None	None	None	None	None	None	None	None
Is he a director that the Company considers as possessing accounting and financial expertise for the purpose of fulfilling the minimal number determined by the board of directors according to Section 92(a)(12)	Yes	No	Yes	Yes	Yes	Yes	No	Yes

<u>Regulation 26</u> Senior officers as of the report signing date:

Name	Tomas A. de Vargas Machuca	Thomas Stienlet	Gary Wildbaum	Irina Ben-Yakar
English name as it appears on a passport	Tomas A. de Vargas Machuca	Thomas Stienlet	**Gary Wildbaum**	Irina Ben-Yakar
ID number	526090691 British passport	EN278402 Belgian passport	015511181	304669864
Date of Birth	20.01.1974	27.7.1990	29.9.1983	08.01.1973
The position that he fulfills in the Company, its subsidiary, in its affiliated company or an interested party therein	CEO Co-CEO and Chairman of the Management Committee at ADLER Real Estate AG	CFO	Controller	Internal auditor
Date of commencement of service	06.07.2018	01.11.2018	19.11.2019	25.05.2011
Education	Bachelor in Economics, MBA (Universita Commercial Luigi Bocconi, Mi)	Bachelor and MBA (Griffith University, SCHEMA Business School)	CPA, Bachelor in Business Administration majoring in Accounting (Interdisciplinary Center Herzliya), MBA from CEU.	Bachelor in Accounting (College of Management) CPA

Employment in the past 5 years	Co-CEO and Chairman of the Executive Committee at ADLER Real Estate AG (as of 2017); CFO and Chairman of the Executive Committee at ADLER Real Estate AG (2013-2017); Chairman of Consortium Shipping Partners GmbH, Zurich Switzerland (as of 2009); Managing Partner at Consortium Capital Group, London, UK (as of 2008); Chairman of Historic Endurance Rallying Organization, UK (as of 2005) -	Internship at Meridien Capital Management Ltd. (2012-2013); Analyst at Meridien Capital Management Ltd. (2013-2018)	Auditor at KPMG Budapest Office – specializing in the audit of real estate Companies (2011-2015) Assistant to CFO and controller in the company since 2015	Partner in the CPA firm of Brightman Almagor Zohar & Co.
Is he an interested party in the corporation or a family member of another senior officer or interested party in the corporation	Is not an interested party in the corporation by virtue of its holdings but by virtue of his function as CEO	No	No	No

<u>Regulation 26b</u> **Independent Authorized Signatories of the Company**

As of the report publication date, the Company does not have independent signatories as defined in section 37 (d) of the Securities Law.

<u>Regulation 27</u> **Auditors of the Company:**

<u>In Israel</u>
Name: Amit Halfon
Address: 4 Ariel Sharon Givataim 53200047

<u>In the Netherlands</u>
Name: IUS Statutory Audits Cooperatie UA
Address: Crown South Building Amsterdam
Hullenbergweg 365a
1101 CP Amsterdam

Regulation 29 Recommendations and resolutions of the directors.

1. Recommendations of the directors to the general meeting and their resolutions not requiring approval of the general meeting

   A transaction that is not at market conditions between the company and its interested party

   For further details regarding a transaction between the Company and its controlling shareholder in relation to entering into a joint venture which has not been approved as a transaction at market conditions, see section 2.1 of Regulation 22 above.

2. Resolutions of general meeting made not in accordance with the recommendation of the Board

   For further details regarding the resolutions of the general meeting not to approve the following resolutions: (1) Exemption from liability to the members of the Board of Directors; (2) adoption of a new remuneration policy; (3) approval of an agreement with respect to the CEO's services; and (4) approval of an administrative services agreement with ADLER's subsidiary, the controlling shareholder, contrary to the recommendation of the Board of Directors, see the Company's immediate reports of November 26, 2019 and January 2, 2020. (As amended on January 7, 2020) (Reference No. 2019-01-115186, 2020-01-001401 and 2020-01-002973, respectively), which are hereby included by way of reference.

3. Special General Assembly resolutions

   For details regarding the resolutions of the special shareholders' meeting of the Company of January 2, 2020, see immediate report of November 26, 2019 regarding the convening of the meeting (Reference No. 2019-01-115186) and immediate report of January 2, 2020 (as amended on January 7, 2020) regarding the results of the meeting (Reference No. 2020-01-001401 and 2020-01-002973 respectively) included herein by way of reference.

Regulation 29a

Exemption, insurance or indemnification of officers as defined in the Companies Law, in force at the reporting date

For further details regarding the exemption, insurance and indemnification arrangements for Company's officers, see Regulation 29A of Chapter D of the Company's Periodic Report for 2018 (Reference No. 2019-01-021453), which is included herein by way of reference.

Brack Capital Properties N.V.

Names of signatories:	Position	Signature
Patrick Burke	Chairman of the board of directors	
Tomas A. de Vargas Machuca	CEO	

March 17, 2020