

BCRE - BRACK CAPITAL REAL ESTATE INVESTMENTS N.V.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF 30 JUNE 2016

EURO IN THOUSAND

INDEX

	<u>Page</u>
Report on Review of Interim Condensed Consolidated Financial Statements	2
Interim Condensed Consolidated Statement of Financial Position	3 - 4
Interim Condensed Consolidated Income Statement	5
Interim Condensed Consolidated Statement of Comprehensive Income	6
Interim Condensed Consolidated Statement of Changes in Equity	7 - 8
Interim Condensed Consolidated Statement of Cash Flows	9 - 10
Notes to the Interim Condensed Consolidated Financial Statements	11 - 18
Directors' Responsibility Statement	19
Appendix to the Interim Condensed Consolidated Financial Statements	20

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

to the shareholders -

BCRE - BRACK CAPITAL REAL ESTATE INVESTMENTS N.V.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of BCRE – Brack Capital Real Estate Investments N.V. (the “Company”) and its subsidiaries (together the “Group”) as of 30 June 2016 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six months period then ended, and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 Interim Financial Reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 as adopted by the European Union.

Tel-Aviv, Israel
12 September 2016

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2016	31 December 2015
	Unaudited	Audited
	Euro in thousand	
ASSETS:		
<u>Non-current assets:</u>		
Investment property	1,542,003	1,618,132
Investments and loans to associates and joint ventures	121,864	146,231
Property, plant and equipment, net	15,645	17,191
Inventory of land, inventory of apartments under construction and other inventory	26,125	25,591
Other investments and loans	20,387	27,673
Restricted bank accounts and deposits	1,828	4,757
Deferred tax assets	4,651	9,240
Total non-current assets	<u>1,732,503</u>	<u>1,848,815</u>
<u>Current assets:</u>		
Inventory of land, inventory of apartments under construction and other inventory	213,427	69,326
Trade and other receivables	30,080	26,131
Other investments and loans	21,189	50,860
Restricted bank accounts and deposits	7,531	11,315
Marketable securities and other short-term investments	2,051	2,090
Cash and cash equivalents	85,785	71,590
Total current assets	<u>360,063</u>	<u>231,312</u>
Assets classified as held for sale	<u>10,635</u>	<u>6,197</u>
Total assets	<u><u>2,103,201</u></u>	<u><u>2,086,324</u></u>

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2016	31 December 2015
	Unaudited	Audited
	Euro in thousand	
EQUITY:		
<u>Attributable to the equity holders of the Company:</u>		
Share capital and premium	142,999	149,020
Convertible loan	16,575	16,575
Other reserves	(67,633)	(68,491)
Retained earnings	112,647	143,547
	<u>204,588</u>	<u>240,651</u>
Non-controlling interests	440,752	458,049
Total equity	<u>645,340</u>	<u>698,700</u>
LIABILITIES:		
<u>Non-current liabilities:</u>		
Derivative financial instruments and other liabilities measured at fair value	6,317	8,763
Loans from banks and other borrowers	1,005,800	978,415
Other non-current liabilities	4,555	4,781
Deferred tax liabilities	87,271	79,658
Total non-current liabilities	<u>1,103,943</u>	<u>1,071,617</u>
<u>Current liabilities:</u>		
Tax provision	-	301
Trade and other payables	30,742	35,597
Loans from banks and other borrowers	275,455	243,797
Advances from buyers	43,990	35,919
Derivative financial instruments and other liabilities measured at fair value	773	393
Total current liabilities	<u>350,960</u>	<u>316,007</u>
Liabilities of assets classified as held for sale	2,958	-
Total liabilities	<u>1,457,861</u>	<u>1,387,624</u>
Total equity and liabilities	<u><u>2,103,201</u></u>	<u><u>2,086,324</u></u>

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

12 September 2016

Date of approval of the interim condensed consolidated financial statements

Harin Thaker
Chairman of Board

Ariel Podrojski
CEO

Nansia Koutsou
CFO

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Six months ended 30 June		Year ended 31 December
	2016	2015	2015
	Unaudited		Audited
	Euro in thousand (except for per share data)		
Gross rental income	40,535	37,416	75,394
Service charge, management, other income and revenues	16,968	15,514	32,260
Property operating and other expenses	(31,861)	(24,493)	(56,563)
Rental, management, other income and revenues, net	25,642	28,437	51,091
Proceeds from sale of residential units	21,844	11,894	72,662
Cost of sales of residential units	(17,895)	(9,801)	(58,869)
Gross profit from sale of residential units	3,949	2,093	13,793
Interest and other related income from lending business	987	1,403	2,684
Costs related to lending business	(180)	(185)	(471)
Gross profit from lending business	807	1,218	2,213
Total gross profit	30,398	31,748	67,097
Revaluation of investment property, net	3,612	3,574	143,236
Administrative expenses	(6,353)	(6,134)	(12,380)
Administrative expenses relating to inventory under development, sales and marketing in Germany	(267)	(88)	(242)
Other income/(expenses), net	(1,075)	26	(9,995)
Impairment of property, plant and equipment	(3,822)	-	(5,670)
Share based payments	(807)	(1,173)	(1,851)
Share of loss of associates and joint ventures	(30,833)	(14,197)	(103,854)
Operating profit/(loss)	(9,147)	13,756	76,341
Financial income	1,490	22,674	25,995
Financial expenses	(22,945)	(20,217)	(40,108)
Exchange rate differences, net	18,815	(19,168)	(47,031)
Financial expenses, net	(2,640)	(16,711)	(61,144)
Profit/(loss) before tax	(11,787)	(2,955)	15,197
Tax expense	(13,157)	(5,374)	(33,226)
Net loss for the period	(24,944)	(8,329)	(18,029)
Profit/(loss) for the period attributable to:			
Equity holders of the Company	(30,900)	(23,281)	(27,675)
Non-controlling interests	5,956	14,952	9,646
	(24,944)	(8,329)	(18,029)
Loss per share attributable to equity holders of the Company:			
Basic	(0.20)	(0.14)	(0.17)
Diluted	(0.20)	(0.14)	(0.21)

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended		Year ended
	30 June		31 December
	2016	2015	2015
	Unaudited		Audited
	Euro in thousand		
Net loss for the period	(24,944)	(8,329)	(18,029)
Other comprehensive income/(loss):			
Items to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations, net	(3,673)	15,517	9,230
Share of other comprehensive income/(loss) of associates and joint ventures	5,510	22,524	(8,639)
Other comprehensive income, net of tax, not to be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income of associates and joint ventures	703	-	23,479
Total other comprehensive income	2,540	38,041	24,070
Total comprehensive income/(loss) for the period	<u>(22,404)</u>	<u>29,712</u>	<u>6,041</u>
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company	(30,835)	442	(24,870)
Non-controlling interests	8,431	29,270	30,911
	<u>(22,404)</u>	<u>29,712</u>	<u>6,041</u>

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the equity holders of the Company						Total	Non-controlling interests	Total equity	
	Share capital and premium	Convertible loan	Foreign currency translation reserve	Share based payment reserve	Reserves from transactions with non-controlling interests	Revaluation reserve				Retained earnings
	Euro in thousand									
Balance as at 1 January 2015 (audited)	149,020	16,575	(61,239)	2,830	(11,061)	-	171,222	267,347	437,020	704,367
Profit/(loss) for the year	-	-	-	-	-	-	(27,675)	(27,675)	9,646	(18,029)
Other comprehensive income/(loss)	-	-	(2,590)	-	-	5,395	-	2,805	21,265	24,070
Total comprehensive income/(loss)	-	-	(2,590)	-	-	5,395	(27,675)	(24,870)	30,911	6,041
Share based payments	-	-	-	326	-	-	-	326	1,525	1,851
Transactions with non-controlling interests, net	-	-	-	-	(2,152)	-	-	(2,152)	1,432	(720)
Distributions to non-controlling interests, net	-	-	-	-	-	-	-	-	(12,839)	(12,839)
Balance as at 31 December 2015 (audited)	149,020	16,575	(63,829)	3,156	(13,213)	5,395	143,547	240,651	458,049	698,700
Profit/(loss) for the period	-	-	-	-	-	-	(30,900)	(30,900)	5,956	(24,944)
Other comprehensive income/(loss)	-	-	(76)	-	-	141	-	65	2,475	2,540
Total comprehensive income/(loss)	-	-	(76)	-	-	141	(30,900)	(30,835)	8,431	(22,404)
Share based payments	-	-	-	15	-	-	-	15	792	807
Purchase of own shares	(1,173)	-	-	-	-	-	-	(1,173)	-	(1,173)
Capital reduction	(4,848)	-	-	-	-	-	-	(4,848)	-	(4,848)
Transactions with non-controlling interests, net	-	-	-	-	778	-	-	778	(11,355)	(10,577)
Distributions to non-controlling interests, net	-	-	-	-	-	-	-	-	(15,165)	(15,165)
Balance as at 30 June 2016 (unaudited)	142,999	16,575	(63,905)	3,171	(12,435)	5,536	112,647	204,588	440,752	645,340

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the equity holders of the Company					Total	Non-controlling interests	Total equity	
	Share capital and premium	Convertible loan	Foreign currency translation reserve	Share based payment reserve	Reserves from transactions with non-controlling interests				Retained earnings
Euro in thousand									
Balance as at 1 January 2015 (audited)	149,020	16,575	(61,239)	2,830	(11,061)	171,222	267,347	437,020	704,367
Profit/(loss) for the period	-	-	-	-	-	(23,281)	(23,281)	14,952	(8,329)
Other comprehensive income	-	-	23,723	-	-	-	23,723	14,318	38,041
Total comprehensive income/(loss)	-	-	23,723	-	-	(23,281)	442	29,270	29,712
Share based payments	-	-	-	306	-	-	306	867	1,173
Transactions with non-controlling interests, net	-	-	-	-	(434)	-	(434)	902	468
Distributions to non-controlling interests, net	-	-	-	-	-	-	-	(7,026)	(7,026)
Balance as at 30 June 2015 (unaudited)	<u>149,020</u>	<u>16,575</u>	<u>(37,516)</u>	<u>3,136</u>	<u>(11,495)</u>	<u>147,941</u>	<u>267,661</u>	<u>461,033</u>	<u>728,694</u>

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended		Year ended
	30 June		31 December
	Unaudited		Audited
	2016	2015	2015
	Euro in thousand		
<u>Cash flows from operating activities:</u>			
Net loss for the period	(24,944)	(8,329)	(18,029)
Adjustments for:			
Depreciation	384	146	243
Revaluation of investment property, net	(3,612)	(3,574)	(143,236)
Share of loss of associates and joint ventures	30,833	14,197	103,854
Deferred taxes, net	13,157	4,674	31,363
Tax provision	(301)	127	252
Share based payments	807	1,173	1,851
Other expenses	1,121	-	71
Interest and other related income from lending business	(987)	(1,403)	(2,684)
Impairment of property, plant and equipment	3,822	-	5,670
Financial expenses, net	2,640	16,711	61,144
Cash flows from operating profit before changes in working capital and provisions	<u>22,920</u>	<u>23,722</u>	<u>40,499</u>
Increase/(decrease) in advances from buyers	8,072	19,659	(7,527)
(Increase)/decrease in inventory of land, inventory of apartments under construction and other inventory	5,840	(8,309)	24,068
(Increase)/decrease in trade and other receivables	190	(2,426)	(1,599)
Increase/(decrease) in trade and other payables	<u>(2,647)</u>	<u>(2,109)</u>	<u>10,603</u>
	<u>11,455</u>	<u>6,815</u>	<u>25,545</u>
Cash flows provided by operating activities	<u>34,375</u>	<u>30,537</u>	<u>66,044</u>
<u>Cash flows from investing activities:</u>			
Acquisition of newly consolidated subsidiaries and obtaining control in companies previously accounted for using equity method, net (a)	-	-	(3,700)
Investment and loans to associates and jointly controlled entities, net	159	(7,664)	(9,654)
Changes in investments, net	2,249	3,935	5,393
Acquisitions and additions to property, plant and equipment	(656)	(76)	(3,630)
Acquisitions of investment property	(56,621)	(37,222)	(129,918)
Additions to investment property	(14,448)	(20,619)	(47,637)
Changes in short-term and long-term deposits, net	6,714	7,229	8,957
Interest received and settlement of derivative instruments	25,818	1,136	2,746
Proceeds from sale of investment property	-	-	153
Repayment of other non-current liabilities	(226)	-	(7,891)
Proceeds from disposal of marketable securities	-	-	3,424
Proceeds from disposal of assets classified as held for sale	6,063	15,962	16,061
Loans with related parties, net	<u>4,465</u>	<u>-</u>	<u>3,664</u>
Cash flows used in investing activities	<u>(26,483)</u>	<u>(37,319)</u>	<u>(162,032)</u>

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended		Year ended
	30 June		31 December
	Unaudited		Audited
	2016	2015	2015
Euro in thousand			
<u>Cash flows from financing activities:</u>			
Payment for capital reduction	(4,848)	(4,821)	(4,821)
Purchase of own shares	(1,173)	-	-
Receipt of loans, net	43,322	43,165	188,303
Issuance of debentures, net	38,180	3,268	3,288
Repayment of long-term loans and debentures	(18,399)	(17,611)	(69,090)
Interest paid	(22,928)	(15,825)	(43,618)
Contributions from non-controlling interests, net	-	7,022	6,152
Purchase of rights from non-controlling interests of subsidiaries	(10,780)	(3,832)	(4,029)
Distributions to non-controlling interests, net	(15,165)	(14,048)	(18,990)
Exercise of stock options	-	717	717
Repayment of swap transaction, transaction costs and sale of derivatives, net	-	7,141	7,141
Cash flows provided by financing activities	8,209	5,176	65,053
(Decrease)/increase in cash and cash equivalents	16,101	(1,606)	(30,935)
Foreign exchange differences, net	(1,906)	750	6,166
Cash and cash equivalents at the beginning of the period	71,590	96,359	96,359
Cash and cash equivalents at the end of the period	85,785	95,503	71,590
<u>Significant non-cash transactions:</u>			
Transfer from investment property to inventory	152,871	-	-
 (a) <u>Acquisition of newly consolidated subsidiaries and obtaining control in companies previously accounted for using equity method:</u>			
Assets and liabilities of newly consolidated subsidiaries on the purchase date:			
Working capital (excluding cash and cash equivalents), net	-	-	3,251
Investment property	-	-	(12,198)
Investments in associates	-	-	1,117
Loans from banks and other borrowers	-	-	2,930
Loan receivable netted off with consideration	-	-	1,200
	-	-	(3,700)

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1:- GENERAL

- a. These financial statements have been prepared in a condensed format as of 30 June 2016 and for the six months period then ended (“interim condensed consolidated financial statements”). These financial statements should be read in conjunction with the Company’s annual consolidated financial statements as of 31 December 2015 and for the year then ended (“annual financial statements”).

The interim condensed consolidated financial statements of the Company for the six months period ended 30 June 2016 comprise the Company and its subsidiaries and the Group’s interest in associates and joint arrangements which are accounted for using the equity method. The Group is an international real-estate development and investment group interested in, develops and operates an international portfolio of real estate assets predominantly located in the US, Germany and Russia.

- b. The interim condensed consolidated financial statements were authorized in accordance with a resolution of the Board of Directors on 12 September 2016.

NOTE 2:- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Basis of preparation of the interim condensed consolidated financial statements:

The interim condensed consolidated financial statements for the six months period ended 30 June 2016 have been prepared in accordance with the International Financial Reporting Standard IAS 34 (“Interim Financial Reporting”) as adopted by the European Union.

- b. New standards, interpretations and amendments adopted by the Company:

The significant accounting policies and methods of computation followed in the preparation of the interim condensed consolidated financial statements are identical to those followed in the preparation of the latest annual financial statements.

NOTE 3:- FINANCIAL INSTRUMENTS

- a. Set out below, are the carrying amounts and the fair value of the Group’s financial instruments that are not presented in the interim condensed consolidated financial statements at fair value:

	Carrying amount		Fair value	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
	Euro in thousand			
<u>Financial liabilities:</u>				
Debentures and interest payable on debentures	235,537	197,194	251,153	209,800

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3: - FINANCIAL INSTRUMENTS (Cont.)

The carrying amount of cash and cash equivalents, restricted bank accounts and deposits, short-term investments, trade receivables, other accounts receivable, trade payables and other payables and loans from banks and other borrowers presented at amortized cost approximates their fair value. Fair value of the quoted debentures is based on price quotations at the reporting date and is classified as Level 1 in the fair value hierarchy.

- b. The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as at 30 June 2016 (unaudited):

	Fair value hierarchy			
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Euro in thousand				
<u>Assets measured at fair value:</u>				
Investment property	1,542,003	-	-	1,542,003
Assets classified as held for sale	10,635	-	10,635	-
Derivatives	1,755	-	1,755	-
Marketable securities and other short-term investments	2,051	2,051	-	-
<u>Liabilities measured at fair value:</u>				
Derivatives	7,090	-	1,178	5,912
Loans from banks and other borrowers	189,501	-	-	189,501
<u>Liabilities for which fair values are disclosed</u>				
	251,153	172,044	-	79,109

There have been no transfers between Level 1 and Level 2 during the period.

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as at 31 December 2015 (audited):

	Fair value hierarchy			
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Euro in thousand				
<u>Assets measured at fair value:</u>				
Investment property	1,618,132	-	11,511	1,606,621
Assets classified as held for sale	6,197	-	6,197	-
Derivatives	25,761	-	25,761	-
Marketable securities and other short-term investments	2,090	2,090	-	-
<u>Liabilities measured at fair value:</u>				
Derivatives	9,156	-	970	8,186
Loans from banks and other borrowers	245,509	-	-	245,509
<u>Liabilities for which fair values are disclosed</u>				
	209,800	156,751	-	53,049

There have been no transfers between Level 1 and Level 2 during the year.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4:- MATERIAL EVENTS DURING THE REPORTING PERIOD

- a. Pursuant to the financing agreements entered into by two indirect subsidiaries of the Group in Russia amounting to \$31.0 million (€27.9 million) and \$80.7 million (€72.7 million) as of 30 June 2016, the subsidiaries undertaken to maintain certain financial covenants. As of 30 June 2016, these covenants were not met and both outstanding loan balances have been classified within current liabilities in the interim condensed consolidated financial statements of the Company. The bank provided a waiver to one of the subsidiaries with respect to the loan in the amount of \$80.7 million (€72.7 million) for the default of these events subsequently to period end.

In addition, pursuant to the loan agreement entered in August 2014 between a Group's indirect subsidiary and a group of lenders amounting to \$14.9 million (€13.4 million) as of 30 June 2016, the indirect subsidiary and the guarantor for the loan facility undertaken to comply with certain financial covenants. As of 30 June 2016, these covenants were not met and in this respect an amount of \$11.8 million (€10.7 million) of the loan facility has been classified within current liabilities.

- b. During the period and following the decision of management to proceed with the construction, the approval of the offering plan by the Attorney General and the commencement of construction work on the property located at 90 Morton Street, Manhattan, New York, the property, which was classified as investment property in the consolidated statement of financial position as of 31 December 2015, has been reclassified to inventory in accordance with the requirements of IAS 40. The fair value of the property at the time of transfer amounted to \$169.7 million (€152.9 million).
- c. In January 2016, Brack Capital Properties N.V. ("BCP") offered to investors holding interests in project company with BCP to sell their entire rights in this project company. Investors holding a total 17% of the project company accepted BCP's proposal and in the second quarter of 2016, the said rights were acquired for €8.65 million. The transaction prices were derived from the fair value of the assets held by the project company according to valuations of independent professional valuers and the consideration of other benefits to which BCP was entitled. As a result of the transaction a gain in the total amount of €0.4 million was recorded in the consolidated statement of changes in equity.
- d. On 11 January 2016, BCP's general meeting of shareholders approved to distribute capital to BCP's shareholders in the total amount of €6,041 thousand (an amount of €6,012 thousand was paid to the shareholders, net of treasury shares held by BCP) out of BCP's share premium reserve. As a result of the capital distribution, the exercise price of the BCP's non marketable warrants was adjusted accordingly.
- e. On 15 January 2016, the shareholders of the Company approved a capital reduction, that reduced the nominal value of each Company's share from €0.04 to €0.01 amounting in total to €4.8 million and which was paid to the shareholders on 11 April 2016.
- f. On 1 February 2016, BCP entered into a refinancing agreement for a major portion of the Leipzig portfolio (about 2,790 residential units) for 7 years. The new loan of €57.5 million (similar to the unsettled principal balance of the loan from 2011) has a repayment date on 30 April 2023 and bears a fixed interest for the first 5 years of 1.12% per annum with an annual principal repayment of 2% of the original loan amount. Under the refinancing terms, a credit facility of €17.4 million was approved for BCP until 2023 which, if used, will bear a variable interest of 3-months Libor plus a margin of 1% per annum.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4:- MATERIAL EVENTS DURING THE REPORTING PERIOD (Cont.)

- g. On 26 February 2016, an indirect subsidiary of BCP entered into a notarized sale agreement with a third party to acquire the ownership rights of land in the city of Aachen in Germany, on which an old plant which is not in use is erected, for a total consideration of €6 million (BCP's share in the transaction equals to 50%). The consideration for the transaction was paid in April 2016. The indirect subsidiary of BCP intends to work for changing the zoning of the land into residential, such that it would be feasible to construct 180 - 220 residential units after demolishing the existing building in the property. The acquisition has been recorded as part of investment in associates and jointly controlled entities.
- h. On 18 December 2015, an indirect subsidiary of BCP entered into a notarized sale agreement with a third party to acquire 296 residential units in northern Germany for a total consideration of €20.4 million (including related transaction costs). For the purpose of financing the acquisition, the indirect subsidiary of BCP entered into an agreement with a German bank to obtain a loan of €14 million under non-recourse terms bearing fixed interest of 1.24% per annum with final repayment date in 5 years from the date of the loan agreement. The transaction was completed on 1 March 2016.
- i. On 3 March 2016, the Company has increased the issuance limit of bonds series C from \$60 million (€54 million) to \$180 million (€162 million). On 31 March 2016, the Company issued bonds (series C) with an aggregate principal amount of \$18.4 million out of which \$17.5 million remains outstanding (€16.4 million out of which €15.5 million remains outstanding). On 20 April 2016, the Company made an additional issue of bonds (series C) with an aggregate principal amount of \$12.7 million out of which \$12.1 million remains outstanding (€11.4 million out of which €10.9 million remains outstanding). The additional bonds issued during the period were consolidated and formed a single series with the existing bonds series C that were outstanding at the beginning of the period.
- j. On 4 March 2016, an indirect subsidiary of BCP entered into a notarized sale agreement with a third party for the sale of rights in a building with a total area of 3,985 sq m located in Dusseldorf, Germany, which was not occupied since 2013 and which is under refurbishment. The consideration of the transaction was set at €5 million and was received in full by the indirect subsidiary of BCP upon the completion of the transaction in July 2016.
- k. On 16 March 2016, an indirect subsidiary of BCP entered into a notarized sale agreement with a third party to acquire 287 residential units in Kiel, northern Germany for a total consideration of €36 million (including related transaction costs). For the purpose of financing the acquisition, the indirect subsidiary of BCP entered into an agreement with a German bank for a loan facility of €25 million under non-recourse terms. The facility bears fixed interest of 1.65% per annum and has a final repayment date in 5 years from the date of the loan agreement. The transaction was completed on 1 July 2016.
- l. On 18 March 2016, an indirect subsidiary of BCP entered into a notarized sale agreement with a third party for the acquisition of a residential, commercial and office building in Hannover, Germany for a total consideration of €7.8 million (including related transaction costs). For the purpose of financing the acquisition, the indirect subsidiary of BCP entered into an agreement with a German bank to obtain a loan in the amount of €5.6 million under non-recourse terms with final repayment date on 31 December 2019, bearing a fixed annual interest of 1.49%. The transaction was completed on 1 July 2016.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4:- MATERIAL EVENTS DURING THE REPORTING PERIOD (Cont.)

- m. On 23 March 2016, an indirect subsidiary of BCP entered into a notarized sale agreement with a third party to acquire 32 residential units in Dortmund, Germany for a total consideration of €2.4 million (excluding related transaction costs). For the purpose of financing the acquisition, the indirect subsidiary of BCP entered into an agreement with a German bank to obtain a loan in the amount of €1.8 million under non-recourse terms with final repayment date in 5 years from the date of the loan agreement. The loan bears a variable interest of 3-months Euribor plus a margin of 1.3% per annum. The transaction was completed on 1 June 2016.
- n. On 4 April 2016, BCP successfully completed the issuance to the public of 60,058,000 bonds (series C) of NIS1 par value, each listed for trade by way of expanding the existing series of bonds (series C). The total gross consideration received was NIS61.3 million (€14.2 million).
- o. On 13 May 2016, an indirect subsidiary of BCP entered into a notarized sale agreement with a third party to acquire a commercial asset in the Dortmund area, Germany for a total consideration of €9.1 million (including related transaction costs). For the purpose of financing the acquisition, the indirect subsidiary of BCP entered into an agreement with a German bank to obtain a loan in the amount of €6.4 million under non-recourse terms, with final repayment date in 5 years from the date of the loan agreement, bearing a fixed annual interest of 1.55%. The transaction was completed on 1 July 2016.
- p. On 13 May 2016, an indirect subsidiary of BCP entered into a notarized sale agreement with a third party for the sale of rights of a fully occupied building with a total area of 3,602 sq m located in the city of Bad Kreuznach, Germany. The consideration was set at €5.1 million and was fully received by the indirect subsidiary of BCP upon the closing of the transaction at the end of July 2016. The consideration was partially used for the repayment of the related portfolio bank loan.
- q. On 3 June 2016, the Company's Board of Directors authorized the Company to buy shares of its own capital up to an amount of €3 million ("share buyback programme"). Under the share buyback programme, 1,320,665 shares (0.82% of the Company's issued share capital) were purchased during the period ended 30 June 2016 for a total consideration of €1.2 million. Additional 37,750 shares (0.02% of the Company's issued share capital) were purchased after the end of the period for a total consideration of €42 thousand.

NOTE 5:- SEGMENT INFORMATION

Six months ended 30 June 2016 (unaudited)	Germany	Russia	USA	Others	Total
	Euro in thousand				
Gross rental income	35,103	3,435	1,997	-	40,535
Service charge, management, other income and revenues	12,987	3,440	418	123	16,968
Proceeds from sale of residential units	21,095	749	-	-	21,844
Cost of sales of residential units	(16,729)	(1,166)	-	-	(17,895)
Interest and other related income from lending business	-	-	987	-	987
Costs related to lending business	-	-	(180)	-	(180)
Property operating and other expenses	(21,430)	(4,401)	(4,090)	(1,940)	(31,861)
Gross profit	31,026	2,057	(868)	(1,817)	30,398
Revaluation of investment property, net	30,616	(32,298)	5,294	-	3,612
Share of loss of associates and joint ventures	-	(29,224)	(1,278)	(331)	(30,833)
Segment results	61,642	(59,465)	3,148	(2,148)	3,177
Administrative and other expenses, net					(12,324)
Financial expenses, net					(2,640)
Loss before tax					<u>(11,787)</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5:- SEGMENT INFORMATION (Cont.)

Year ended 31 December 2015 (audited)	Germany	Russia	USA	Others	Total
	Euro in thousand				
Gross rental income	66,415	5,616	3,363	-	75,394
Service charge, management, other income and revenues	26,277	2,047	2,997	939	32,260
Proceeds from sale of residential units	68,372	4,290	-	-	72,662
Cost of sales of residential units	(54,637)	(4,232)	-	-	(58,869)
Interest and other related income from lending business	-	-	2,684	-	2,684
Costs related to lending business	-	-	(471)	-	(471)
Property operating and other expenses	(40,136)	(5,063)	(9,032)	(2,332)	(56,563)
Gross profit	66,291	2,658	(459)	(1,393)	67,097
Revaluation of investment property, net	44,256	2,317	95,219	1,444	143,236
Share of loss of associates and joint ventures	-	(103,513)	(282)	(59)	(103,854)
Segment results	110,547	(98,538)	94,478	(8)	106,479
Administrative and other expenses, net					(30,138)
Financial expenses, net					(61,144)
Profit before tax					15,197
Six months ended 30 June 2015 (unaudited)	Germany	Russia	USA	Others	Total
	Euro in thousand				
Gross rental income	32,595	3,359	1,462	-	37,416
Service charge, management, other income and revenues	12,281	127	2,178	928	15,514
Proceeds from sale of residential units	7,263	4,631	-	-	11,894
Cost of sales of residential units	(5,979)	(3,822)	-	-	(9,801)
Interest and other related income from lending business	-	-	1,403	-	1,403
Costs related to lending business	-	-	(185)	-	(185)
Property operating and other expenses	(19,410)	(1,758)	(1,903)	(1,422)	(24,493)
Gross profit	26,750	2,537	2,955	(494)	31,748
Revaluation of investment property, net	18,808	(15,234)	-	-	3,574
Share of profit/(loss) of associates and joint ventures	-	(15,676)	1,888	(409)	(14,197)
Segment results	45,558	(28,373)	4,843	(903)	21,125
Administrative and other expenses, net					(7,369)
Financial expenses, net					(16,711)
Loss before tax					(2,955)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5:- SEGMENT INFORMATION (Cont.)

The Group has decided to disclose the following additional information:

Six months ended 30 June 2016 (unaudited)	Income producing commercial real estate	Income producing residential real estate	Property held for appreciation	Residential development	Other	Total
Euro in thousand						
Gross rental income	20,972	19,412	151	-	-	40,535
Service charge, management, other income and revenues	5,919	9,033	72	-	1,944	16,968
Proceeds from sale of residential units	-	-	-	21,844	-	21,844
Cost of sales of residential units	-	-	-	(17,895)	-	(17,895)
Interest and other related income from lending business	-	-	-	-	987	987
Costs related to lending business	-	-	-	-	(180)	(180)
Property operating and other expenses	(11,585)	(14,604)	(2,458)	(707)	(2,507)	(31,861)
Gross profit	15,306	13,841	(2,235)	3,242	244	30,398
Revaluation of investment property, net Share of loss of associates and joint ventures	(29,300)	27,406	5,506	-	-	3,612
	(29,179)	-	-	-	(1,654)	(30,833)
Segment results	(43,173)	41,247	3,271	3,242	(1,410)	3,177
Administrative and other expenses, net						(12,324)
Financial expenses, net						(2,640)
Loss before tax						(11,787)
Year ended 31 December 2015 (audited)	Income producing commercial real estate	Income producing residential real estate	Property held for appreciation	Residential development	Other	Total
Euro in thousand						
Gross rental income	39,872	35,110	412	-	-	75,394
Service charge, management and other income and revenues	10,574	18,621	70	-	2,995	32,260
Proceeds from sale of residential units	-	-	-	72,662	-	72,662
Cost of sales of residential units	-	-	-	(58,869)	-	(58,869)
Interest and other related income from lending business	-	-	-	-	2,684	2,684
Costs related to lending business	-	-	-	-	(471)	(471)
Property operating and other expenses	(18,737)	(26,405)	(6,025)	(2,154)	(3,242)	(56,563)
Gross profit	31,709	27,326	(5,543)	11,639	1,966	67,097
Revaluation of investment property, net Share of profit/(loss) of associates and joint ventures	15,740	9,948	117,548	-	-	143,236
	(99,899)	-	835	-	(4,790)	(103,854)
Segment results	(52,450)	37,274	112,840	11,639	(2,824)	106,479
Administrative and other expenses, net						(30,138)
Financial expenses, net						(61,144)
Profit before tax						15,197

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5:- SEGMENT INFORMATION (Cont.)

Six months ended 30 June 2015 (unaudited)	Income producing commercial real estate	Income producing residential real estate	Property held for appreciation	Residential development	Other	Total
Euro in thousand						
Gross rental income	20,338	16,721	357	-	-	37,416
Service charge, management and other income and revenues	4,267	8,906	1,838	-	503	15,514
Proceeds from sale of residential units	-	-	-	11,894	-	11,894
Cost of sales of residential units	-	-	-	(9,801)	-	(9,801)
Interest and other related income from lending business	-	-	-	-	1,403	1,403
Costs related to lending business	-	-	-	-	(185)	(185)
Property operating and other expenses	(8,654)	(13,660)	(398)	(926)	(855)	(24,493)
Gross profit	15,951	11,967	1,797	1,167	866	31,748
Revaluation of investment property, net	8,224	8,522	(13,172)	-	-	3,574
Share of profit/(loss) of associates and joint ventures	(14,823)	-	1,499	-	(873)	(14,197)
Segment results	9,352	20,489	(9,876)	1,167	(7)	21,125
Administrative and other expenses, net	-	-	-	-	-	(7,369)
Financial expenses, net	-	-	-	-	-	(16,711)
Loss before tax	-	-	-	-	-	(2,955)

NOTE 6:- SUBSEQUENT EVENTS

- a. On 8 July 2016, an indirect subsidiary of BCP entered into a notarized sale agreement with a third party to acquire 173 residential units in Dortmund, Germany for a total consideration of €8.2 million (including related transaction costs). For the purpose of financing the acquisition, the indirect subsidiary of BCP is in negotiations with a German bank to obtain a loan in the amount of €5.6 million under non-recourse terms with final repayment date in 5 years from the date of the loan agreement. The transaction is expected to be completed on 1 October 2016 and it is subject to the fulfillment of certain conditions.

DIRECTORS' RESPONSIBILITY STATEMENT

DIRECTORS' RESPONSIBILITY STATEMENT

With reference to section 5:25d paragraph 2 under c of the Dutch Financial Supervision Act, the members of the Board of Directors of the Company hereby declare that, to the best of their knowledge:

- the interim condensed consolidated financial statements, which have been prepared in accordance with IAS 34 Interim Financial Reporting, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the subsidiaries included in the consolidation as a whole; and
- the additional management information provided in the press release attached to the interim condensed consolidated financial statements gives a fair view of the information required pursuant to section 5:25d paragraphs 8 and 9 of the Dutch Financial Supervision Act.

Amsterdam, 12 September 2016

Board of Directors BCRE - Brack Capital Real Estate Investments N.V.

APPENDIX TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**LIST OF SIGNIFICANT INVESTEEES**

Significant investees	Investee	Country of incorporation	Ownership interest	
			30 June 2016	31 December 2015
Brack Capital Properties N.V.	Subsidiary	The Netherlands	34.76%	34.76%
Brack Capital First B.V.	Subsidiary	The Netherlands	100%	100%
BCRE Russian Properties Ltd	Subsidiary	Cyprus	85.07%	85.07%
Brack Capital USA B.V.	Subsidiary	The Netherlands	100%	100%
BCRE India B.V.	Subsidiary	The Netherlands	100%	100%
