

BCRE - BRACK CAPITAL REAL ESTATE INVESTMENTS N.V.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF 30 JUNE 2015

EURO IN THOUSANDS

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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 2015 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
25 August, 2015

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2015	31 December 2014
	Unaudited	Audited
	Euro in thousands	
ASSETS:		
<u>Non-current assets:</u>		
Investment property	1,395,323	1,293,358
Investments and loans to associates and joint ventures	240,169	222,824
Property, plant and equipment, net	2,133	1,725
Inventory of land	37,924	37,576
Other investments and loans	35,880	49,770
Restricted bank accounts and deposits	975	2,035
Deferred tax assets	9,739	7,689
Total non-current assets	1,722,143	1,614,977
<u>Current assets:</u>		
Inventory of land and inventory of apartments under construction	87,209	77,952
Trade and other receivables	24,307	21,598
Other investments and loans	49,002	21,451
Restricted bank accounts and deposits	16,826	22,995
Marketable securities and other short-term investments	6,163	5,465
Cash and cash equivalents	95,503	96,359
Total current assets	279,010	245,820
Assets classified as held for sale	-	16,330
Total assets	2,001,153	1,877,127

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2015	31 December 2014
	Unaudited	Audited
	Euro in thousands	
EQUITY:		
<u>Attributable to the equity holders of the Company:</u>		
Share capital and premium	149,020	149,020
Convertible loan	16,575	16,575
Other reserves	(45,875)	(69,470)
Retained earnings	147,941	171,222
	267,661	267,347
Non-controlling interests	461,033	437,020
Total equity	728,694	704,367
LIABILITIES:		
<u>Non-current liabilities:</u>		
Derivative financial instruments	1,540	542
Interest-bearing loans and other borrowings	861,197	966,832
Other non-current liabilities	7,781	8,472
Deferred tax liabilities	54,657	47,942
Total non-current liabilities	925,175	1,023,788
<u>Current liabilities:</u>		
Tax provision	209	90
Trade and other payables	25,006	33,511
Interest-bearing loans and other borrowings	258,590	71,659
Advances from buyers	63,105	43,446
Derivative financial instruments	374	266
Total current liabilities	347,284	148,972
Total liabilities	1,272,459	1,172,760
Total equity and liabilities	2,001,153	1,877,127

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

25 August 2015

Date of approval of the
interim financial
statements

Ariel Podrojski
CEO

Harin Thaker
Chairman of Board

Nansia Koutsou
CFO

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Six months ended 30 June		Year ended 31 December
	2015	2014	2014
	Unaudited		Audited
	Euro in thousands (except for earnings/(losses) per share)		
Gross rental income	37,416	32,832	68,040
Service charge, management and other income	15,514	*) 11,796	*) 25,178
Property operating and other expenses	(24,493)	*) (20,495)	*) (43,340)
Rental and management income, net	28,437	24,133	49,878
Proceeds from sale of residential units	11,894	28,263	72,539
Cost of sales of residential units	(9,801)	(23,032)	(62,740)
Gross profit from sale of residential units	2,093	5,231	9,799
Total gross profit	30,530	29,364	59,677
Revaluation of investment property, net	3,574	24,565	112,118
Gain from bargain purchase and loss from realization of investments, net	-	-	16,328
Administrative expenses	(6,407)	(6,842)	(12,024)
Other income, net	360	538	526
Share based payments	(1,173)	(1,535)	(2,880)
Share of profit/(loss) of associates and joint ventures	(14,197)	3,938	2,497
Operating profit	12,687	50,028	176,242
Financial income	23,743	1,934	12,216
Financial expenses	(20,217)	(24,359)	(43,207)
Exchange rate differences, net	(19,168)	(4,676)	(50,970)
Financial expenses, net	(15,642)	(27,101)	(81,961)
Profit/(loss) before tax	(2,955)	22,927	94,281
Tax expense	(5,374)	(5,649)	(9,929)
Net profit/(loss) for the period	(8,329)	17,278	84,352
Profit/(loss) for the period attributable to:			
Equity holders of the Company	(23,281)	588	30,042
Non-controlling interests	14,952	16,690	54,310
	(8,329)	17,278	84,352
Earnings/(losses) per share attributable to equity holders of the Company			
Basic	(0.14)	**)	0.19
Diluted	(0.14)	**)	0.17

*) Retrospectively application due to change in accounting policy, see note 2c.

**) Represented amounts lower than €0.01.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June		Year ended 31 December
	Unaudited		Audited
	2015	2014	2014
	Euro in thousands		
Net profit/(loss) for the period	(8,329)	17,278	84,352
Other comprehensive income/(loss):			
Items to be reclassified to profit or loss			
Exchange differences on translation of foreign operations, net	15,517	767	(9,699)
Share of other comprehensive income/(loss) of associates and joint ventures	22,524	(3,551)	(50,158)
Total other comprehensive income/(loss)	38,041	(2,784)	(59,857)
Total comprehensive income for the period	29,712	14,494	24,495
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company	442	(1,061)	(6,106)
Non-controlling interests	29,270	15,555	30,601
	29,712	14,494	24,495

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

BCRE - BRACK CAPITAL REAL ESTATE INVESTMENTS N.V.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the equity holders of the Company									
	Share capital and premium	Convertible shareholders' capital notes	Convertible loan	Foreign currency translation reserve	Share-based payment reserve	Reserves from transactions with non-controlling interests	Retained earnings	Total	Non-controlling interests	Total equity
	Euro in thousands									
Balance as at 1 January 2014 (audited)	68,726	59,585	-	(25,091)	1,517	(13,609)	141,180	232,308	405,034	637,342
Profit for the year	-	-	-	-	-	-	30,042	30,042	54,310	84,352
Other comprehensive loss	-	-	-	(36,148)	-	-	-	(36,148)	(23,709)	(59,857)
Total comprehensive income/(loss)	-	-	-	(36,148)	-	-	30,042	(6,106)	30,601	24,495
Capital notes conversion	59,585	(59,585)	-	-	-	-	-	-	-	-
Issuance of shares	25,530	-	-	-	-	-	-	25,530	-	25,530
Issuance of convertible loan	-	-	16,575	-	-	-	-	16,575	-	16,575
Capital reduction	(4,821)	-	-	-	-	-	-	(4,821)	-	(4,821)
Share based payments	-	-	-	-	1,313	-	-	1,313	1,567	2,880
Transactions with non-controlling interests, net	-	-	-	-	-	2,548	-	2,548	(5,430)	(2,882)
Receipts from non-controlling interests	-	-	-	-	-	-	-	-	16,466	16,466
Distributions to non-controlling interests	-	-	-	-	-	-	-	-	(11,218)	(11,218)
Balance as at 31 December 2014 (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
Receipts from non-controlling interests	-	-	-	-	-	-	-	-	7,022	7,022
Distributions to non-controlling interests	-	-	-	-	-	-	-	-	(14,048)	(14,048)
Balance as at 30 June 2015 (unaudited)	149,020	-	16,575	(37,516)	3,136	(11,495)	147,941	267,661	461,033	728,694

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								
	Share capital and premium	Convertible shareholders' capital notes	Foreign currency translation reserve	Share-based payment reserve	Reserves from transactions with non-controlling interests	Retained earnings	Total	Non-controlling interests	Total equity
	Euro in thousands								
Balance as at 1 January 2014 (audited)	68,726	59,585	(25,091)	1,517	(13,609)	141,180	232,308	405,034	637,342
Profit for the period	-	-	-	-	-	588	588	16,690	17,278
Other comprehensive loss	-	-	(1,649)	-	-	-	(1,649)	(1,135)	(2,784)
Total comprehensive income/(loss)	-	-	(1,649)	-	-	588	(1,061)	15,555	14,494
Capital notes conversion	59,585	(59,585)	-	-	-	-	-	-	-
Issuance of shares	23,611	-	-	-	-	-	23,611	-	23,611
Share based payments	-	-	-	764	-	-	764	771	1,535
Transactions with non-controlling interests, net	-	-	-	-	195	-	195	(2,812)	(2,617)
Receipts from non-controlling interests	-	-	-	-	-	-	-	6,055	6,055
Distributions to non-controlling interests	-	-	-	-	-	-	-	(9,911)	(9,911)
Balance as at 30 June 2014 (unaudited)	151,922	-	(26,740)	2,281	(13,414)	141,768	255,817	414,692	670,509

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June		Year ended 31 December
	Unaudited		Audited
	2015	2014	2014
	Euro in thousands		
Cash flows from operating activities:			
Profit/(loss) for the period	(8,329)	17,278	84,352
Adjustments for:			
Depreciation	146	88	189
Gain from bargain purchase and other income, net	-	-	(16,328)
Revaluation of investment property, net	(3,574)	(24,565)	(112,118)
Share in loss/(profit) of entities accounted for using equity method	14,197	(3,938)	(2,497)
Deferred taxes, net	4,674	4,823	10,175
Tax provision	127	59	(1,662)
Share based payments	1,173	1,535	2,880
Other expenses	-	-	2,111
Financial expenses, net	15,642	27,101	81,961
Cash flow from operating activities before changes in working capital and provisions	24,056	22,381	49,063
Increase/(decrease) in advances from buyers	19,659	5,228	(96)
(Increase)/decrease in inventories of apartments under construction	(8,309)	1,000	22,062
(Increase)/decrease in trade and other receivables	(1,357)	210	(2,226)
(Decrease)/increase in trade and other payables	(2,109)	(3,782)	145
	7,884	2,656	19,885
Cash flows provided by operating activities	31,940	25,037	68,948
Cash flows from investing activities:			
Acquisition of newly consolidated subsidiaries and obtaining control in companies previously accounted for using equity method, net (a)	-	-	(4,327)
Investment and loans to associates and jointly controlled entities, net	(7,664)	7,999	5,430
Changes in investments, net	2,532	(11,586)	(17,106)
Acquisition and additions to property, plant and equipment	(76)	(202)	(1,205)
Acquisitions of investment property	(37,222)	(87,135)	(218,124)
Additions to investment property	(20,619)	(19,178)	(40,722)
Placement of restricted deposits, prepaid transaction costs and placement of long-term deposits in banks, net	7,229	(4,335)	(21,155)
Disposal of assets classified as held for sale	15,962	-	-
Interest received	1,136	-	1,440
Loans to related parties, net	-	(2,900)	(6,647)
Cash flows used in investing activities	(38,722)	(117,337)	(302,416)

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June		Year ended 31 December
	Unaudited		Audited
	2015	2014	2014
	Euro in thousands		
<u>Cash flows from financing activities:</u>			
Share capital issuance, net	-	24,205	25,530
Issuance of convertible loans	-	-	16,575
Repayment of capital note	-	(2,294)	(2,294)
Payment for capital reduction	(4,821)	-	-
Receipt of loans, net	43,165	234,207	353,470
Issuance of debentures, net	3,268	15,221	80,334
Repayment of long-term loans and debentures	(17,611)	(137,891)	(181,014)
Repayment of loans from partners and non-controlling interest	-	-	(9,633)
Interest paid	(15,825)	(14,930)	(33,328)
Transactions with non-controlling interests, net	7,022	6,055	22,869
Purchase of rights from non-controlling interests of subsidiaries	(3,832)	-	(10,125)
Loans received from associates	-	-	361
Repayment of loans from related parties	-	(5,657)	-
Distribution to non-controlling interests	(14,048)	(9,911)	(11,218)
Repayment of swap transaction, transaction costs and sale of derivatives, net	7,141	(3,418)	(3,418)
Exercise of stock options	717	1,579	2,752
Cash flows provided by financing activities	5,176	107,166	250,861
(Decrease)/increase in cash and cash equivalents	(1,606)	14,866	17,393
Foreign exchange differences, net	750	(319)	2,043
Cash and cash equivalents at the beginning of the period	96,359	76,923	76,923
Cash and cash equivalents at the end of the period	95,503	91,470	96,359

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June		Year ended 31 December
	2015	2014	2014
	Euro in thousands		
(a) <u>Acquisition of newly consolidated subsidiaries and obtaining control in companies previously accounted for using equity method:</u>			
Assets and liabilities of subsidiaries on the purchase date:			
Working capital (excluding cash and cash equivalents), net	-	-	(2,011)
Fixed assets	-	-	(232)
Other investments and loans	-	-	(1,712)
Deferred tax assets	-	-	(2,107)
Investments in associates	-	-	(1,002)
Interest bearing loans and borrowings	-	-	3,701
Loss from obtaining control	-	-	(2,111)
Non-controlling interests	-	-	1,147
	-	-	(4,327)

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 2015 and for the six months 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 2014 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 2015 comprise the Company and its subsidiaries and the Group's interest in associates and joint ventures which are accounted for using the equity method. The Group is an international real-estate development and investment group.

- b. The interim condensed consolidated financial statements were authorized in accordance with a resolution of the Board of Directors on 25 August 2015.

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 2015 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.

- c. During the period the Company, changed its accounting policy from presenting service charges from tenants in Germany, which were previously presented on net basis, to a gross basis presentation. The Company is of the opinion that the new accounting policy provides a more relevant information to the users of the financial statements.

The effects of the change in accounting policy in view of the above on the Group's consolidated financial statements are as follows:

In the consolidated income statement for the year ended 31 December 2014:

	As previously reported	Change	As currently presented
	Euro in thousand		
Service charge, management and other income	3,059	22,119	25,178
Property operating and other expenses	(21,221)	(22,119)	(43,340)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

In the consolidated income statement for the period ended 30 June 2014:

	As previously reported	Change	As currently presented
	Euro in thousand		
Service charge, management and other income	1,188	10,608	11,796
Property operating and other expenses	(9,887)	(10,608)	(20,495)

The change in accounting policy does not have any effect on the profit for the period/year and on the earning per share attributable to the equity holders of the Company.

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 2015	31 December 2014	30 June 2015	31 December 2014
Euro in thousands			

Financial liabilities:

Debentures and interest payable on debentures	310,836	278,147	321,866	287,195
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The carrying amount of cash and cash equivalents, restricted deposits and other short-term investments, trade receivables, other accounts receivable, trade payables and other payables and interest-bearing loans and borrowing presented at amortized cost approximates their fair value. Fair value of the quoted debentures is based on price quotations at the reporting date.

- b. The following table provides the fair value measurement hierarchy of the Group's financial instruments as at 30 June 2015:

	Fair value hierarchy			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	Total			
	Euro in thousands			
<u>Assets measured at fair value:</u>				
Investment property	1,395,323	-	-	1,395,323
Marketable securities and other short-term investments	6,163	6,163	-	-
Other investments and loans	24,641	-	24,641	-
<u>Liabilities measured at fair value:</u>				
Derivatives	1,914	-	1,914	-
Interest-bearing loans and borrowings	314,547	-	-	314,547
<u>Liabilities for which fair values are disclosed</u>	321,866	172,877	-	148,989

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3: - FINANCIAL INSTRUMENTS (Cont.)

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

Quantitative disclosures fair value measurement hierarchy for Group's assets and Liabilities as at 31 December 2014:

	Fair value hierarchy		
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Total	Euro in thousands		
<u>Assets measured at fair value:</u>			
Investment property	1,293,358	-	1,293,358
Derivatives	10,408	10,408	-
Marketable securities and other short-term investments	5,465	-	-
<u>Liabilities measured at fair value:</u>			
Derivatives	808	808	-
Interest-bearing loans and borrowings	320,430	-	320,430
<u>Liabilities for which fair values are disclosed</u>	287,195	157,908	129,287

- c. Reconciliation of fair value measurements that are categorized within Level 3 of the fair value hierarchy in financial instruments:

	Financial instruments	
	2015	2014
	Euro in thousands	
As of 1 January (audited)	449,717	533,125
Total loss recognized in profit or loss	16,264	7,478
Additions/repayments	(2,445)	(123,918)
Balance as of 30 June (unaudited)	463,536	416,685

	Financial instruments 2014
As of 1 January (audited)	533,125
Total loss recognized in profit or loss	14,054
Additions/repayments	(97,462)
Balance as of 31 December (audited)	449,717

- d. Valuation techniques:

The fair values of financial instruments not traded in active markets are determined using valuation techniques. Valuation techniques specific to financial instruments include:

- The fair values of interest swap contracts and CAP agreements are based on the present value of the estimated future cash flows determined using observable return curves.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**NOTE 3: - FINANCIAL INSTRUMENTS (Cont.)**

- The fair values of short term bank credits are based on the discounted cash flows determined using the observed rate of Euribor plus a margin.
- e. The following describes the unobservable material data used in valuation:

	Valuation technique	Unobservable material data	Range (weighted average)	Sensitivity of fair value to change in data
<u>Financial liabilities:</u>				
Loans	DCF	Discount interest	Euribor for 3 months plus 2.05 – 2.5	2% increase/decrease in discount rate will result in decrease/ increase of up to €11.1 million in fair value
Interest swap transactions	DCF	Payment curve	Euribor curve for the transaction period	2% increase/decrease in Euribor curve will result in decrease/ increase of up to €6.3 million in fair value

- f. During 2014, a subsidiary of the Company, had entered into a currency exchange rate transaction between Euro and the United States Dollar and as a result had recorded a valuation gain in the amount of €10 million for the year ended 31 December 2014.

During the six months period ended on 30 June 2015, as a result of the further weakening of Euro against the United States Dollar, the subsidiary entered into an opposite currency transaction to fix the profit accumulated by that date, in the amount of €24 million. As a result of this additional transaction during the six months period ended on 30 June 2015, the subsidiary recorded a valuation gain in the amount of €14 million. In addition, the subsidiary has an option to cash out these transactions at any given date by the payment of a not material commission. In addition, during the six months period ended on 30 June 2015, the subsidiary had entered into a SWAP transaction for fixing the 6-months Euribor interest rate in the amount of €200 million. As a result of changes in the interest rate expectations, the subsidiary had closed this transaction during the period and recorded a gain in the amount of €7 million classified within “financial income” on the consolidated income statement.

NOTE 4:- MATERIAL EVENTS DURING REPORTING PERIOD

- a. On 30 December 2014, a shareholders agreement in relation to the Novosibirsk project was signed between the joint venture (“JV”) and the local partner. The project will include an agro industrial, wholesale and distribution center, which will be implemented by phases. According to this agreement the JV company was established, where JV hold 51% of the shares and the remaining 49% by the local partner.

According to the agreement, the partner had assigned to the JV the rights of the land plots with the total area of approximately 156 hectare, located in Novosibirsk region, which shall be used for the project development. The JV committed to fund up to 500 million Russian Ruble, as a consideration for its share in the project.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

- b. On 7 April 2015, a subsidiary of the Company in USA has acquired a new rented multifamily platform ("Century Lakes") in Cincinnati, Ohio for the total amount of \$17.2 million (€14.2 million). In order to finance the acquisition the subsidiary obtained a bank loan of \$11.2 million (€9.2 million). The principal balance of the loan is payable on the loan maturity date on 6 May 2025. The facility carries interest at 4.07% per annum and is payable by monthly instalments.
- c. On 29 May 2015, a wholly owned and controlled subsidiary of Brack Capital Properties N.V. ("BCP") entered into a notarized sale agreement with a third party to purchase 430 residential units and 11 garages, spanning over a total area of 29 thousand square meters in several cities in northern Germany. The transfer of ownership and the payment of the full consideration of €24.5 million (including related transaction costs) were carried out on 30 June 2015. For the purpose of financing the purchase, the subsidiary entered into a loan agreement with a German bank for a non-recourse loan with final repayment date of 30 June 2020, in the total amount €17.6 million.
- d. As of 30 June 2015, the Group had negative working capital in the amount of €68.3 million, due to the arriving maturity date of several subsidiaries' loan facilities by 30 June 2016. As of the date of approval of these financial statements, few subsidiaries had signed agreements for the prolongation of the facilities (see also note 6b) while other subsidiaries are currently negotiating the prolongation of the facilities.
- e. Further to note 5b of the consolidated financial statements for the year ended 31 December 2014, due to the continuing decrease in oil and energy prices and the recent events in the Chinese economy, the Russian Ruble continues to weaken against the US Dollar by 25% (compared to 31 December 2014). The Group continues to monitor the economic developments in Russia which are external to the Group and beyond its control and is continuing taking steps to minimize its exposure to the situation.

NOTE 5:- SEGMENT INFORMATION

Six months ended 30 June 2015	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	4,267	8,906	1,838	20	483	15,514
Proceeds from sale of residential units	-	-	-	11,894	-	11,894
Cost of sales of residential units	-	-	-	(9,801)	-	(9,801)
Property operating and other expenses	(8,660)	(12,812)	(899)	(763)	(1,359)	(24,493)
Gross profit/(loss)	15,945	12,815	1,296	1,350	(876)	30,530
Revaluation of investment property, net	8,224	8,522	(13,172)	-	-	3,574
Share of profit of associates and joint ventures	(14,823)	-	-	1,499	(873)	(14,197)
Segment results	9,346	21,337	(11,876)	2,849	(1,749)	19,907
Administrative and other expenses, net						(7,220)
Financial expenses, net						(15,642)
Loss before tax						(2,955)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5:- SEGMENT INFORMATION (Cont.)

Six months ended 30 June 2014	Income producing commercial real estate	Income producing residential real estate	Property held for appreciation	Residential development	Other	Total
	Euro in thousand					
Gross rental income	19,808	12,891	133	-	-	32,832
Service charge, management and other income	*) 4,062	*) 7,259	30	-	445	*) 11,796
Proceeds from sale of residential units	-	-	-	28,263	-	28,263
Cost of sales of residential units	-	-	-	(23,032)	-	(23,032)
Property operating and other expenses	*) (8,855)	*) (9,459)	(1,906)	-	(275)	*) (20,495)
Gross profit/(loss)	15,015	10,691	(1,743)	5,231	170	29,364
Revaluation of investment property, net	5,622	10,840	8,103	-	-	24,565
Share of profit of associates and joint ventures	4,324	-	206	-	(592)	3,938
Segment results	24,961	21,531	6,566	5,231	(422)	57,867
Administrative and other expenses, net						(7,839)
Financial expenses, net						(27,101)
Profit before tax						22,927

*) Retrospectively application due to change in accounting policy, see note 2c.

Year ended 31 December 2014	Income producing commercial real estate	Income producing residential real estate	Property held for appreciation	Residential development	Other	Total
	Euro in thousands					
Gross rental income	39,731	27,919	390	-	-	68,040
Service charge, management and other income	*) 7,202	*) 15,764	55	-	2,157	*) 25,178
Proceeds from sale of residential units	-	-	-	72,539	-	72,539
Cost of sales of residential units	-	-	-	(62,740)	-	(62,740)
Property operating and other expenses	*) (15,188)	*) (20,190)	(767)	(226)	(6,969)	*) (43,340)
Gross profit/(loss)	31,745	23,493	(322)	9,573	(4,812)	59,677
Revaluation of investment property, gain from bargain and loss from realization of investments, net	38,973	11,619	78,798	-	(944)	128,446
Share of profit of associates and joint ventures	887	-	2,479	-	(869)	2,497
Segment results	71,605	35,112	80,955	9,573	(6,625)	190,620
Administrative and other expenses, net						(14,378)
Finance expenses, net						(81,961)
Profit before tax						94,281

*) Retrospectively application due to change in accounting policy, see note 2c.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6:- SUBSEQUENT EVENTS

- a. Further to note 9a3 to the 31 December 2014 consolidated financial statements, in August 2015 the Supreme State Court has provided its approval for the acquisition by a subsidiary of the Company in USA of a rented residential building in the Upper West Side of Manhattan, New York. The building has a gross internal area of c.240,000 square feet.
- b. In August 2015, BCP through its subsidiaries entered into two agreements with a German Banking Corporation for the extension of two existing loan facilities (Loan 1 and Loan 2). Loan 1 has been extended until 15 March 2023 and will bear interest at 3-months Euribor plus a margin of 1.39% (instead of 1.57% as per the previous agreement). Loan 2 has been extended until 15 April 2020 (with an option to extend for additional two years) and will bear interest at 3-months Euribor plus a margin of 1.33% (instead of 1.54% as per the previous agreement).

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 (IAS 34), give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and its consolidated subsidiaries; and
- the additional management information provided in the press release attached to the interim condensed consolidated financial statements include a fair view of the information required pursuant to section 5:25d paragraphs 8 and 9 of the Dutch Financial Supervision Act.

Amsterdam, 25 August 2015

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	Country of incorporation	Ownership interest	
		30 June 2015	31 December 2014
BCRE Russian Properties Ltd	Cyprus	85.07%	85.07%
Brack Capital First B.V.	The Netherlands	100%	100%
Brack Capital Properties N.V.	The Netherlands	34.76%	34.63%
Brack Capital USA B.V.	The Netherlands	100%	100%
BCRE India B.V.	The Netherlands	100%	100%
