



BCRE-BRACK CAPITAL REAL ESTATE INVESTMENTS N.V.

*(incorporated and registered in the Netherlands with
company registration number 34217263)*

US\$180,000,000 Programme for the issuance of Bonds

BCRE-Brack Capital Real Estate Investments N.V., a public company with limited liability incorporated under Dutch law (*naamloze vennootschap*), having its official seat in Amsterdam, the Netherlands and with address: Barbara Strozilaan 201, 1083 HN Amsterdam, the Netherlands (the **Issuer**), has updated its programme for the issuance of bonds (the **Bonds**) up to a maximum aggregate amount of US\$180 million (or its equivalent in other currencies) (the **Programme**), for which a base prospectus has been made available following the approval by the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*, the **AFM**) on 3 March 2016. A supplement to the base prospectus was published on 24 March 2016, following approval by the AFM (the supplement together with the base prospectus, the **Base Prospectus**).

This supplement (the **Supplement**) is supplemental to, forms part of and must be read and construed in conjunction with the Base Prospectus and any other supplements to the Base Prospectus (to be) issued by the Issuer. This Supplement, together with the Base Prospectus, constitutes a prospectus for the purposes of article 5:23 of the Dutch Act on financial supervision (**AFS**). Terms defined in the Base Prospectus have the same meaning when used in this Supplement.

This Supplement has been filed with and approved by the AFM as a prospectus supplement, in accordance with Directive 2003/71/EC, as amended (the **Prospectus Directive**), and relevant implementation measures in the Netherlands. A request has been made to the AFM to passport this Supplement to the Financial Conduct Authority as competent authority in the United Kingdom.

The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer (which has taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus by this Supplement and (b) any other

statement in or incorporated by reference in the Base Prospectus, the statements in (a) above will prevail.

No person has been authorised to give any information or to make any representation other than those contained in this Supplement or the Base Prospectus in connection with the issue or sale of the Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Dealers or the Arranger. Neither the delivery of this Supplement or the Base Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which the Base Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which the Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Supplement or the Base Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

This Supplement and the Base Prospectus do not constitute an offer of, or an invitation by or on behalf of the Issuer or the Dealers to subscribe for, or purchase, any Bonds.

To the fullest extent permitted by law, none of the Dealers or the Arranger accept any responsibility for the contents of this Supplement and the Base Prospectus or for any other statement, made or purported to be made by the Arranger or a Dealer or on its behalf in connection with the Issuer or the issue and offering of the Bonds. The Arranger and each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Supplement and the Base Prospectus or any such statement. Neither this Supplement nor the Base Prospectus nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arranger or the Dealers that any recipient of this Supplement and the Base Prospectus or any other financial statements should purchase the Bonds. Each potential purchaser of Bonds should determine for itself the relevance of the information contained in this Supplement and the Base Prospectus and its purchase of Bonds should be based upon such investigation as it deems necessary. None of the Dealers or the Arranger undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Supplement and the Base Prospectus nor to advise any investor or potential investor in the Bonds of any information coming to the attention of any of the Dealers or the Arranger.

The purpose of this Supplement is (a) to incorporate by reference the Issuer's (i) Annual Report 2015 and (ii) the Semi Annual Report 2016; (b) to update certain information on the Group; (c) to provide more information on certain material contracts entered into after the date of the date of the Base Prospectus; and (d) to provide an update on the financial and trading position and prospects. A copy of this Supplement and the Base Prospectus can be obtained from the Issuer, without charge. Requests for such documents should be directed to the Issuer at its registered office set out at the end of the Base Prospectus. Copies of documents incorporated by reference in the Base Prospectus can also be obtained from <http://www.brack-capital.com>.

MODIFICATION TO THE BASE PROSPECTUS

1.1 Important Information

In section 2.4 'Information in relation to BCP':

"The periodic financial statements of BCP dated September 2015 have been published on the Issuer's website <http://www.brack-capital.com/investor-relations/financial-reports/> document: "Uncertified English translation of Subsidiary Interim Financial Report for Third Quarter of 2015" - to update and the BCP company presentation of September 2015 can be found on the Issuer's website <http://www.brack-capital.com/investor-relations/financial-reports/document:> "Uncertified English translation of subsidiary presentation for the third quarter of 2015."

is being replaced in its entirety by

"The periodic financial statements of BCP dated September 2016 have been published on the Issuer's website <http://www.brack-capital.com/investor-relations/financial-reports/> document: "Uncertified English translation of Subsidiary Interim Financial Report for Third Quarter of 2016" and the BCP company presentation of September 2016 can be found on the Issuer's website <http://www.brack-capital.com/investor-relations/financial-reports/document:> "Uncertified English translation of subsidiary presentation for the third quarter of 2016."

1.2 Documents incorporated by reference

Chapter 8 '*Information incorporated by reference*' is replaced in its entirety by the following paragraph:

"The following information shall be deemed to be incorporated by reference in, and to form part of, this Base Prospectus, provided however that any statement contained in any document incorporated by reference in, and forming part of, this Base Prospectus shall be deemed to be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained herein modifies or supersedes such statement:

(a) the audited consolidated annual financial statements of the Issuer dated 31 December 2015 (as published on its website indicated below), dated 31 December 2014 (as published on its website indicated below) and dated 31 December 2013 (as set forth under Part X, Financial information, p. 172 et seq. of the prospectus dated 21 May 2014 made publicly available in connection with the Share Admission (as defined in Chapter 9 (*Information on the Group*), section 9.2) (the **Annual Reports**);"

(b) the unaudited consolidated semi-annual financial statements of the Issuer dated 30 June 2016 (the **Semi Annual Report 2016**) and 30 June 2015 (the **Semi Annual Report 2015**); and

(c) the section entitled "Terms and Conditions of the Bonds" set out in the base prospectus dated 28 November 2014, relating to the Programme (for the avoidance of doubt, the applicable Final Terms for a Tranche of Bonds will indicate the Terms and Conditions applicable to such Tranche and unless

otherwise indicated in the applicable Final Terms, the Terms and Conditions of all Bonds issued after the date hereof shall be those set out in this Base Prospectus).

Copies of the documents incorporated by reference are available, free of charge, at the registered office of the Issuer. The documents incorporated by reference are also available for viewing on the Issuer's website: (i) <http://www.brack-capital.com/wp-content/uploads/2014/11/Binder-prospectus-+-EY-+-valuations-final.21.pdf> document: BCRE Brack Capital Real Estate Investments N.V., Prospectus 2014; and (ii) <http://www.brack-capital.com/investor-relations/financial-reports/> documents: the Annual Reports and the Semi Annual Report 2015 and the Semi Annual Report 2016.”

1.3 **Information on the Group**

The ninth paragraph of section 9.2 ‘*History*’ of Chapter 9 ‘*Information on the Group*’ is replaced in its entirety by the following paragraph:

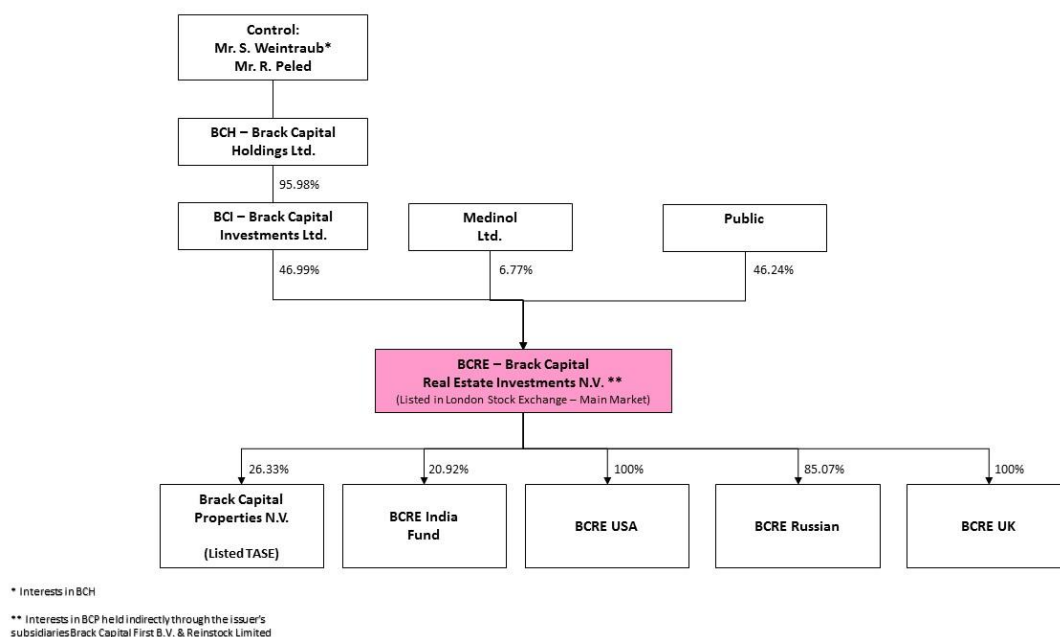
“In December 2014, the Issuer raised approximately €1,528,000 pursuant to the issuance of 920,481 Shares. In addition, the Issuer raised €16,800,000 pursuant to the issuance of convertible loan notes. The convertible loan notes bear 2.25% annual compounded interest and, following an agreed extension on 21 December 2016 and effective as of 15 November 2016, will have a term maturing on 30 November 2018. The convertible loan notes (including accrued interest) will be convertible in whole into Shares (i) at the holder's option at any time up to the end of the term, and (ii) at the Issuer's option on the maturity date. The conversion price is currently €1.50 per share (save for certain customary exceptions) and the ratchet protection is provided to the lender for the first year of the convertible loan notes' term.”

The following paragraph is added to section 9.2 ‘*History*’ of Chapter 9 ‘*Information on the Group*’:

“In January 2017, the Issuer entered into a loan agreement with an aggregate principal amount of approximately US\$3.2 million. See Chapter 9 (*Information on the group*), section 9.8 (*Relationship with key shareholders*).”

The section 9.3 ‘*Group Structure*’ of Chapter 9 ‘*Information on the Group*’ is replaced in its entirety by the following paragraph:

“The Group’s simplified corporate structure as per 1 February 2017 is shown in the chart below:



The following paragraph is added to paragraph ‘*Private Loan Agreements*’ of section 9.8 ‘*Relationship with key shareholders*’ of Chapter 9 ‘*Information on the Group*’:

“A loan agreement was entered into in January 2017 between the Issuer and a trust having Mr. Ronen Peled as its beneficiary, pursuant to which the Issuer borrowed approximately US\$3.2 million under the terms as detailed in the agreement with a maturity date of 5 December 2022. As security for the loan, the Issuer’s wholly-owned subsidiary Brack Capital First B.V. pledged its rights in BCP shares. This loan will be converted into Bonds upon the next issuance of Bonds under the Programme, unless repaid beforehand.”

1.4 Detailed overview of the Group’s portfolio and projects

The following paragraph is added to section 10.1.2 item ‘90 Morton st. (Manhattan, New York)’:

“In September 2016, the bank loan in the amount of US\$87,000,000 borrowed by the indirect subsidiary of the Issuer to purchase the property was replaced by a construction loan of up to US\$85,000,000 (of which approximately US\$64,000,000 has been drawn to date). The Issuer granted guarantees for certain payment obligations of the indirect subsidiary under the bank loan. In addition, the indirect subsidiary of the Issuer borrowed an additional of US\$30,000,000 in private loans and increased the private “unit convertible” loans to US\$56,000,000 under the same terms and conditions.

1.5 **Material contracts**

1.5.1 General

The following paragraphs are added to section 12.1 '*General*' of Chapter 12 '*Material Contracts*':

"12.1.12 Convertible bonds issuance and admission thereof to the Marché Libre

In September 2016, the Issuer issued 4.25% convertible bonds due 2020 (the **Convertible Bonds**) in an aggregate principal amount of €20,000,000 convertible into ordinary shares in the capital of the Issuer. Brack Capital First B.V., a subsidiary of the Issuer, purchased Convertible Bonds in a principal amount of €5,300,000 in order to sell such Convertible Bonds in the secondary market to investors. The sale of the Convertible Bonds by Brack Capital First B.V. is expected to be completed in 2017 and this will be duly announced.

Upon exercise of the bondholders' conversion rights at any time during the term of the Convertible Bonds, the bondholders will receive ordinary shares in the capital of the Issuer at the then prevailing conversion price. The Issuer will have the option to call for conversion only upon the redemption date or enforcement events. Subject to the adjustment mechanics as referred to in the terms and conditions of the Convertible Bonds, the initial bondholder conversion price is €1.50 and the initial issuer conversion price is €0.70.

The Convertible Bonds are issued at par in a principal amount of €100,000 per Convertible Bond and pay a fixed coupon of 4.25% per annum, payable annually in arrears on 20 September of each year, commencing on 20 September 2017 and will be redeemed, at par on 20 March 2020 (unless previously converted, purchased or cancelled).

Based on the initial bondholder conversion price, the shares in the capital of the Issuer underlying the Convertible Bonds in an aggregate principal amount of €20,000,000 represent approximately 8.33% of the Issuer's issued share capital as of the date of this Supplement.

12.1.13 Sale of shares in BCP

In September 2016, the Issuer sold 420,809 shares of BCP through an off-market transaction at a price of NIS 324 per share and for a total consideration of NIS 136,342,116 (approximately €32.4 million). The transaction reduced the Issuer's holding in the issued share capital of BCP to 28.31%.

The purpose of the transaction was to further increase the Issuer's liquidity and cash reserves, as well as increase the free float of BCP and the trading volume in its shares.

Due to the reduction of the Issuer's shareholding in BCP and after careful consideration, the Issuer reached the conclusion that, it no longer has control over BCP and therefore will not consolidate the financial position of BCP starting from 28 September 2016 (**Deconsolidation Date**). This conclusion is also supported by the recent receipt of an indication that changes to the voting arrangement in respect of BCP (as described below), to which the Issuer is a party, will be made and the further reduction of the Issuer's shareholding in BCP to approximately 26.33% (non-fully diluted basis) due to the share

issuance as announced by BCP on 31 January 2017 (as described below). It should be further noted, that to the best knowledge of the Company, the aforesaid deconsolidation is not expected to have an effect on the classification of the controlling shareholders of BCP, in accordance with the applicable Israeli securities law, 1968.

From the Deconsolidation Date the investment in BCP will be accounted for using the equity method. The financial results of BCP will be consolidated for the financial year ended 31 December 2016 up to the Deconsolidation Date and subsequently will be accounted for under the equity method. The estimated gain (net of transaction costs) from the sale of BCP shares and the revaluation of the remaining investment in BCP to fair value upon loss of control is approximately between €47 million to €57 million (unaudited). In addition, the estimated decrease in the total assets and total liabilities of the Issuer will be approximately by between 53% to 58% and by between 58% to 63% respectively (unaudited), compared to the Issuer's total assets and total liabilities as of 30 June 2016.

The deconsolidation does not impact the compliance by the Issuer with any covenants under its various loan agreements.

Recently, Brack Capital Zeta B.V. (a subsidiary of the Issuer's controlling shareholder) indicated that it will not further extend the voting arrangement it has with the Issuer, in which Brack Capital Zeta B.V. agreed to exercise its voting rights (4.47%) in BCP in accordance with the Issuer's instructions until July 2017.

In January 2017, BCP raised capital in the amount of approximately NIS200 million (approximately €50 million) by issuing ordinary shares.

12.1.14 BCRE – Private Loan Agreements

In January 2017, the Issuer entered into a loan agreement with an aggregate principal amount of approximately US\$3.2 million, see Chapter 9 (*Information on the group*), section 9.8 (*Relationship with key shareholders*).

1.5.2 Russia (General)

The following section Russia (General) is added to Chapter 12 '*Material Contracts*':

"In December 2016, certain subsidiaries of BCRE Russia have entered into agreements with the existing financing bank concerning the four major projects in Russia (Kazan, Lyubertsy, Lobnia and Dmitrov), whereby the main loan terms have been amended and the corporate structure of the subsidiaries will be revised. The aggregate principal amount of the restructured loans is approximately US\$ 267 million. The key amendments to the existing loan facilities and to the corporate structure of the subsidiaries are, among other things, prolonging the final maturity dates by 3 to 5 years, amortisation payment schedules shall be postponed towards the maturity dates, improved interest rates, material loan covenants have been relaxed and the financing bank shall obtain a 'golden' share in each project, which provides the financing bank with a veto right in respect of material decisions at the level of the subsidiaries. The 'golden' shares can be repurchased subject to full repayment of the outstanding amounts under the respective loan agreements or meeting certain financial covenants under the

respective loan agreements. The completion of the refinancing is expected to be completed within a period of eight months after the signing of the relevant agreements and is subject to certain other conditions which need to be fulfilled by the subsidiaries and the approval of the transfer of the 'golden' shares to the financing bank, by the Federal Antimonopoly Service of the Russian Federation.

1.5.3 Russia (Kazan)

The following paragraphs are added to Section 12.2 '*Russia (Kazan)*' of Chapter 12 '*Material Contracts*':

"Addendum to Non-Revolving Credit Line Agreement No. 2071

Addendum to Non-Revolving Credit Line Agreement No. 2071 was entered into on 2 December 2016 between a financing bank and LLC "Management Company" Technopolis "New Tura" in connection with a refinancing of the borrower.

Addendum to Non-Revolving Credit Line Agreement No. 2282

Addendum to Non-Revolving Credit Line Agreement No. 2282 was entered into on 2 December 2016 between a financing bank and LLC "Management Company" Technopolis "New Tura" in connection with a refinancing of the borrower."

1.5.4 Russia (Lyubertsy)

The following paragraphs are added to Section 12.4 '*Russia (Lyubertsy)*' of Chapter 12 '*Material Contracts*':

"Addendum to Non-Revolving Credit Line Agreement No. 00040213/60013200

Addendum to Non-Revolving Credit Line Agreement No. 00040213/60013200 was entered into on 28 October 2016 between OSJC "Sberbank of Russia" and LLC "Investmanagementstroy" in connection with a refinancing by the borrower.

Addendum to Non-Revolving Credit Line Agreement No. 00040113/60013200

Addendum to Non-Revolving Credit Line Agreement No. 00040113/60013200 was entered into on 28 October 2016 between OSJC "Sberbank of Russia" and LLC "Investmanagementstroy" in connection with a refinancing by the borrower."

1.6 Financial and trading position and prospects

Section 15.7 '*Financial and trading position and prospects*' of Chapter 15 '*General Information*' is replaced in its entirety by the following paragraph:

"There has been no significant change in the financial or trading position of the Group since 30 June 2016, the date of its last published unaudited financial statements, apart from:

(i) *the Share Buyback Programme*

On 3 June 2016 the Issuer announced a share buyback programme up to a maximum of €3,000,000.00 (the **Share Buyback Programme**). The Issuer intends to cancel the shares upon repurchase. The purpose of the Share Buyback Programme was to reduce the discount between the share price and the net asset value per share. The Share Buyback Programme was further extended on 14 September and completed before 31 December 2016.

The Share Buyback Programme was executed by the board of the Issuer within the limitations of the existing authority granted by the general meeting of the Issuer on 30 June 2015 and 24 June 2016 and at a price which is around the prevailing stock price at the time of the transactions. Due to the generally low trading volume of the Issuer's Shares on the LSE, repurchases of Shares under the Share Buyback Programme represented a significant portion of the daily trading volume in the Shares.

The total number of shares repurchased under the Share Buyback Programme was 2,013,165 for a total consideration of €1,961,780.20. The share capital of the Issuer was reduced by 1,533,415 following the cancellation of these shares repurchased under the Share Buyback Programme. The share capital of the Issuer now consists of 160,076,649 ordinary shares.

(ii) *the Convertible Bond Issuance*

As described in Chapter 12 (*Material Contracts*), section 12.1.12.

(iii) *the deconsolidation of BCP*

As described in Chapter 12 (*Material Contracts*), section 12.1.13.

There has been no material adverse change in the prospects of the Issuer since 30 June 2016, the date of its last interim unaudited financial statements."
